齊屹科技

Qeeka Home (Cayman) Inc.

Stock Code:1739

ANNUAL REPORT

2019

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. DENG Huajin *(Chairman and Chief Executive Officer)*
Mr. TIAN Yuan
Mr. GAO Wei

Non-executive Directors

Mr. LI Gabriel
Ms. PING Xiaoli[1]
Mr. ZHAO Guibin[2]
Mr. SHENG Gang[3]
Mr. WU Haifeng[4]
Mr. TANG Zhenjiang[5]

Independent Non-executive Directors

Mr. ZHANG Lihong
Mr. CAO Zhiguang
Mr. WONG Man Chung Francis

JOINT COMPANY SECRETARIES

Mr. TIAN Yuan[6]
Ms. SO Shuk Yi Betty
Mr. WANG Wenfei[7]

AUTHORIZED REPRESENTATIVES

Mr. DENG Huajin
Mr. TIAN Yuan[6]
Mr. WANG Wenfei[7]

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. WONG Man Chung Francis *(Chairman)*
Mr. ZHANG Lihong
Mr. CAO Zhiguang

REMUNERATION COMMITTEE

Mr. CAO Zhiguang *(Chairman)*
Mr. DENG Huajin
Mr. ZHANG Lihong
Mr. WONG Man Chung Francis

NOMINATION COMMITTEE

Mr. DENG Huajin *(Chairman)*
Mr. ZHANG Lihong
Mr. CAO Zhiguang

REGISTERED OFFICE

The offices of Sertus Incorporations (Cayman) Limited
Sertus Chambers, Governors Square
Suite #5-204, 23 Lime Tree Bay Avenue
P.O. Box 2547
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS

No. 6 Building, 3131 Jinshajiang Road
Jiading District, Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

Notes:

1. Ms. PING was appointed on 29 October 2019.
2. Mr. ZHAO Guibin was appointed on 24 April 2020.
3. Mr. SHENG resigned on 24 April 2020.
4. Mr. WU resigned on 29 March 2019.
5. Mr. TANG was appointed and resigned on 29 March 2019 and 29 October 2019, respectively.
6. Mr. TIAN was appointed on 2 August 2019.
7. Mr. WANG resigned on 2 August 2019.

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Sertus Incorporations (Cayman) Limited
Sertus Chambers, Governors Square
Suite #5-204, 23 Lime Tree Bay Avenue
P.O. Box 2547
Grand Cayman, KY1-1104
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54 Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISERS

As to Hong Kong law and United States law
Simpson Thacher & Bartlett
35/F, ICBC Tower
3 Garden Road
Central
Hong Kong

AUDITOR

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

STOCK CODE

1739

COMPANY'S WEBSITE

www.qeeka.com

COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANKS

China Merchants Bank, Shanghai Branch
Road Jinshajiang Sub-branch
1-2/F, Tower A, Shengnuoya Building
No. 1759, Road Jinshajiang
Putuo District, Shanghai
PRC

Bank of China (Hong Kong) Limited
Hong Kong Branch
3/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

Key Financial and Operation Data

HIGHLIGHTS OF FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

RMB770.9 million
Total revenue increased by *19.4%* year-on-year

RMB62.2 million
Adjusted net profit attributable to equity holders of the Company

RMB459.0 million
Revenues from the Platform Business increased by *42.9%* year-on-year

59.4 million
Monthly unique visitors increased by *22.2%* year-on-year

RMB990
Average revenue from platform services per recommended user increased by *0.1%* year-on-year

1,158,610
Number of recommendations made increased by *51.1%* year-on-year

KEY FINANCIAL DATA

Continuing operations	Year ended 31 December 2019 RMB'000	2018 RMB'000	Year-on-year Change (%)
Revenue	**770,912**	645,704	19.4%
– Platform Business	**459,030**	321,230	42.9%
– Material Supply Chain Business	**63,053**	53,656	17.5%
– Self-operated Interior Design and Construction Business and others	**248,829**	270,818	(8.1%)
Gross Profit	**508,623**	381,558	33.3%
– Platform Business	**439,403**	304,892	44.1%
– Material Supply Chain Business	**7,194**	6,233	15.4%
– Self-operated Interior Design and Construction Business and others	**62,026**	70,433	(11.9%)
Gross Margin	**66.0%**	59.1%	11.7%
– Platform Business	**95.7%**	94.9%	0.8%
– Material Supply Chain Business	**11.4%**	11.6%	(1.7%)
– Self-operated Interior Design and Construction Business and others	**24.9%**	26.0%	(4.2%)
Net profit attributable to equity holders of the Company	**61,934**	725,607	(91.5%)
Adjusted Net Profit attributable to equity holders of the Company(1)	**62,218**	51,646	20.5%
Adjusted Net Margin	**8.1%**	8.0%	1.3%
Adjusted EPS (expressed in RMB per share)(2)			
– Basic	**0.05**	0.07	
– Diluted	**0.05**	0.05	

Notes:

(1) For details of adjusted net profit attributable to equity holders of the Company, please refer to the section headed "Management Discussion and Analysis – Profit from continuing operations and NON-IFRS Measures: adjusted net profit attributable to equity holders of the Company".

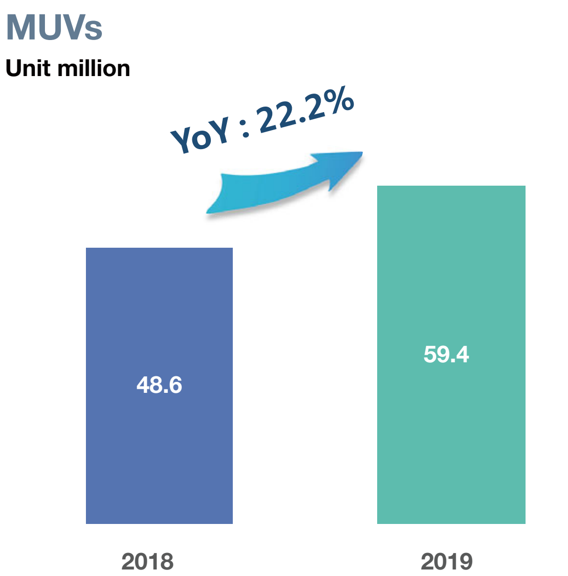
(2) Adjusted earnings per share ("EPS") is calculated by dividing the adjusted net profit from continuing operations attributable to equity holders of the Company by weighted average number of ordinary shares issued during the years ended 31 December 2019 and 2018, which exclude fair value gains of the preferred shares and convertible liabilities, accretion charge related to preferred shares, impairment loss on investments in an associate, gains on addition of financial asset at FVOCI, net fair value change on investment on financial assets at fair value through profit or loss, one-off investment gain, share-based compensation expenses and listing expenses.

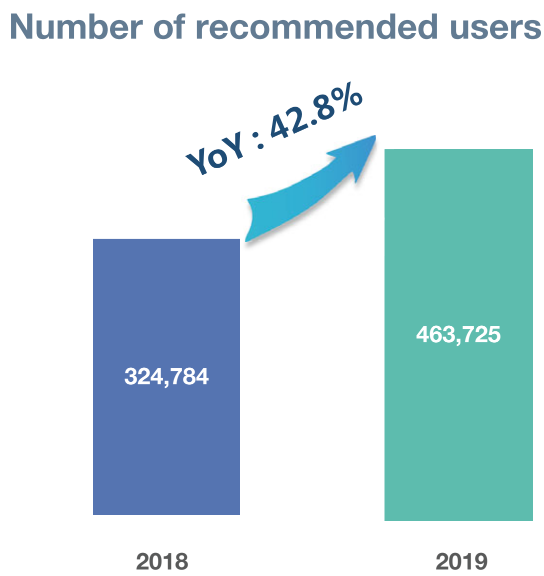
KEY OPERATION METRICS

The table below sets forth our MUVs, the number of users to whom we made recommendations, the number of user recommendations made, and the average revenue from platform services per recommendation during the periods indicated:

	Year ended 31 December		Year-on-year
	2019	2018	Change
	RMB'000	RMB'000	
MUVs (in millions)	**59.4**	48.6	22.2%
Number of recommended users	**463,725**	324,784	42.8%
Number of recommendations made	**1,158,610**	766,735	51.1%
Average revenue from platform services per recommended user (RMB)	**990**	989	0.1%

During the year, (i) our MUVs grew by 22.2% to approximately 59.4 million from approximately 48.6 million in 2018; (ii) the number of recommended users reached 463,725, representing an increase of 42.8% year-on-year; (iii) the number of recommendations made increased by 51.1% to 1,158,610 from 766,735 in 2018; and (iv) the average revenue from platform services per recommended user increased by 0.1% to RMB990 from RMB989 in 2018.





Chairman's Statement

Mr. Deng Huajin
Chairman

Dear shareholders:

On behalf of the Board of the Company, I am pleased to present the annual results of the Group for the year ended 31 December 2019.

HIGHLIGHTS OF RESULTS

- Total revenue for the year ended 31 December 2019 grew 19.4% year-on-year to RMB770.9 million.
- Total gross profit from continuing operations increased by 33.3% to RMB508.6 million in 2019, from RMB381.6 million in 2018.
- Adjusted net profit from continuing operations attributable to equity holders of the Company for the year ended 31 December 2019 increased to RMB62.2 million, compared to an adjusted net profit of RMB51.6 million for the year ended 31 December 2018.

BUSINESS REVIEW

Platform Business

In 2019, we launched the "Torch upgrade plan" for the IDC service providers, which includes various value-adding service that improved their operating efficiency. The implementation effect of the plan directly enhanced the IDC service providers' satisfaction and stickiness of the platform.

On the service providers front, we provided IDC service providers with the comprehensive operational support services (including CRM system, VR system, EPR system), which improved management and service efficiency in marketing, ordering, design and site management. We provided loan referral services to IDC service providers and users, in order to further enhance our users' experience on our platform by providing easily accessible and diverse financing options to them on our platform.

On the consumer front, in order to meet the diversified needs of consumers, we have devoted more resources into data analysis to more precisely match user profiles and recommend the consumers to the more suitable IDC service providers on our platform. We have upgraded the Qijia Bao service to enhance the consumers' experience, by providing quotes, consultation, supervision and loan referral services on our platform.

As a result of the foregoing, our platform business maintained steady growth during the year. The number of users and IDC service providers settled in the platform rose steadily. The growth rate of users and the loyalty of users continued to rise, attracting many core IDC service providers in key cities. The total number of IDC service providers settled in the platform exceeded 12,312 as of 31 December 2019, with more than 59.4 million monthly unique visitors and 2.7 million real-life case examples.

Supply Chain Business

In 2019, we have built a supply chain ecosystem in which the needs of material suppliers and IDC service providers are more precisely and efficiently met due to our quotes and SKU management enabled by our digital system, thereby contributing to the IDC service providers' supply chain and cost-efficiency. We have established a three-in-one supply chain strategy by building a competitive product portfolio, improvement of warehousing and distribution services, and a digital system that promotes trading efficiency in the industry.

In addition, we have also enriched the business landscape and expanded business, which has greatly enhanced the Group's competitiveness. In 2019, we created the Nola brand which attracted a large number of distributors. We have also invested in an auxiliary material B2B platform namely Xiao Pangxiong to develop our auxiliary material supply chain.

Company Outlook and Strategies for 2020

Our strategic orientation for the competition into the future is based on an accurate understanding of the industry's development trends and seeks to lay a solid foundation for the growth of the next decade. Through the sharp perception of market changes, full understanding of industry disadvantages, and in-depth analysis of our own business, we realize that the competition we are facing is changing and that the low level of digitalization in IDC service providers is bound to be contradictory with consumers' expectations for digital consumption. As a participant that connects processes of this industry, we have taken the lead in promoting digitalization of the industry by focusing on technology and competition dynamics, and embraced the industrial Internet in 2019.

The outbreak of the new COVID-19 pandemic in 2020 shows exactly that digitalization of the IDC industry is an irreversible trend. It is precisely because of our early development on this competitive track that we can support timely for IDC service providers, promote the digital transformation of the IDC service providers through PaaS platform services, online orders received and service training, online design software enabling, online live broadcast marketing and other means. As a result, we have supported the IDC service providers in terms of continuous operation during this difficult period and have maintained the ecological stability of the industry.

With regard to technological and ecological competition, we have laid a solid foundation and gained the first-mover advantage. We will continue to promote the digital transformation and upgrading of the industry as well as the development of the industrial Internet to help more companies to realize the digital transformation and upgrading, consumers to obtain better IDC services and the industry to move towards of higher efficiency and standardization. At the same time, we will pay back every investor with stronger competitiveness and better revenue.

DIVIDEND

The Board has recommended the payment of a final dividend of HKD0.02 per share for the year ended 31 December 2019, subject to the approval of the shareholders at the 2020 AGM. Such proposed dividend will be payable on 26 June 2020 to the shareholders whose names appear on the register of members of the Company on 12 June 2020.

APPRECIATION

I would like to take this opportunity to express my gratitude to all shareholders, investors, business partners and users for trusting and supporting the Group. At the same time, I would like to thank the Board, the management team and all of our employees for their efforts and contributions to the Group. In the future, we will continue to promote the development of the Group and seek to create maximum value for shareholders.

Mr. Deng Huajin
Chairman

Shanghai, the PRC
27 March 2020

BUSINESS REVIEW AND OUTLOOK

Business review

- **Platform Business**

  Our Platform Business provides a one-stop solution for our users and merchants, which helps our users navigate the complicated interior design and construction process by sharing home improvement knowledge and connecting them with quality service providers. Our platform is also an efficient and cost-effective means for interior design and construction service providers to acquire customers and promote their brands.

  In 2019, we further strengthened our leading position in the interior design and construction platform business in the PRC. We achieved good performance in terms of our key operating metrics, including number of recommended users and number of service providers. Revenues from the Platform Business increased by 42.9% year-on-year to RMB459.0 million for the year ended 31 December 2019.

  On the consumer front, we delivered comprehensive, independent and interactive contents to users through our website and mobile applications that are accessible through PCs and mobile devices. As of 31 December 2019, our user data and high-quality home improvement content included over 2.5 million articles and posts, 7.0 million photos and 2.7 million real-life case examples. Our accurate and comprehensive user profiling technology enables us to continuously enhance user experience and improve our ability to attract and retain customers.

  To address poor user experience caused by sub-par construction service and unsecured payment mechanism which was common during the construction, we continued to promote third-party inspection services and payment security (namely "Qijia Bao Service") to our users. During the year, the number of construction sites that adopted our Qijia Bao Service increased by 48.8% to 28,161.

  On the merchant side, we promoted the business expansion and management mechanism for these service providers on our platform. We increased the density of channel network through attracting more high quality service providers to our platform. The number of interior design and construction service providers on our platform increased by 27.0% from 9,694 as of 31 December 2018 to 12,312 as of 31 December 2019.

- **Material Supply Chain Business**

  We integrated materials purchasing and distribution and passed on efficiency gains to our service providers. We deepened partnerships with well-known materials merchants in China to sell customized or exclusive models of selected materials categories to our service providers.

  We established a subsidiary with Guangzhou Holike Creative Home Co., Ltd. (廣州好萊客創意家居股份有限公司) (stock code: 603898) which will focus on the customized integrated furnitures, and will deepen our strategy in Material Supply Chain Business.

  In 2019, we cooperated with a Chinese online auxiliary construction material supplier, Xiao Pangxiong, to jointly develop online auxiliary construction material distribution business.

  In 2019, revenues from the Material Supply Chain Business was RMB63.1 million, representing a 17.5% increase from the full year of 2018.

- **Self-operated Interior Design and Construction Business**

  We operated two full-service interior design and construction businesses, namely, Brausen and Jumei, targeting different consumers. Brausen focuses on individual consumers, whereas Jumei focuses on interior design and construction services for residential real-estate developers and serviced apartments. We believe we are able to create more value to our users and service providers on our platform by applying hands-on experience and industry insights gained from the operation of Self-operated Interior Design and Construction Businesses.

  As we shifted our focus to improve operational efficiencies and strengthen the strategic synergies of Brausen and Jumei with the overall Platform Business rather than sales volume growth, revenues from Self-operated Interior Design and Construction Business decreased slightly by 8.1% to RMB248.8 million in 2019.

Company financial highlights

For the year ended 31 December 2019, our total revenues increased by 19.4% year-on-year to RMB770.9 million; revenues from our Platform Business, Material Supply Chain Business and Self-operated Interior Design and Construction Business and others increased by 42.9%, increased by 17.5% and decreased by 8.1% year-on-year, respectively.

Adjusted net profit from continuing operations attributable to equity holders of the Company was RMB62.2 million for the year ended 31 December 2019, representing 20.5% increase in profit compared to an adjusted net profit of RMB51.6 million for the year ended 31 December 2018.

Company business outlook

In 2020, we will continue to focus on executing our long-term strategy to strengthen our position as China's leading interior design and construction platform, reducing our exposure to short-term volatility, aligning our product strategy, client coverage and service development and allocating our resources and efforts for long-term returns. We are developing and building a platform-as-a-service, commonly known as the PaaS platform, and will timely support the service providers with the irreversible digitalization trend of the interior design and construction industry.

As for our Platform Business, we will enrich the content of our platform, actively promote our Qijia Bao Service, and enhance overall user experience. Our platform will also attract more superior interior design and construction service providers in order to meet the needs of our users.

We are excited by the new talents we are bringing to our core team and the foundation we have built. Going forward, we will explore diversified business models and opportunities to build a robust and comprehensive platform.

From a monetisation prospective, we will continue to scale up our Platform Business by expanding geography coverage, deepening merchant penetration and diversifying service offerings.

We are confident we will be able to create sustainable value for our Shareholders continuously.

MANAGEMENT DISCUSSION AND ANALYSIS

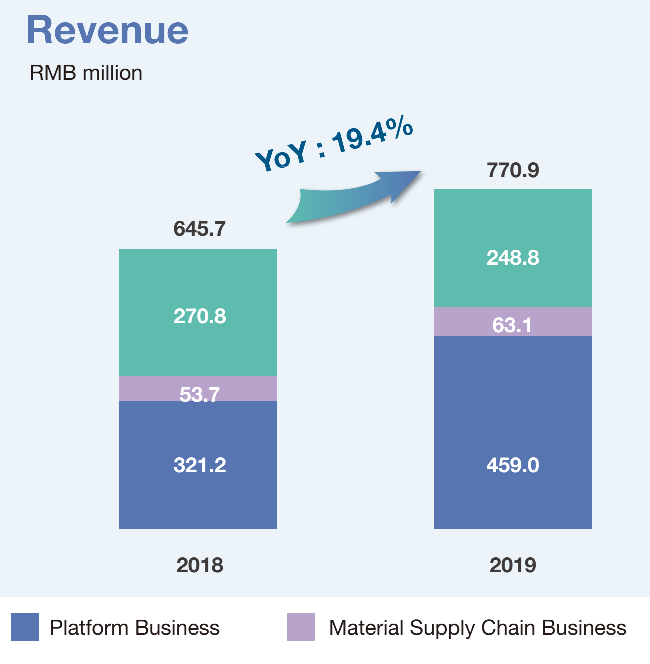
(The following information disclosure was based on financial information prepared in accordance with IFRSs unless otherwise specified)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Continuing operations		
Revenue	**770,912**	645,704
Cost of sales	**(262,289)**	(264,146)
Gross profit	**508,623**	381,558
Selling and marketing expenses	**(406,260)**	(303,216)
Administrative expenses	**(79,637)**	(105,422)
Research and development expenses	**(45,466)**	(37,058)
Net impairment gains/(losses) on financial assets	**2**	(242)
Other gains – net	**26,777**	12,317
Operating profit/(loss)	**4,039**	(52,063)
Finance income	**25,409**	59,115
Finance costs	**(1,958)**	–
Finance income – net	**23,451**	59,115
Share of results of investments accounted for using the equity method	**17,864**	2,007
Fair value gains of preferred shares and convertible liabilities	**–**	699,247
Profit before income tax	**45,354**	708,306
Income tax credits	**5,465**	5,164
Profit from continuing operations	**50,819**	713,470
Profit from discontinued operations	**–**	31,987
Profit for the year	**50,819**	745,457
Profit/(loss) attributable to:		
Equity holders of the Company	**61,934**	757,594
Non-controlling interests	**(11,115)**	(12,137)
	50,819	745,457
Non-IFRS measure		
Adjusted net profit from continuing operations attributable to equity holders of the Company	**62,218**	51,646

Revenue from continuing operations

Our total revenues from continuing operations increased by 19.4% to RMB770.9 million for the year ended 31 December 2019, compared to RMB645.7 million for the year ended 31 December 2018.

	Year ended 31 December			
	2019		2018	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue
Platform Business	**459,030**	**59.5%**	321,230	49.7%
Material Supply Chain Business	**63,053**	**8.2%**	53,656	8.4%
Self-operated Interior Design and Construction Business and others	**248,829**	**32.3%**	270,818	41.9%
	770,912	**100.0%**	645,704	100.0%



- **19.4%** year-on-year revenue growth in 2019
- Revenues from the Platform Business were **RMB459.0** million for the year ended 31 December 2019, representing an increase of **42.9%** from RMB321.2 million for the year ended 31 December 2018.

- **Platform Business**

  Our revenues from the Platform Business increased by 42.9% to RMB459.0 million for the year ended 31 December 2019 from RMB321.2 million for the year ended 31 December 2018. The increase of revenues from Platform Business was mainly driven by the increase in the number of recommended users as a result of improvement of the operation of inspection service, and enrichment of our online website content, which created further stickiness of users to our online service.

- **Material Supply Chain Business**

  Our revenues from our Material Supply Chain Business increased by 17.5% to RMB63.1 million for the year ended 31 December 2019 from RMB53.7 million for the year ended 31 December 2018. The increase was primarily due to the competitive advantage of our materials in price and quality as we deepened partnerships with well-known materials merchants in China, which in turn attracts more service providers on our platform to rely on our system to achieve one-stop supply chain services.

- **Self-operated Interior Design and Construction Business and others**

  Revenues derived from our Self-operated Design and Constructing Business and others decreased by 8.1% to RMB248.8 million for the year ended 31 December 2019, compared to RMB270.8 million for the year ended 31 December 2018, primarily driven by a decline in revenues from home renovation service, partly offset by revenue growth from real estate refined decoration service.

	Year ended 31 December		Year-on-year change
	2019	2018	
	RMB'000	RMB'000	%
Home renovation service	**104,931**	209,107	(49.8%)
Real estate refined decoration service	**139,674**	56,632	146.6%
Others	**4,224**	5,079	(16.8%)
	248,829	270,818	(8.1%)

Revenues derived from home renovation service decreased by 49.8% to RMB104.9 million for the year ended 31 December 2019 from RMB209.1 million for the year ended 31 December 2018. This decrease was primarily due to our shift of focus to improve operational efficiencies rather than sales volume growth, and integrated this segment business by scaling down Brausen's operations at locations that sustained losses.

Revenues derived from real estate refined decoration service increased by 146.6% to RMB139.7 million for the year ended 31 December 2019 from RMB56.6 million for the year ended 31 December 2018. This increase mainly reflected higher revenues from construction services for the new real-estate projects.

Cost of sales from continuing operations

Cost of sales from continuing operations decreased by 0.7% to RMB262.3 million for the year ended 31 December 2019, compared to RMB264.1 million for the year ended 31 December 2018, which was mainly due to decrease in costs of our Self-operated Interior Design and Construction Business.

- **Platform Business**

  Cost of sales of our Platform Business increased by 20.2% from RMB16.3 million for the year ended 31 December 2018 to RMB19.6 million for the year ended 31 December 2019. The increase was mainly due to higher operating costs for platform services, which is in line with the growth of our platform business revenue.

- **Material Supply Chain Business**

  Cost of sales of our Material Supply Chain Business increased by 17.9% from RMB47.4 million for the year ended 31 December 2018 to RMB55.9 million for the year ended 31 December 2019. The increase mainly due to the increase in material costs, which is in line with the growth of our Material Supply Chain revenue.

- **Self-operated Interior Design and Construction Business and others**

  Cost of sales of our Self-operated Interior Design and Construction Business and others decreased by 6.8% to RMB186.8 million for the year ended 31 December 2019, compared to RMB200.4 million for the year ended 31 December 2018. The decrease was mainly driven by lower costs for home renovation service due to the integration of this segment.

Gross profit and gross margin from continuing operations

As a result of the foregoing, our total gross profit from continuing operations increased by 33.3% to RMB508.6 million in 2019, from RMB381.6 million in 2018. Our overall gross margin from continuing operations increased from 59.1% for the year ended 31 December 2018 to 66.0% for the year ended 31 December 2019.

	Year ended 31 December			
	2019		2018	
	Amount RMB'000	**Gross Margin %**	Amount RMB'000	Gross Margin %
Platform Business	**439,403**	**95.7%**	304,892	94.9%
Material Supply Chain Business	**7,194**	**11.4%**	6,233	11.6%
Self-operated Interior Design and Construction Business and others	**62,026**	**24.9%**	70,433	26.0%
	508,623	**66.0%**	381,558	59.1%

- **Platform Business**

  Gross profit of our Platform Business increased by 44.1% from RMB304.9 million for the year ended 31 December 2018 to RMB439.4 million for the year ended 31 December 2019. Gross profit margin of this segment stabilized at approximately 95.7% for the year ended 31 December 2019, as compared to 94.9% for the year ended 31 December 2018. This increase was driven by the consistent growth of our platform service and we improved our operation efficiency through refined management.

- **Material Supply Chain Business**

  Gross profit of our Material Supply Chain Business increased by 15.4% from RMB6.2 million for the year ended 31 December 2018 to RMB7.2 million for the year ended 31 December 2019. The gross margin of Material Supply Chain Business maintained a stable level as compared to the year ended 31 December 2018.

- **Self-operated Interior Design and Construction Business and others**

  Gross profit of our Self-operated Interior Design and Construction Business and others slightly decreased by 11.9% from RMB70.4 million for the year ended 31 December 2018 to RMB62.0 million for the year ended 31 December 2019. The gross margin of Self-operated Interior Design and Construction Business decreased by 1.1% on a year-on-year basis as we concentrated on the refined decoration of new real estate project with the lower gross margin, compared with some villas and office building project with the higher gross margins last year.

Selling and marketing expenses

Our selling and marketing expenses from continuing operations increased by 34.0% to RMB406.3 million in 2019 from RMB303.2 million in 2018, primarily due to (i) an increase in marketing and advertising expenses to drive traffic growth, including MUV and number of recommended users; and (ii) an increase in headcount of sales teams to support the offline channel expansion of our platform services, but decreased to 17.6% from 18.1% as a percentage of revenues on a year-on-year basis, as we continued to drive the growth of our core business with better human effectiveness management.

Administrative expenses

Our administrative expenses decreased by 24.5% to RMB79.6 million for the year ended 31 December 2019, compared to RMB105.4 million for the year ended 31 December 2018. It was primarily due to one-off listing expenses incurred in connection with the IPO in July 2018.

Research and development expenses

Our research and development expenses increased by 22.6% to RMB45.5 million in 2019 on a year-on-year basis, primarily attributable to (i) the increase in both the headcount and average salaries and benefits of our research and development personnel to support our business growth, and (ii) the increase in subcontracting to third parties to enhance our platform technology development.

Other gains – net

Other gains in 2019 mainly consisted of (i) government subsidies of RMB16.5 million, (ii) fair value changes of investment on financial assets at fair value through profit or loss of RMB14.6 million, and (iii) gains on addition of investment in an associates of RMB5.3 million, which is offset by impairment loss on investment in an associate of RMB13.0 million.

Finance income – net

Our finance income from continuing operations decreased by 60.2% to RMB23.5 million for the year ended 31 December 2019 from RMB59.1 million for the year ended 31 December 2018. The decrease was mainly due to the accretion charge of liabilities components of preferred shares of RMB21.4 million for the year ended 31 December 2018.

Fair value gains of preferred shares and convertible liabilities

Fair value gains of preferred shares and convertible liabilities was nil for the year ended 31 December 2019 as a result of conversion of all preferred shares upon the completion of our initial public offering in July 2018, compared to a gain of RMB699.2 million for the year ended 31 December 2018.

Income tax credit

Income tax credit for the year ended 31 December 2019 were RMB5.5 million, compared to RMB5.2 million of income tax credit for the year ended 31 December 2018, mainly due to increase in deferred tax assets.

Profit from continuing operations and Non-IFRS measures: adjusted net profit attributable to equity holders of the Company

As a result of the foregoing, our net profit from continuing operations decreased by 92.9% year-on-year to RMB50.8 million for the year ended 31 December 2019, compared to a net profit of RMB713.5 million in 2018.

To supplement our consolidated financial statements which are presented in accordance with the IFRSs, we also use adjusted net profit from continuing operations attributable to equity holders of the Company as an additional financial measure, which was not required by, or presented in accordance with, IFRSs. We believe that this Non-IFRS measure facilitates comparisons of operating performance by eliminating potential impacts of items, which are unusual, non-recurring, non-cash and/or non-operating that our management do not consider to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit may not be comparable to a similarly titled measure presented by other companies. The use of this Non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

Our adjusted net profit from continuing operations attributable to equity holders of the Company was RMB62.2 million for the year ended 31 December 2019, which represented a steady growth of 20.5% compared to the adjusted net profit of RMB51.6 million for the year ended 31 December 2018. The increase in adjusted net profit from continuing operations attributable to equity holders of the Company reflected our solid monetisation from Platform Business as well as disciplined cost control with increasing operational leverage.

The following table reconciles our adjusted net profit from continuing operations attributable to equity holders of the Company for the years ended 31 December 2019 and 2018 to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net profit from continuing operations attributable to equity holders of the Company for the year	**61,934**	725,607
Impairment loss on investments in an associate	**12,991**	1,349
Net fair value change on investment on financial assets at fair value through profit or loss[3]	**(12,097)**	–
One-off investment gain	**(5,345)**	–
Gain on an addition of financial assets at FVOCI	**(1,009)**	–
Share-based compensation expenses	**5,744**	4,761
Fair value gains of preferred shares and convertible liabilities[1]	**–**	(699,247)
Accretion charge of liabilities components of preferred shares[2]	**–**	(21,411)
Listing expenses	**–**	40,282
Non-controlling interests effects	**–**	305
Adjusted net profit from continuing operations attributable to equity holders of the Company	**62,218**	51,646

Notes:

(1) We designate the preferred shares as financial liabilities at fair value through profit and loss. Any changes in the fair value of the preferred shares are recorded as "fair value gains of preferred shares and convertible liabilities" in the consolidated income statement.

(2) Accretion charge of liabilities components of preferred shares is the income/(expense) created when updating the present value change of liabilities components of preferred shares.

(3) Net fair value change on investment on financial assets at fair value through profit or loss represents unrealized fair value change of financial assets at fair value through profit or loss.

Liquidity and financial resources

We had historically funded our cash requirements principally from capital contribution from shareholders and financing through issuance and bank borrowings. We had cash and cash equivalents of RMB410.7 million and term deposits of RMB547.3 million as of 31 December 2019, compared to the balance of RMB779.8 million and RMB333.6 million as of 31 December 2018, respectively.

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net cash generated from operating activities	**50,067**	58,350
Net cash used in investing activities	**(400,153)**	(799,944)
Net cash (used in)/generated from financing activities	**(29,896)**	1,019,293
Net (decrease)/increase in cash and cash equivalents	**(379,982)**	277,699
Cash and cash equivalents at beginning of the year	**779,779**	480,637
Effect on exchange rate difference	**10,884**	21,443
Cash and cash equivalents at end of the year	**410,681**	779,779

Net cash generated from operating activities

Net cash generated from operating activities primarily consists of our profit for the year and non-cash items, such as depreciation and amortisation, impairment loss on investments in associates, share of results of investments accounted for using the equity method, fair value changes of financial assets at fair value through profit or loss, gain on addition of investment in an associate, gains on disposals of subsidiaries and adjusted by changes in working capital.

For the year ended 31 December 2019, net cash generated from operating activities was RMB50.1 million, which was primarily attributable to the profit before income tax of RMB45.4 million, as adjusted by (i) non-cash items, which primarily comprised depreciation and amortisation of RMB21.8 million, share of results of investments accounted for using the equity method of RMB17.9 million, impairment loss on investment in associate of RMB13.0 million and fair value changes of financial assets at fair value through profit or loss of RMB14.6 million plus additional factors that affected net cash generated from operating activities included gain on addition of investment in an associate of RMB5.3 million, gains on disposals of subsidiaries of RMB1.1 million, interest expense from bank loan and lease liabilities of RMB2.0 million, interest income from bank deposits of RMB25.4 million and (ii) changes in working capital, which primarily comprised a decrease in inventories of RMB12.6 million, an increase in trade and other receivables and amounts due from related part of RMB43.8 million, an increase in contract assets of RMB25.4 million, an increase in unpaid equity investment of RMB9.9 million, a decrease in staff salaries and welfare payables of RMB19.3 million, and an increase in deposits payables of RMB92.4 million.

Net cash used in investing activities

For the year ended 31 December 2019, net cash used in investing activities was RMB400.2 million, which was mainly attributable to the cash payment for land use rights of RMB9.4 million, purchase of property, plant and equipment and intangible assets of RMB7.3 million, increase in investments in associates of RMB34.4 million, net increase in amounts held for securities trading purposes of RMB6.0 million, net cash payment for term deposits of RMB213.7 million, purchase of financial assets at fair value through profit or loss of RMB473.9 million, partially offset by proceeds from sales of financial assets at fair value through profit or loss of RMB326.8 million and interest received from term deposits of RMB26.7 million.

Net cash used in financing activities

For the year ended 31 December 2019, net cash used in financing activities was RMB29.9 million, which was mainly attributable to cash paid for repurchases of shares of RMB46.5 million, cash received from capital contributions in subsidiaries from non-controlling interests of RMB13.4 million, payment for lease liabilities of RMB8.4 million, proceeds from borrowings of RMB17.0 million, offset by repayment of borrowings of RMB5.0 million.

Borrowings

As at 31 December 2019, we had total borrowings of RMB12.0 million and the interest rate of the borrowings ranges from 4.31% to 4.79% per annum (2018: Nil).

Pledge of Assets

As at 31 December 2019, the aggregate principal amount of wealth management product, amounting to RMB10.0 million were held at bank as guarantee for bank borrowings of RMB5.0 million from Industrial and Commercial Bank of China Limited.

Gearing ratio

As at 31 December 2019, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company was approximately 0.9%.

Treasury policy

We have adopted a prudent financial management approach towards our treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2019. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital expenditure

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Purchase of property, plant and equipment	**4,477**	7,236
Purchase of intangible assets	**2,844**	3,571
Development of land use rights	**9,358**	311,930
Total	**16,679**	322,737

Our capital expenditures cash flow primarily included (i) expenditures for purchases of property and equipment such as serves and computers and intangible assets such as qualification certificate names and software; and (ii) expenditures for development of the land use rights in Shanghai.

Long-term investment activities

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Investments accounted for using the equity method	**240,364**	196,065
Financial assets at fair value through other comprehensive income	**56,944**	41,919
Financial assets at fair value through profit or loss	**10,958**	–
Total	**308,266**	237,984

We have made non-controlling interests in investments that we believe have technologies or businesses that supplement and benefit our business.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currencies. Our Company's functional currency is USD. Our Company's primary subsidiaries were incorporated in the PRC and these subsidiaries use RMB as their functional currency. Our Group operates mainly in the PRC with most of the transactions settled in RMB. As a result, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of our Group are denominated in the currencies other than the respective functional currencies of our Group's entities. Hence, we currently do not hedge or consider necessary to hedge any of these risks.

Contingent liabilities

As at 31 December 2019 and as at 31 December 2018, we did not have any material contingent liabilities.

Board of Directors and Senior Management

OUR DIRECTORS

The following table presents certain information in respect of the members of our Board throughout the year and up to Latest Practicable Date:

Members of our Board

Name	Age	Position/Title	Date of Appointment
Mr. DENG Huajin	47	Executive Director and Chairman	2 April 2018
Mr. TIAN Yuan	50	Executive Director	2 April 2018
Mr. GAO Wei	48	Executive Director	2 April 2018
Mr. LI Gabriel	52	Non-executive Director	2 April 2018
Mr. ZHAO Guibin	50	Non-executive Director	24 April 2020
Mr. SHENG Gang[1]	48	Non-executive Director	2 April 2018
Ms. PING Xiaoli	35	Non-executive Director	29 October 2019
Mr. WU Haifeng[2]	36	Non-executive Director	2 April 2018
Mr. TANG Zhenjiang[3]	38	Non-executive Director	29 March 2019
Mr. ZHANG Lihong	48	Independent non-executive Director	4 June 2018
Mr. CAO Zhiguang	46	Independent non-executive Director	4 June 2018
Mr. WONG Man Chung Francis	55	Independent non-executive Director	4 June 2018

Notes:

1 Mr. SHENG resigned as a non-executive Director on 24 April 2020.

2 Mr. WU resigned as a non-executive Director on 29 March 2019.

3 Mr. TANG resigned as a non-executive Director on 29 October 2019.

The biography of each Director during the year and up to the Latest Practicable Date is set out below:

EXECUTIVE DIRECTORS

Mr. DENG Huajin (鄧華金), aged 47, is the Chairman, an executive Director and the chief executive officer of our Company since April 2018. He is also the founder of the Group in 2007 and is responsible for overall strategic planning and business direction of the Group. He is also a member of the Remuneration Committee and the chairman of the Nomination Committee. He was appointed as a Director in November 2014, and was re-designated as an executive Director and appointed as the Chairman of the Board in April 2018.

Mr. Deng is the chairman of Shanghai Sanming Association of Commerce since August 2016; and as a director of Guangzhou Seagull, a company listed on the Shenzhen Stock Exchange (stock code: 002084), since November 2014.

Mr. Deng received a bachelor's degree in chemistry from East China Normal University in 1996. He was awarded "Person of the Year by the Global Achievement Awards (全球卓越成就獎年度風雲人物)","2016-2017 Person of the Year (2016-2017年度中國家裝行業風雲人物)" in the residential interior design and construction industry, "2016 Person of the Year for Outstanding Contributions (2016年度傑出貢獻人物)" in the residential e-commercial industry and one of the "Ten Outstanding Figures of the Year of Shanghai Commerce (上海商業年度十大傑出人物)" in 2016.

Mr. TIAN Yuan (田原), aged 50, is an executive Director and a joint company secretary. He was appointed as a Director in 2015 and was re-designated as an executive Director of the Company in April 2018. He is responsible for the overall management of the Company.

Mr. Tian joined the Group in August 2007 and having over 20 years experience in this industry. He received a bachelor's degree in engineering in electronic precision machinery from Shanghai University in 1991.

Mr. GAO Wei (高巍), aged 48, is an executive Director. He was appointed as a Director in April 2015 and was re-designated as an executive Director in April 2018. He is responsible for the overall management of the Company.

Mr. Gao joined the Group in 2007 and having over 25 years experience in this industry.

Mr. Gao received an executive master's degree in business administration from Fudan University in 2014.

NON-EXECUTIVE DIRECTORS

Mr. LI Gabriel (李基培), aged 52, is a non-executive Director. He was appointed as a Director in April 2015 and re-designated as a non-executive Director in April 2018. He is responsible for providing professional opinion and judgement to our Board.

Mr. Li has been serving as the managing partner and a member of the investment committee of Orchid Asia Group Management Limited since August 2004. He has also been serving as a director of Trip.com Group Limited, a company listed on NASDAQ (NASDAQ: TCOM), since March 2000. From October 2013, Mr. Li served as a non-executive director of Nirvana Asia Ltd, a company which was listed on the Stock Exchange (HK SE: 1438) until October 2016 when the listing of its shares was withdrawn from the Stock Exchange upon the completion of its privatization under relevant rules and regulations. From September 2012 to October 2014, Mr. Li was a director of Autohome Inc., a company listed on NASDAQ (NASDAQ: ATHM). Mr. Li was also a director of Lifetech Scientific Corporation, a company listed on the Stock Exchange (then HKSE: 8122 (GEM Board); now HKSE: 1302 (Main Board)), between September 2006 and January 2013.

Mr. Li graduated from the University of California in Berkeley, the United States, in chemical engineering in 1990. He received his master of science degree (majored in chemical engineering practice) from the Massachusetts Institute of Technology in the United States in 1991, and his master's degree in business administration from Stanford University Business School in the United States in 1995.

Mr. Li is the spouse of Ms. Lam Lai Ming ("**Ms. Lam**"), and is deemed to be interested in the Shares held by Ms. Lam in Orchid Asia. Orchid Asia directly holds 100,000,000 Shares. Orchid Asia is owned as to 95% by Orchid Asia VI, L.P. and as to 5% by Orchid Asia V Co-Investment Limited. The general partner of Orchid Asia VI, L.P. is OAVI Holdings, L.P. and the general partner of OAVI Holdings, L.P. is Orchid Asia VI GP, Limited, a company which is indirectly wholly-owned by Ms. Lam. Orchid Asia V Co-Investment Limited is wholly controlled by Ms. Lam.

Mr. ZHAO Guibin (趙貴賓), aged 50, was appointed as a non-executive Director on 24 April 2020. Mr. ZHAO joined Suzhou Cowin Zhengde Investment Management Co., Ltd. (蘇州凱風正德投資管理有限公司) ("**Suzhou Cowin**") in June 2010. Mr. ZHAO holds 36.4% of the equity interest of Suzhou Cowin as of the date of this annual report and is the general manager of Suzhou Cowin. Suzhou Cowin holds 1% of the equity interest of Tibet Cowin Jinqu Venture Capital Co., Ltd. (西藏凱風進取創業投資有限公司, previously named as Huoerguosi Cowin Jinqu Venture Capital Co., Ltd. (霍爾果斯凱風進取創業投資有限公司), "**Tibet Cowin**"), which in turns hold the entire equity interest of Cowin Jinqu Limited. Cowin Jinqu Limited ("**Cowin Jinqu**") holds 15,236,067 ordinary shares of the Company, representing approximately 1.27% of the total issued capital of the Company, as of the date of this annual report. Mr. ZHAO is a director of each of Tibet Cowin and Cowin Jinqu.

Mr. ZHAO has also served as a director of Nanjing Sanchao Advanced Materials Co., Ltd. (南京三超新材料股份有限公司, a company listed on the Shenzhen Stock Exchange ChiNext market (stock code: 300554)) since May 2018 and a director of Zhongji Innolight Co., Ltd. (中際旭創股份有限公司 a company listed on the Shenzhen Stock Exchange (stock code: 300308)) from September 2017 to May 2020.

Mr. ZHAO graduated from the National University of Defense Technology (國防科技大學) with a bachelor degree in computer application in July 1992 and received a master's degree in business administration from Nanjing University (南京大學) in July 2003.

Mr. SHENG Gang (盛剛), aged 48, was appointed as a non-executive Director on 2 April 2018 and resigned on 24 April 2020. During his tenure, he was responsible for providing professional opinion and judgement to our Board.

During the period from October 2002 to August 2007, Mr. Sheng successively served as a manager of the guarantees department and the chief economist of Sino-Singapore SIP Venture Capital Co., Ltd.* (中新蘇州工業園區創業投資有限公司). Mr. Sheng joined Suzhou Oriza Holdings Co., Ltd.* (蘇州元禾控股股份有限公司, "**Suzhou Oriza**") in 2002 and successively served as a manager of the guarantees department, chief economist and chief financial officer of Suzhou Oriza. He currently serves as a director and the vice president of Suzhou Oriza. Since 2013, he has served as a director of China Wafer Level CSP Co., Ltd.* (蘇州晶方半導體科技股份有限公司) (stock code: 603005SH).

Mr. Sheng received a master's degree in senior business administration from Xi'an Jiaotong University in 2008.

Ms. PING Xiaoli (平曉黎), aged 35 was appointed as a non-executive Director of the Company on 29 October 2019. She has been working at Baidu, Inc. (a company incorporated in the Cayman Islands, depositary shares of which are listed on the Nasdaq Stock Market (NASDAQ: BIDU)) since 2007 and has held various positions including person-in-charge of wireless network alliance business, online financial platform and information flow solutions of Baidu, Inc.. Ms. PING currently holds the position of general manager of Baidu APP and she obtained her bachelor's degree from Beihang University (北京航空航天大學) in 2007.

Mr. WU Haifeng (吳海鋒), aged 36, was appointed as a non-executive Director on 2 April 2018 and resigned on 29 March 2019. During his tenure, he is responsible for providing professional opinion and judgement to our Board. He has been working at Baidu, Inc. (百度), a company listed on NASDAQ (NASDAQ: BIDU), since July 2006 to present. Mr. Wu joined Baidu, Inc. as a research and development engineer of the web search department in July 2006, and held various positions, including senior project manager and executive of the web search department, senior technology manager of the natural language processing department, and manager of the picture search department. He held the position by the end of May 2019 of vice president of the search business unit of Baidu, Inc. Mr. Wu received a master's degree in computer science and technology from Zhejiang University in June 2006.

Mr. TANG Zhenjiang (唐振江), aged 38, was appointed as a non-executive Director on 29 March 2019 and resigned on 29 October 2019. He has been working at Baidu, Inc. (a company incorporated in the Cayman Islands, depositary shares of which are listed on the Nasdaq Stock Market (NASDAQ: BIDU)) since July 2006. Mr. TANG joined Baidu, Inc. in July 2006 as a research and development engineer of the web search department, and since then has held various positions including senior technology manager of the Baidu-Union research and development department and deputy director of the web search department. He held the position of director of the vertical industry development department of Baidu, Inc. by the end of October 2019. Mr. TANG obtained his master's degree in computer science and technology from Harbin Institute of Technology in June 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHANG Lihong (張禮洪), aged 48, is the independent non-executive Director since June 2018 and is responsible for providing independent advice and judgment to the Board. He also serves a member of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee. Mr. Zhang has been teaching civil and commercial law at East China University of Political Science and Law since December 2003, and is currently a professor in the same university. Mr. Zhang has extensive knowledge and background in civil and commercial law will contribute to the internal control, compliance and corporate governance aspects of our Company's operations.

Mr. Zhang obtained a bachelor's degree in economics from China University of Political Science and Law in 1992, a master's degree in civil and commercial law from China University of Political Science and Law in 1995, and a doctorate in Civil Law and Roman Law from University La Sapienza of Rome in 2003.

Mr. Zhang obtained his qualification as a lawyer in the PRC in 2010.

Mr. CAO Zhiguang (曹志廣), aged 46, is an independent non-executive Director since June 2018 and is responsible for providing independent advice and judgment to the Board. He also serves as a member of our Audit and Risk Management Committee and Nomination Committee and the chairman of our Remuneration Committee. Mr. Cao has been teaching applied finance in Shanghai University of Finance and Economics since 2003.

Mr. Cao obtained a bachelor's degree in chemistry from East China Normal University in 1996, a master's degree in analytical chemistry from East China Normal University in 1999, and a doctorate in management science from Fudan University in 2003. Mr. Cao has extensive knowledge and background in finance will contribute to the financial and accounting aspects of our Company's operations.

Mr. Cao obtained the qualification certificate for college teachers in the PRC in 2005.

Mr. WONG Man Chung Francis (黃文宗), aged 55, is the independent non-executive Director since June 2018 and is responsible for providing independent advice and judgment to our Board. He also serves as the chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee.

Mr. Wong has been serving as an independent non-executive director of the following companies listed on the Stock Exchange: Shanghai Dongzheng Automotive Finance Co., Ltd. (HKSE: 2718) since 24 February 2020; IntelliCentrics Global Holdings Ltd. (HKSE: 6819) since 23 January 2020; Hilong Holding Limited (HKSE: 1623) since 2017; China New Higher Education Group Limited (HKSE: 2001) since 2017 and resigned on 6 December 2019; Kunming Dianchi Water Treatment Co., Ltd (HKSE: 3768) since 2016 and resigned on August 2018; GCL-Poly Energy Holdings Limited (HKSE: 3800) since 2016; Greenheart Group Limited (HKSE: 094) since 2015; Integrated Waste Solutions Group Holdings Limited (HKSE: 923) since 2013; Digital China Holdings Limited (HKSE: 861) since 2006; Wai Kee Holdings Limited (HKSE: 610) since 2004; and China Oriental Group Company Limited (HKSE: 581) since 2004.

Mr. Wong is a Certified Public Accountant (Practising). He was admitted as a Certified Public Accountant in 1990, and obtained a master's degree in accounting from Jinan University (暨南大學), the PRC, in 2005. Mr. Wong is currently a fellow member of the Chartered Association of Certified Accountants of the United Kingdom, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Society of Chinese Accountants and Auditors, and a Certified Tax Advisor of the Taxation Institute of Hong Kong.

OUR SENIOR MANAGEMENT

The following table presents certain information concerning the senior management personnel of the Group as at the Latest Practicable Date, in addition to the Directors listed above.

Name	Age	Position	Roles and responsibilities	Date of joining our Group
Mr. LIN Jinsong	44	Chief Technology Officer	Development of technology and data platform	March 2015

See disclosure in "Board of Directors and Senior Management – Our Directors" for the biographies of Mr. Deng, Mr. GAO and Mr. Tian.

Mr. LIN Jinsong (林勁松), aged 44, is our Chief Technology Officer. He joined our Group in March 2015 as senior deputy president. Mr. Lin is primarily responsible for managing the development of the technology and data platform. Prior to joining our Group, Mr. Lin served as the founder and chief executive officer at Xiamen Suryani Technology Co., Ltd.* (廈門舜亞科技有限公司) from June 2011 to March 2015. Prior to that, Mr. Lin successively served as senior manager, chief technology officer, and vice president of operations in the Chinese market at eHealth China (Xiamen) Technology Co., Ltd.* (翼華科技（廈門）有限公司), from December 2004 to May 2011. Prior to that, Mr. Lin served as a lecturer at the Department of Automation in Xiamen University from August 1999 to December 2004. Mr. Lin received his bachelor's degree in electronics and information system from Sichuan University in July 1996, and his master's degree in systems engineering from Xiamen University in July 1999.

JOINT COMPANY SECRETARIES

Mr. WANG Wenfei (王文飛), was the chief financial officer, joint company secretary and authorised representative of the Company since the Listing Date and resigned from all positions of the Company on 2 August 2019. During his tenure, he was primarily responsible for corporate finance, investor relations, investments and acquisitions, strategy and legal matters. He obtained the Certified Public Accountant qualification issued by the Chinese Institute of Certified Public Accountants in September 2013 and the International Certified Internal Auditor qualification issued by China Institute of Internal Audit in November 2011. Mr. Wang received his bachelor's degree in international accounting from the Shanghai Institute of Foreign Trade in July 2008.

Mr. Tian Yuan (田原), an executive Director, was appointed as the joint company secretary and the authorised representative of the Company on 2 August 2019 to take up the vacancy of Mr. WANG Wenfei as the joint company secretary and authorised representative of the Company.

Biographies of Mr. TIAN Yuan was disclosed in "Board of Directors and Senior Management – Our Directors".

Ms. SO Shuk Yi Betty (蘇淑儀), was appointed as our joint company secretary on 4 June 2018. Ms. So is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a corporate services provider. Ms. So received a master's degree in Chinese and comparative law from the City University of Hong Kong in November 2004 and a master's degree in business administration from the University of Leicester in July 1999. Ms. So has been a member of The Institute of Chartered Secretaries and Administrators in the United Kingdom since October 1997 and an associate of The Chartered Governance Institute (formerly know as The Hong Kong Institute of Chartered Secretaries) since October 1997.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year of 2019.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code.

Save as disclosed herein, the Company has been in compliance with the code provisions set out in the CG Code.

THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

Delegation of Management Function

The major powers and functions of the Board include, but are not limited to, convening the general meetings, reporting its work at the general meetings, implementing the resolutions passed at the general meetings, considering and approving the operating plans and investment plans of the Company, formulating the Company's strategic development plans, formulating annual financial budgets and final accounts plans, formulating profit distribution plans and plans on making up losses, and exercising other powers and functions as conferred by the Memorandum and Articles of Association.

All Directors have full and timely access to all the information of the Company and advices from the joint company secretaries and senior management of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board is responsible for making decision with respect to the strategic plans, major investment decisions and other significant operational matters of the Company, while responsibilities with respect to the implementation of the decisions of the Board, day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to entering into any significant transactions.

Composition of the Board

The Board currently comprises nine Directors:

Executive Directors

Mr. DENG Huajin
Mr. TIAN Yuan
Mr. GAO Wei

Non-executive Directors

Mr. LI Gabriel
Mr. ZHAO Guibin
Ms. PING Xiaoli

Independent non-executive Directors

Mr. ZHANG Lihong
Mr. CAO Zhiguang
Mr. WONG Man Chung Francis

A list of members of the Board, their positions and dates of appointment, and each Director's biography have been set out in the section headed "Board of Directors and Senior Management".

All Directors, including non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

Save as disclosed in this annual report, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Directors.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and performed by different individuals.

Up to the date of this annual report, the roles of Chairman and chief executive officer of the Company were not separated and Mr. DENG Huajin currently performs these two roles. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Compliance with code provision A.5.5(2) of the CG Code

Mr. WONG Man Chung Francis (黃文宗) ("**Mr. Wong**"), an independent non-executive Director of the Company, has been serving as independent non-executive directors in more than seven listed companies including our Company, Hilong Holding Limited (HKSE: 1623), IntelliCentrics Global Holdings Ltd. (HKSE: 6819), Shanghai Dongzheng Automotive Finance Co., Ltd. (HKSE: 2718), GCL-Poly Energy Holdings Limited (HKSE: 3800), Greenheart Group Limited (HKSE: 094), Integrated Waste Solutions Group Holdings Limited (HKSE: 923), Digital China Holdings Limited (HKSE: 861); Wai Kee Holdings Limited (HKSE: 610) and China Oriental Group Company Limited (HKSE: 581). Based on the factors that (i) Mr. Wong did not hold any senior management role in the other listed issuers and his involvement in other listed issuers as an independent non-executive director does not require him to participate in the day-to-day management of these issuers and does not require him to devote substantial time and attention as is required from senior management members of listed issuers; (ii) Mr. Wong does not hold any other job positions except as non-executive director of Union Alpha CAAP Certified Public Accountants Limited and non-executive chairman of Union Alpha C.P.A. Limited, and he is not involved in their daily operation; (iii) Mr. Wong's experience as an independent non-executive director of listed companies in Hong Kong would facilitate his understanding of corporate governance and his proper discharge of responsibilities as a director; and (iv) Mr. Wong has undertaken to devote sufficient time to attend to the management meeting of the Group, the Directors believe that Mr. Wong will be able to devote sufficient time to the Company and will be able to discharge his duties as an independent non-executive Director.

Independent non-executive Directors

During the year, the Company has three independent non-executive Directors in compliance with the Rules 3.10(1) and 3.10(2) of the Listing Rules, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The number of independent non-executive Directors accounts for one third of the number of the Board members.

According to the Rule 3.13 of Listing Rules, the independent non–executive Directors have made confirmations to the Company regarding their independence during the Reporting Period. Based on the confirmations of the independent non-executive Directors, the Company considers each of them to be independent during the Reporting Period.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Memorandum and Articles of Association.

Each of the executive Directors have entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the Listing Date or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier). Either party has the right to give not less than three months' written notice to terminate the agreement.

Each of the non-executive Directors has entered into an appointment letter with the Company with an initial term for three years or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier, subject to re-election as and when required under the Memorandum and Articles of Association unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with the Company with an initial term for three years or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier, subject to re-election as and when required under the Memorandum and Articles of Association unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

In accordance with the Memorandum and Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Any director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with Article 108(a) of the Memorandum and Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct for the Directors to conduct securities transactions. After making specific enquiry to all Directors, each of the Directors confirmed that he/she has fully complied with the required standard set out in the Model Code during the Reporting Period.

Training and Continuous Professional Development of Directors

Each newly appointed director shall be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on 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. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company have from time to time updated and provided written training materials relating to the roles, functions and duties of a director.

According to records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2019 is as follows:

Name of Director	Training*
Mr. DENG Huajin	√
Mr. TIAN Yuan	√
Mr. GAO Wei	√
Mr. LI Gabriel	√
Mr. ZHANG Lihong	√
Mr. CAO Zhiguang	√
Mr. WONG Man Chung Francis	√
Ms. PING Xiaoli[1]	√
Mr. TANG Zhenjiang[2]	√
Mr. WU Haifeng[3]	√
Mr. SHENG Gang[4]	√

Notes:

1 Ms. PING was appointed a non-executive Director on 29 October 2019.

2 Mr. TANG was appointed and resigned as a non-executive Director on 29 March 2019 and 29 October 2019 respectively.

3 Mr. WU resigned as a non-executive Director on 29 March 2019.

4 Mr. SHENG resigned as a non-executive Director on 24 April 2020.

* Each of the Directors has attended training sessions arranged by the Company on connected transactions, corporate governance and continuing obligations of listed companies and as directors. On top of the above-mentioned trainings, each of the Directors has also read materials prepared by external professional advisers on the same topics.

Liability Insurance of Directors and Senior Management

The Company has purchased insurances for all Directors and members of the senior management to minimize risks that may be incurred in their normal performance of responsibilities.

Directors' Responsibility on Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the financial year ended 31 December 2019.

The Directors are responsible for overseeing the preparation of consolidated financial statements of the Group with a view to ensuring that such consolidated financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the senior management the management accounts and such accompanying explanation and information as necessary to enable the Board to make an informed assessment for approving the financial statements.

Board Meetings and General Meeting

The Company held 4 Board meetings and one general meeting during the year.

The attendance of the above meetings by each Director is as follows:

Name of Directors	Attended/ No. of Eligible Meetings Board Meeting	Annual General Meeting
Mr. DENG Huajin	4/4	1/1
Mr. TIAN Yuan	4/4	1/1
Mr. GAO Wei	4/4	1/1
Mr. LI Gabriel	4/4	1/1
Ms. PING Xiaoli[3]	2/4	0/0
Mr. WU Haifeng[1]	1/1	0/0
Mr. ZHANG Lihong	3/4	1/1
Mr. CAO Zhiguang	4/4	1/1
Mr. WONG Man Chung Francis	4/4	1/1
Mr. TANG Zhenjiang[2]	2/4	1/1
Mr. SHENG Gang[4]	4/4	1/1

Notes:

1 Mr. WU Haifeng ceased to be a non-executive Director on 29 March 2019.

2 Mr. TANG Zhenjiang was appointed and resigned as a non-executive Director on 29 March 2019 and 29 October 2019 respectively.

3 Ms. PING Xiaoli was appointed as a non-executive Director on 29 October 2019.

4 Mr. SHENG resigned as a non-executive Director on 24 April 2020.

Notices for all regular Board meetings and the agendas and accompanying Board papers will be given to all Directors at least three days before the meetings in order that they have sufficient time to review the papers. Minutes of meetings are kept by the joint company secretary with copies circulated to all Directors or Board committee members for information and records. Directors who have conflicts of interest in a board resolution have abstained from voting for that resolution.

Minutes of the Board meetings and Board committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors/Board committee members. Draft and final versions of the minutes of each Board meeting and Board committee meeting are sent to the Directors/ Board committee members for comments and records respectively within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors. All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner. Any Director can seek independent professional advice at the Company's expense after making reasonable request to the Board.

BOARD COMMITTEES

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of three independent non-executive Directors, namely Mr. WONG Man Chung Francis, Mr. ZHANG Lihong and Mr. CAO Zhiguang. Mr. WONG, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit and Risk Management Committee.

The primary duties of the Audit and Risk Management Committee are:

- to propose the appointment or dismissal of the external auditor of the Company, and approve the remuneration and terms of engagement of the external auditor;
- to discuss with the external auditor the nature and scope of the audit and relevant reporting obligations and to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to monitor integrity of the Company's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant reporting judgments contained therein;
- to review the Company's financial controls, risk management and internal control systems, discuss the risk management and internal control systems with the senior management;
- to review the Company's financial and accounting policies and practices; and
- other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Memorandum and Articles of Association, and as authorized by the Board.

During the year ended 31 December 2019, the Audit Committee held two meetings, at which the Company's interim results for 2019 and the annual results for 2018 and the relevant accounting principles and practices adopted by the Group were reviewed and discussed with the external auditors.

Code provision C3.3(e)(i) of the CG Code provides that the terms of reference of the audit committee shall have the terms that the members of the audit committee should liaise with the Board and senior management and the audit committee must meet at least twice a year with the auditor. The Company has included such terms in relevant terms of reference, and thus complied with the Code provision C3.3(e)(i) of the CG Code during the Relevant Period.

The attendance of the meetings by each member is as follows:

Name of Members	Attended/ No. of Eligible Meetings
Mr. WONG Man Chung Francis	2/2
Mr. ZHANG Lihong	1/2
Mr. CAO Zhiguang	2/2

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three independent non-executive Directors, namely Mr. CAO Zhiguang, Mr. ZHANG Lihong and Mr. WONG Man Chung Francis, and one executive Director, namely Mr. DENG Huajin. Mr. CAO currently serves as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are:

- to make recommendations to the Board on 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;
- to make recommendation to the Board on the remuneration proposals of individual executive Directors and senior management;
- to review the Company's policy on expense reimbursements for the Directors and senior management; and
- other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Memorandum and Articles of Association, and as authorized by the Board.

One Remuneration Committee meeting was held during the year ended 31 December 2019.

The attendance of the meeting by each member is as follows:

Name of Members	Attended/ No. of Eligible Meetings
CAO Zhiguang	1/1
DENG Huajin	1/1
ZHANG Lihong	1/1
WONG Man Chung Francis	1/1

Pursuant to the code B.1.5 of the CG Code, the following table sets forth the remuneration of the Directors and members of senior management categorized by remuneration group for the year ended 31 December 2019:

Group (Note)	Remuneration (RMB)	Number of Individuals
1	0 – 500,000	0
2	500,001 – 1,000,000	4
3	1,000,001 – 2,000,000	1

Note:

Group 2 includes 2 Directors and 2 members of senior management of the Company.

Group 3 includes 1 Director of the Company.

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in note 35 to the consolidated financial statements.

Nomination Committee

The Nomination Committee consists of two independent non-executive Directors, namely Mr. ZHANG Lihong, Mr. CAO Zhiguang and one executive Director, namely Mr. DENG Huajin. Mr. DENG currently serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are:

- to formulate procedures and standards for the election of Directors and senior management, and make recommendations to the Board on the proposed procedures and standards;
- to make 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;
- to assess the independence of independent non-executive directors;
- to preliminarily examine the eligibility of candidates for directorship;
- to recommend to the Board concerning the membership of the Company's audit and remuneration committees, in consultation with the chairmen of those committees; and
- other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Memorandum and Articles of Association, and as authorized by the Board.

One Nomination Committee meeting was held during the year ended 31 December 2019, at which the Nomination Policy of the Company and the Board Diversity Policy were reviewed and recommendations was made to the Board.

The attendance of the meeting by each member is as follows:

Name of Members	Attended/ No. of Eligible Meetings
DENG Huajin	1/1
ZHANG Lihong	1/1
CAO Zhiguang	1/1

According to the Nomination Policy, in evaluating and selecting any candidate for directorship, the Nomination Committee would consider the following criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon the receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

The Board has adopted the Board Diversity Policy. In designing the Board's composition, the Nomination Committee has considered Board diversity from a number of aspects, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

We believe the Board has a well-balance of cultural background, educational background, industry experience and professional experience where members of the Board have diversified branch of learning and working experience in different countries and regions.

CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance should be the collective responsibility of Directors which include:

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- to review and monitor the training and continuous professional development of Directors and senior management;

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

- to review the Company's compliance with the Listing Rules and disclosure in the Corporate Governance Report.

JOINT COMPANY SECRETARIES

Mr. WANG Wenfei resigned as joint company secretary on 2 August 2019.

Mr. TIAN Yuan, the executive Director was appointed as a joint company secretary of the Company on 2 August 2019, is the primary contact person of Ms. So at the Company.

Ms. SO Shuk Yi Betty, of SWCS Corporate Services Group (Hong Kong) Limited, has been engaged by the Company as a 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.

During the year, the joint company secretaries of the Company, Mr. TIAN and Ms. SO, actively participated in studies and updated their professional knowledge related to the Listing Rules and corporate governance to continuously improve their professional skills as company secretaries. They had complied with the requirements on taking no less than 15 hours of relevant professional training as set out in Rule 3.29 of the Listing Rules.

AUDITOR

Consolidated financial statements contained in this report have been audited by PricewaterhouseCoopers. Service fees which shall be paid by the Company to PricewaterhouseCoopers for the year amounted to RMB3.5 million (value added tax and other related tax excluded).

Service rendered	Fees Payable (RMB'000)
Audit service	3,400
Non-audit services	120
Total	3,520

The statement of the external auditor of the Company about its reporting responsibilities for the Consolidated Financial Statements is set out in the "Independent Auditor's Report" on pages 73 to 74.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Company is committed to establishing high level risk management and internal control systems to safeguard the Company's interests and shareholders' investment. We have established robust, comprehensive and technology-driven risk management to effectively manage and mitigate risks inherent in our business to protect us, our clients and our partners, as well as to meet regulatory obligations.

The Board assumes the ultimate responsibility for our risk management, internal control and compliance. Our risk management activities are undertaken and monitored by a risk management committee and supplemented by the legal and compliance department, internal audit department and other business departments. Our risk management committee is responsible for identifying, controlling and preventing major risks across our organization, as well as promulgating and ensuring compliance with risk management policies. We also have a compliance and risk management department with expertise in legal and regulatory, finance and internal audits to oversee our daily risk management activities.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness and such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board, as supported by the audit and risk management committee, reviewed the risk management and internal control systems, including the financial, operational and compliance controls periodically and considered such systems are effective and adequate.

Internal Control

The Company establishes an internal audit department with corresponding supervision and audit responsibility.

In 2019, the Company conducted a review of its risk management and internal control system. The method, findings, analysis and results of the evaluation have been reported to the risk management committee and the Board.

The Board discussed and considered the risk management and internal control system of the Company and was of the opinion that the risk management and internal control system of the Company was adequate and effective.

INVESTOR RELATIONS

General Meetings and Shareholders' Rights

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year and shall specify the meetings as such in the notices calling them. The extraordinary general meetings are convened irregularly. In accordance with the Memorandum and Articles of Association, an extraordinary general meeting shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or any one of the joint company secretaries for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholder(s) who wish to move a resolution may request the Company to convene an extraordinary general meeting in accordance with the procedures set out in the preceding paragraph. Detailed procedures for Shareholders to propose a person for election as a director of the Company are published on the Company's website www.qeeka.com.

Communication with Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company makes up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information available in the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qeeka.com) for public access.

The general meetings of the Company provide a forum and an important channel for communication between the Board and the shareholders. The Chairman of the Board as well as chairman of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available normally at the annual general meetings and other relevant shareholder meetings to answer questions. Shareholders are also encouraged to attend general meetings held by the Company and are invited to express their views and raise questions thereat.

Shareholders should direct their inquiries about their shareholdings to Tricor Investor Services Limited, the Company's Hong Kong Share Registrar. Investors may also write to the Company at its principal place of business in Hong Kong or China for any enquiries.

The Company sets out the following contact details for Shareholders to communicated with the Company:

Mailing address:
No. 6 Building, 3131 Jinshajiang Road,
Jiading District, Shanghai, PRC
Telephone number: 021-69108711
E-mail address: ir@qeeka.com

AMENDMENTS TO CONSTITUTIONAL DOCUMENT

There had been no changes in constitutional documents of the Company after the Listing Date.

Environmental, Social and Governance Report

ABOUT THE REPORT

Scope

This report covers the Company and its subsidiaries, including three primary businesses (Platform business, Materials Supply Chain Business, Self-operated Interior Design and Construction business & others). Reporting period covers from 1 January 2019 to 31 December 2019. There is no significant adjustment to the reporting scope as compared to the Environmental, Social and Governance ("ESG") Report included in the Qeeka Home (Cayman) Inc. Annual Report 2018.

For information on our corporate governance, please refer to the Corporate Governance Report of the current year.

Reporting standards and principles

This report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide")* set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Hong Kong Exchanges and Clearing Limited ("HKEX"), and describes the environmental and social impacts of the Group's businesses and operating activities according to the *ESG Reporting Guide*. This report is prepared in accordance with the following reporting principles:

- **Materiality**: The Group determines material ESG issues with the stakeholder engagement and materiality assessment, which has been disclosed in this report;

- **Quantification**: Information on the standards, methodologies and source of conversion factors used for the reporting of emission and energy consumption has been disclosed in this report;

- **Consistency**: Statistical methods and key performance indicators ("KPIs") of the report are consistent with previous years.

GOVERNANCE

ESG Management

Adhering to the strategy of sustainable development, the Group is committed to providing the society with high-quality home decoration services. We have included ESG risk and opportunity factors in our business strategy and established ESG management organizational structure with clear responsibilities, which provide a direction for our daily operation.

The Board of Directors ("the Board") supports the Group's commitment to its corporate social responsibility and takes full responsibility for the Group's ESG strategies and reporting. As the highest decision-maker of ESG management in the Group, the Board develops ESG management approach and strategy, including evaluating, prioritizing, and managing material ESG-related issues and their risks to the Group's business. The Board regularly reviews the Group's ESG performance, and examines and approves the Group's annual ESG report.

The management of the Group is responsible for arranging ESG working group to carry out relevant work according to the approach and strategy formulated by the Board. The management reports ESG related risks and opportunities to the Board, and provides the Board with the Group's annual ESG performance and annual ESG report.

In order to carry out ESG work in full coverage, the Group has established the ESG working group directly involving department heads. The ESG working group has designated specific persons to carry out daily ESG work and prepare annual ESG report. The ESG working group reports to the management on the daily ESG performance and the progress of annual ESG report.

The Group has developed its ESG strategy based on the core principle and achievable goal of green and sustainable development to provide guidance for ESG management in daily operation. In addition, the Group regularly reviews its corporate social responsibility policies and strategies to ensure their appropriateness for its businesses.

Stakeholder engagement

The Group has identified major stakeholders and adopted various communication mechanisms to communicate with stakeholders and actively respond to their expectations.

Stakeholders	Communication mechanisms	Stakeholders' expectations
Governments and regulators	• Daily management • Meetings • Monitoring and inspections • Policy consultation • Reporting	• Compliance with laws • Pay taxes according to laws • Support local development
Shareholders	• Shareholders' general meetings • Information disclosure • Activities promoting investor relations	• Sustainable development and return to shareholders • Information disclosure and investor relations • Corporate governance and risk control
Customers	• Contract signing • Transactions	• High-quality products • Top-class pre-sale and after-sale services
Employees	• Employee trainings • Employee activities and employee care • Performance management	• Remuneration and benefits • Good work environment and development platforms • Equal opportunities for promotion and development • Smooth communication
Media	• Interviews about business operation • Corporate culture publicity • Thematic activities	• Fulfilment of corporate social responsibilities • Measures to learn about the Company's important events and activities
Cooperating parties	• Negotiation and communication • Supplier investigation and evaluation • Open bidding and tendering • Communications and exchange visits	• Keep promise • Equal, open and fair procurement • Win-win development
Community and society	• Targeted poverty alleviation	• Promote urban and rural development • Promote community harmony

Materiality assessment

We identified 12 ESG issues in accordance with the *ESG Reporting Guide* and classified them into three themes, specifically, Environment, Employee and Operation. Each of the 12 issues was assessed and screened out with the ESG materiality analysis model we developed. The following ESG issues identified with great importance to the Group are highlighted for disclosure and response in the report.

	Environment	Employee	Operation
Important Issues	• Energy Management • Water Management	• Employment • Health and Safety • Development and Training • Labor Standards	• Product Responsibility • Supply Chain Management • Anti-corruption • Community Investment
Related Issues	• Emissions • Waste Management		

Anti-corruption

High-standard creed acts as the basic element for business success and the bedrock for a company to gain its reputation in providing reliable, transparent and high-quality services. The Group strictly complies with relevant laws and regulations, including but not limited to the *Company Law of the People's Republic of China*, the *Bidding Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and the *Interim Provisions on Banning Commercial Bribery*, etc. The Group formulates and implements the *Procedures for Bidding and Price Parity among Third Parties*, the *Regulations for Internal Control over Procurement and Payment*, the *Regulations for Management of Probity*, the *Code for Moral Behaviours* and other regulations to standardize the business activities of the Company, so as to avoid bribery, extortion, fraud and money laundering.

We also provide a public hotline and mailbox for all parties to complain and report any behaviour or associated evidence violating anti-corruption policies (including the violations of external business partners):

- Compliance hotline: 021-69108705
- Compliance mailbox: internalaudit@qeeka.com

In February 2019, in order to build up a corporate culture of honesty and integrity, the Internal Audit Department of the Group conducted anti-fraud training for all employees to regulate professional behaviours of employees and establish a good atmosphere of working with integrity. For violations of rules and disciplines, the Group imposes on the violators internal administrative penalties, or administrative penalties plus disciplinary penalties, depending on the severity of the case. For serious violations of laws and regulations, the Group cooperates with governing authorities to transfer the offenders to judicial authorities without shielding any employees at any rank.

During the reporting period, there is no concluded legal case regarding corrupt practices brought against the Group or its employees.

OPERATIONS

The Group strictly complies with relevant laws and regulations, including but not limited to the *Telecommunications Regulations of the People's Republic of China*, the *Administrative Measures on Internet Information Services*, *the Provisions on the Administration of Mobile Internet Application Information Services*, etc. As a leading e-commerce platform in areas of decoration, construction materials and furniture & furnishing in China, the Group provides a complete set of e-commerce solution to domestic providers of construction materials and furniture & soft furnishing products and domestic suppliers of decoration design and decoration construction management services. By applying Internet technologies, the Group also provides Internet decoration customers with high-quality and inexpensive decoration and furniture & furnishing consumer products as well as related services, to help customers decorate their homes easily and safely.

Products and services

We provide users with efficient and transparent one-stop Interior Design and Construction ("IDC") solutions via a diverse business system.

In 2019, in order to meet the personalised and diversified customisation needs of young consumers, we cooperated with Holike to launch Nola, a new brand of light and stylish custom home furnishings. It adopted a new retail form integrating online and offline retail to serve young consumers with high-quality, high-security custom home furnishings. We require all suppliers of Nola to test all features of their products including flame resistance, high temperature resistance, pollution resistance, formaldehyde content, etc. according to relevant national standards such as the *GBT 10125 Corrosion Test in Artificial Atmospheres – Salt Spray Tests* and the *GB/T 8624 Classification for Burning Behaviour of Building Materials and Products*. Suppliers could provide products for Nola only if they get qualification test report from us.

In addition, we introduce furniture, accessories and flooring products that meet European environmental standards to provide customers with more products that is green, harmless, and releases low formaldehyde.

During the reporting period, the Group had no products that needed to be recalled for safety and health reasons.

We constantly improves our service standards, and strictly select outstanding decoration companies to provide customers with a good experience on our IDC service:

- ✓ We have formulated the *Eighteen Items of Qeeka Home Safety Hazard Inspection* to raise awareness of safety among construction personnel and strengthen the regulation on construction safety so as to protect the rights of customers;
- ✓ We require merchants to communicate with users through our Mini Program to avoid harassing customers in private;
- ✓ Our merchant quality control team regularly conducts random checks and reviews of merchants' services through a complete quality inspection process and special scoring system to protect the rights and privacy of customers;
- ✓ We provide customers with full-scope safeguards through "Qijia Bao Service" and help customers monitor construction quality in a more convenient manner, to avoid risks such as fleeing of service providers, construction accidents, etc. In 2019, we comprehensively upgraded the function, decoration insurance coverage, and customer coverage of Qijia Bao Service. The decoration insurance coverage was increased from RMB300,000 to RMB1.32 million. SMS reminders of phased acceptance were also added for customers to keep abreast of the decoration progress.

We attach great importance to customer feedback and suggestions, and strictly comply with relevant laws and regulations, including but not limited to the *Law of the People's Republic of China on Protection of Consumer Rights and Interests*. We have established a series of rules and regulations including the *Administrative Measures for Complaint Handling*, the *Procedures for Daily Complaint Handling*, the *Process of Customer Complaint Management*, the *Process of After-decoration Services*, etc. In addition, we have provided customer service hotline at 400 and online customer service in order to handle customers' complaints faster and better.

We have formulated strict requirements on the after-sale services of suppliers. We required them to check the product quality, size, quantity, etc. before the product delivery, and handle the repair or return of defective products in time. In accordance with our *Goods Acceptance Standards and Return and Exchange Rules*, we accept the return or exchange of goods for customers free of charge if return standards are met. During the reporting period, our IDC related complaint settlement rate reached 85.5%, and customer satisfaction exceeded 95%.

Supplier management

We pay great attention to the quality of all IDC service providers and construction material suppliers on our platform, and strictly follow the process of management on supplier introduction, information maintenance and evaluation and retreat from the whole lifecycle.

According to related regulations such as the *Supplier Management Process* and the *Administration Regulations for Supplier Selection and Rating*:

✓ We require that suppliers provide qualification documents including a copy of business license, trademark certification, product testing report, bank account information, etc., so that we can select qualified suppliers;

✓ We consider indicators such as pricing, financial and credit status, delivery and installation, and also include social risk indicators such as firefighting facilities at suppliers' factories, R&D team, information regarding social insurance for production technicians to raise a claim for suppliers to fulfil social responsibilities and pass on the concept of sustainable development;

✓ We perform quarterly evaluations on suppliers and remove unqualified suppliers in a timely manner, to maintain the quality of the supplier chain.

In November 2019, the 3rd National Interior Design and Construction Industry Summit and 2020 Strategic Upgrading Conference of Qeeka Home kicked off in Shanghai with the theme "Transformation, Upgrade and Growth". In order to further deepen the integration of supply chain resources, we formally released the "Torch Upgrading" plan at the summit. We planned to select more than 1,000 high-quality IDC service providers across the country to build our "Torch Pool" and launch an upgrade kit for those selected to enhance the supply chain and promote the transformation and upgrading of the IDC industry toward digitalisation.

Compliance with laws and regulations

➢ **Privacy protection**

As an Internet service platform, our top priority has always been protection of personal privacy for users. The Group strictly complies with relevant laws and regulations, including but not limited to the *Cybersecurity Law of the People's Republic of China*, the *Decision on Strengthening Network Information Protection*, the *Provisions on Protection of Personal Information of Telecommunications and Internet Users*, etc. The Group develops a well-established privacy protection system composed of various regulations including the *Regulations for Users' Information Security Management*, the *Provisions on the Establishment and Administration of Information Security Organisation*, the *Regulations for Personal Information Security Protection*, the *Administration Regulations for Complaint Handling Events Regarding Personal Information Protection*, the *Regulations for Emergency Processing of Network Security Events*, the *Information Security Policies*, etc. We do not collect or use user information without permission from users, nor do we disclose, falsify, damage, sell or illegally provide the information collected to others. In addition, we adopt such measures as encryption and decryption and virtual numbers to protect user information in WEB ports, Qeeka database management platform, CRM system, background operation system, order receiving Apps, etc., and regularly conduct security review to properly protect user privacy.

In 2019, we implemented stricter user agreements to protect customer information. We conducted extensive troubleshooting and internal penetration tests to guarantee system security. We fixed 10 system vulnerabilities that may threaten customer information security. We held special staff trainings on information security and customer privacy, and carried out in-house circulation and promotion in the form of small videos.

➢ **Labels and advertising**

We strictly abide by relevant laws and regulations related to intellectual property rights, including but not limited to the *Trademark Law of the People's Republic of China*, and formulated *Regulations on Intangible Assets Management* to protect the safety and value of intangible assets. As of 31 December 2019, we had a total of 65 registered trademarks.

We fully standardise the use of VI image by developing a series of regulations including the *Specifications on Usage of Brand Image Representatives*, the *VI Image Identification Manual*, the *Specifications on Usage of the IP Image "Qi Qi Li"* and the *Regulations for Operation and Management of Co-operators in Interior Design and Construction*.

We strictly comply with relevant laws and regulations, including but not limited to the *Advertising Law of the People's Republic of China*, etc. We have developed various regulations including the *Specifications on Management of Advertisements and Copywriting*, under which the Legal Department reviews the Company's promotion copywriting, publicity materials and advertisements, to ensure the legality and authenticity of the information and materials used for sales and marketing, and safeguard rights and interests of the Group and consumers. We arranged regular training on investment promotion, operation, copywriting and other occasions, and communicated with employees on existing issues, legal updates and hotspots in the form of weekly email push.

In October 2019, the Legal Department arranged training on the *Advertising Law of the People's Republic of China* for employees, with a focus on problems existed in current business copywriting. The training helped ensure the legality and compliance of publicity information and avoid exaggerated or false publicity, thus effectively protecting the interests of customers.

Public welfare

While sticking to its own business and improving industrial efficiency, the Group actively takes its social responsibilities, integrates internal and external resources, makes great efforts in public donation, employment promotion and environment protection, and continuously provides the society with great contribution and positive energy.

➢ **Trustworthy IDC activity**

In March 2019, in order to best echo the International Day for Protecting Consumers' Rights, we organised activities with the theme of "Integrity Assures Consumers More Security – 3.15 IDC Guide in the Community" in Hongde community and Lijing community jointly with the Consumer Protection Committee of Jiading District, Shanghai. Through public welfare publicity, directions for consumption, knowledge sharing about IDC, expert Q&A, etc., we helped the public understand the common pitfalls in the IDC industry and learn more about decoration safety, rights protection and other issues in order to raise awareness of consumer rights protection and create a safe and secure IDC consumption environment.

➢ **Computer donation**

In December 2019, in support of the concept of "Green, Low-carbon, Recycling Economy" for the disposal of electronic products, we donated a batch of office computers to Zhonggu Charity's "Pass Love – Recycled Computer Classroom" project to help mitigate the severe shortage of computers in rural schools in remote mountainous regions of Yunnan and Guizhou. These computers helped connect rural children in impoverished mountainous areas with the wonderful world outside, representing our modest contribution to urban environmental protection and rural education.

EMPLOYEES

We regard employees as the most important wealth of the Group. We constantly improve talent management and have established a complete human resource management system to protect employees' rights and interests. We pay attention to employees' health and create a good working environment for them. We attach importance to employees' career growth and provide them with perfect promotion channels and training systems to attract and retain talents.

Legal employment

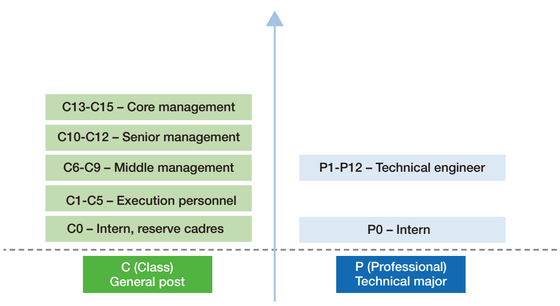
- **Recruitment and dismissal**

  The Group strictly complies with relevant laws and regulations, including but not limited to the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Employment Promotion Law of the People's Republic of China* and the *Contract Law of the People's Republic of China*, etc. We have formulated the *Recruitment Management Process*, the *Regulations for Management of Internal Competitive Employment*, the *Internal 180 Management Regulations* and other rules and processes. Following the talent selection principles of fairness, publicity, equality, competition and preference as well as the talent appointment principles of preferring for skilled persons with good morality and actual performance, we standardise the recruitment process, optimise the talent selection mechanism and improve human resource management. In addition, we detail the regulations for employee reward and punishment, termination of labour contract, and resignation process in the *Staff Manual*, *Regulations for Employee Reward and Punishment*, the *Employee Relationship Management Process*, thus employees shall not be dismissed at will.

- **Compensation, benefits and promotion**

  We have established competitive compensation and welfare system, trying our best to provide employees with fair and reasonable salaries taking comprehensive consideration of the internal and external salary levels and employees' personal competence. The employee compensation consists of basic salary, post wage/performance bonus, post allowance, confidential wage or compensation due to competitive restrictions. We conclude *Labour Contract* with employees as required by law and pay social insurance premiums for employees according to local regulations. Our employees also enjoy benefits including meal allowance, transportation allowance, business communication allowance and blessing bonus. We evaluate the performance of employees at the end of each year and recognise high performers by promoting them or giving them higher compensation based on their professional abilities and post natures.

  We have established comprehensive promotion channels for employees with the principles of "Open selection, Competitive Employment and Priority for Internal Employees", so as to drive internal competitive employment. In the *Measures for Management of Remuneration Based on Posts and Levels*, we set up a line for general posts and a professional line concerning technologies, under the guidance of which the standards for employee benefits and salary are determined It provides employees with transparent and fair promotion pathways and puts employees' potential into full play.



- **Working hours and rest periods**

  Seriously sticking to relevant national laws and regulations, we formulated the *Regulations for Management of Employee Attendance* and implement fixed working hours (8-hour working system and 7-hour working system), comprehensive working hours and unfixed working hours. Working overtime requires advanced application and approval, and employees working overtime are allowed to arrange their deferred holidays by taking working days off and are provided with overtime meal allowance and traffic allowance.

  In addition to public holidays, employees of the Group can also enjoy personal leave, sick leave, marital leave, bereavement leave, maternity leave, paternity leave, breastfeeding leave, coffee break, annual leave and work-related injury leave.

- **Care for employees**

  In order to maintain efficient communication with employees and understand their needs in a timely manner, we have opened various channels for opinion collection, such as the OA internal communication system, internal official accounts, administrative horns and questionnaires. We communicate with employees interactively every day to ensure that employees' needs are understood and resolved on the same day. We provide support and assistance to employees with special needs, including nursing rooms and necessary care for employees in breast feeding period.

We hold various festival activities and employee birthday parties as well as diversified group activities every year, including basketball games, football games and team building activities, to enrich the lives of employees.

Employees' Birthday Party

2019 Basketball Friends Cup – Industrial Park Basketball Game for Friendship

- **Anti-discrimination, diversity and equal opportunity**

  During recruitment, following the principles of fairness, justice and publicity, the Group hires competitive employees under the same conditions, and seriously sticks to national and local governmental laws and regulations as well, so that our employees would not be discriminated for race, gender, skin colour, age, family background, ethnic tradition, religion, physical quality, original nationality and other personal characteristics. Our employees are fairly treated and have equal opportunities in compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits.

- **Labour standards**

  The Group respects employees' rights and interests and complies with relevant laws and regulations, including but not limited to the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Provisions on the Prohibition of Using Child Labour*, etc. Employee's ID card and other personal information was checked in on-boarding, to avoid using of child labour. In case any child labour was hired illegally, we would terminate the labour relationship and notify their guardian immediately. The Group seriously abides by legal working hours and limits overtime working to ensure sufficient resting time and physical and mental health of employees. In case overtime working is unavoidable, employees should be provided with compensatory time off or overtime wage, and compulsory labour is forbidden.

Health and safety

We complies with relevant laws and regulations, including but not limited to the *Production Safety Law of the People's Republic of China*, etc. We provide our employees with safe working environment to ensure their health and safety.

We conduct inspection and maintenance of fire equipment every month, and invite fire-qualified suppliers to do pressure inspection and dry powder replenishment for fire extinguishers every year. We have installed emergency escape lighting in office areas and escape ways to ensure fire equipment can function in all emergency situations and all hazards are eliminated.

For the safety hazards at the decoration site and based on the *Eighteen Items of Qeeka Home Safety Hazard Inspection*, comprehensive inspection for structure, power utilisation, firefighting, tools and equipment involved in construction is included into safety hazard inspection. A supervisor would be appointed for guidance, hazard identification and construction standard supervision if necessary, so that the safety hazards could be eliminated at the very beginning and the house decoration safety of customers as well as the safety of site operators could be ensured effectively.

Employee trainings

In order to help our employees fully realise their potential and value in their positions and meet their requirements for career development, we formulated a complete training system, which combines self-training with lecture training, post skill training with professional knowledge training, to provide learning and training opportunities for employees and help employees achieve their career development goals.

We have established the Business College and conducted more comprehensive trainings including "Orientation Training", "Class F1 Training" and "Leadership Training and Executive Training". These trainings helped employees quickly integrate into the Company and understand the corporate culture. They also helped improve employees' comprehensive abilities and provide them with broad space for career development and learning platform. The Business College provides several sets of courses including group businesses, policies (human resources, finance, administration and legal work, etc.), work skills (PPT, Excel skills, etc.), corporate culture, and so on.

In 2019, we launched the "Class F1 Training" in the Business College, and provided a series of well-designed core courses such as "Application of Mind Map", "Learning PPT with Ajie", "What I Perceive about the Talent Selection in Qeeka Home", "Internet Advertising around Me", etc. Comprehensive trainings were arranged based on our businesses, in which scenario simulation was utilised to boost interaction among trainees so as to help them better understand the corporate culture meticulously and comprehensively and build up skills required by the work.

In addition, under the requirements stated in the *Regulations for Management of Employee Tutors*, the *Regulations for Management of Internal Trainers* and other regulations, we develop internal training resources (including employee tutors and internal trainers) to facilitate the accumulation, sharing and dissemination of internal knowledge, so as to improve the overall standard of our employees.

Class F1 Training

ENVIRONMENT

According to our business characteristics, the emissions of the Group mainly comprise NOx, SO_2, Particulate Matter (PM) and greenhouse gases generated from gasoline used by vehicles owned by the Group, greenhouse gases generated from electricity used at work place, and the non-hazardous waste from work place; the resources used mainly include electricity and water used at work place. The water we used come from municipal water and there are no issue in sourcing water.

As we are deeply aware of the importance of environment protection and resource conservation in the sustainable development of the Company, we complies with relevant laws and regulations, including but not limited to the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China*, etc. We have formulated the *Management Measures for Using of Air Conditioner* and other regulations. We encourage green office and take various measures for energy saving, water conservation and emission reduction, so as to save resources, cut down emissions and reduce negative impact on the environment:

- Purchase and use energy saving and environmentally friendly equipment;
- Encourage all employees to strengthen the awareness of power saving, and implement the principles of power saving, energy consumption reduction and using on demand;
- Carry out daily maintenance for water equipment to avoid wasting from dropping;
- All lights in the customer service centre, warehouses and headquarters office should be replaced by LED lights for reduction of energy consumption;
- Encourage paperless office and minimise copying and printing of documents as far as possible, and encourage printing on both sides and recycling of waste paper, so as to avoid unnecessary wasting of papers and reduce the harmless wastes;
- To respond to the call for garbage classification, we actively classified the garbage in headquarter and promoted the classification of garbage to employees;
- All non-hazardous wastes are collected, transported and treated by municipal sanitation.

As our business activities involve no use of large amount of non-renewable energy and forest resources and cause no impact on biodiversity, the Aspect A3. Environment and Natural Resources is not applicable for the Group.

Environmental KPIs:

The environmental KPIs disclosed in the report cover the offices of our headquarters in Shanghai and its subsidiary companies Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd., and Brausen (Fujian) Decoration Engineering Co., Ltd., etc., and are not substantially different from the ones disclosed in the ESG report of 2018.

Emissions	**2019**	2018
NOx emissions (in kg)[1]	**119.30**	157.52
SO_2 emissions (in kg)[1]	**0.28**	0.41
PM emissions (in kg)[1]	**11.43**	15.09
Scope 1: Direct greenhouse gas emissions (tCO_2e)	**41.10**	58.93
Scope 2: Energy indirect greenhouse gas emissions (tCO_2e)	**507.61**	836.63
Total greenhouse gas emissions (tCO_2e)[2]	**548.71**	895.56
Intensity of greenhouse gas emissions (tCO_2e/person)	**0.67**	1.07
Total non-hazardous waste produced (in tonnes)[3]	**45.52**	121.08
Intensity of non-hazardous waste (tonnes/person)	**0.06**	0.15

Note:

1. The waste gas emissions are accounted in accordance with the *How to Prepare ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs* issued by HKEX.

2. The accounting of greenhouse gas is presented in terms of carbon dioxide equivalent, and accounted in accordance with the *Guidelines on Accounting Methods and Reporting of Greenhouse Gas Emissions of Public Building Operators* issued by the National Development and Reform Commission.

3. The hazardous waste generated from the business activities of the Group include a small amount of waste selenium drums and waste ink cartridges, which are recycled for use by qualified recycler and cause limited impact on environment. Therefore, the KPI A1.3 (total hazardous waste produced) is not disclosed in the report.

Use of Resources[2]	**2019**	2018
Total direct energy consumption (MWh)	**168.12**	241.04
Total indirect energy consumption (MWh)	**721.54**	1,189.24
Total energy consumption (MWh)[1]	**889.66**	1,430.28
Intensity of energy consumption (MWh/person)	**1.09**	1.71
Total water consumption (in tonnes)	**4,181**	5,769
Intensity of total water consumption (tonnes/person)	**5.12**	6.91

Note:

1. Total energy consumption is accounted according to energy consumption, fuel consumption and the default value of parameters related to fossil fuel as listed in Annex 1 of the *Guidelines on Accounting Methods and Reporting of Greenhouse Gas Emissions of Public Building Operators* issued by the National Development and Reform Commission.

2. Since the Group's operation involves no use of packaging materials, the KPI A2.5 (Total packaging material used for finished products) is not applicable.

Report of the Directors

The Board is pleased to present this annual report and the audited financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL BUSINESSES AND ACTIVITIES

The Group is the largest and most renowned online interior design and construction platform in China. The principal activities of the Group are (i) the provision of order recommendation services, provision of advertising and promotion services and licensing its brand to business parties; (ii) provision of building and home decoration material supply chain services; and (iii) the provision of interior design and construction service.

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in Note 36 to the consolidated financial statements. There were no significant changes in the nature of Group's activities during the Reporting Period.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 7 to 9 and pages 10 to 20 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the sections headed "Report of the Directors – Risks Relating to the Contractual Arrangements" on page 66 of this annual report. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the "Environmental, Social and Governance Report" on pages 36 to 47 of this annual report.

PROSPECT

A review of the business of the Group during the year and a discussion on the Group's future business development, particulars of important events affecting the Group that have occurred since the end of the financial year are set out in the "Chairman's Statement" on pages 7 to 9 of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the "Key Financial and Operation Data" on pages 4 to 6 of this annual report.

The Company's compliance with relevant laws and regulations which have a significant impact on the Group are provided in the section headed "Compliance with Laws and Regulations" of this report of the Directors. An account of the Company's relationship with its employees, customers, and suppliers is disclosed in the section headed "Relationship with Stakeholders" of this report of the Directors.

RESULTS

The consolidated results of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Comprehensive Income on pages 75 to 76 of this annual report. The financial condition of the Group as at 31 December 2019 is set out in the Consolidated Balance Sheet on pages 77 to 78 of this annual report. The consolidated cash flows of the Group for the year ended 31 December 2019 is set out in the Consolidated Statement of Cash Flows on page 81.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in "Management Discussion and Analysis" of this annual report on pages 10 to 20.

DIVIDEND POLICY

The dividend policy of the Company, adopted by the Board on 19 December 2018, is set out as follows:

Subject to the Companies Law of the Cayman Islands and the Memorandum and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalizing dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (including in the repurchase by the Company of its own securities or the giving of any financial assistance for the acquisition of its own securities) as the Board may from time to time think fit, and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve, carry forward any profits which it may think prudent not to distribute by way of dividend.

FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company (the "**Shareholders**") in the forthcoming AGM on Friday, 29 May 2020 for the distribution of a final dividend of HKD0.02 (equivalent to approximately RMB0.018) per share for the year ended 31 December 2019. The final dividend is expected to be paid on Friday, 26 June 2020 to the Shareholders whose names are listed in the register of members of the Company on Friday, 12 June 2020, in an aggregate of approximately HKD23.8 million (equivalent to approximately RMB21.7 million). The final dividend will be distributed in Hong Kong dollars and will be calculated based on the average benchmark exchange rate of RMB against HKD announced by the People's Bank of China in the five working days prior to but excluding the date of the Board meeting held on Friday, 27 March 2020. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company will hold the AGM on Friday, 29 May 2020.

The register of members of the Company ("**Register of Members**") will be closed during the following periods and during these periods, no transfer of shares will be registered:

(i) To attend and vote at the AGM

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM, the Registers of Members will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020, both days inclusive.

In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar ("**Branch Share Registrar**") of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 May 2020.

(ii) To qualify for the proposed final dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Wednesday, 10 June 2020 to Friday, 12 June 2020, both days inclusive.

In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar for registration not later than 4:30 p.m. on Tuesday, 9 June 2020.

SHARE CAPITAL

As at 31 December 2019, the authorised share capital of the Company was US$200,000, divided into 2,000,000,000 shares of US$0.0001 each. Details of movements in the share capital of the Company during the year ended 31 December 2019 are set out in Note 23 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 36 to the consolidated financial statements.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company established the Audit and Risk Management Committee with written terms of reference in compliance with the CG Code. The Audit and Risk Management Committee comprises three members, namely Mr. WONG Man Chung Francis, Mr. ZHANG Lihong and Mr. CAO Zhiguang. Mr. WONG is the chairman of the Audit and Risk Management Committee. The Audit and Risk Management Committee has reviewed the Group's 2019 annual results announcement, this annual report and the audited financial statements for the year ended 31 December 2019 prepared in accordance with the IFRS.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2019 are set out in the Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the amount of reserves available for distribution of the Company was approximately RMB2,139.2 million (2018: RMB2,133.7 million).

DONATIONS

During the year ended 31 December 2019, the Company and its subsidiaries made charitable donations of approximately RMB27,000.

BANK BORROWINGS AND OTHER BORROWINGS

As at 31 December 2019, we had total borrowings of RMB12.0 million and the interest rate of the borrowings ranges from 4.31% to 4.79% per annum (2018: Nil).

PLEDGE OF ASSETS

As at 31 December 2019, the aggregate principal amount of wealth management product, amounting to RMB10.0 million were held at bank as guarantee for bank borrowing of RMB5.0 million from Industrial and Commercial Bank of China Limited.

USE OF PROCEEDS FROM THE IPO

The total net proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related expenses) amounted approximately RMB949.8 million, and the balance of unutilized net proceeds of approximately RMB685.8 million was kept at the bank accounts of the Group as at 31 December 2019.

The net proceeds from the Global Offering have been and will be utilized in accordance with the intended uses as disclosed in the Prospectus of the Company and subsequently revised in the announcement issued by the Company dated 27 March 2020. The table below sets out the intended uses and actual usage of the net proceeds as at 31 December 2019:

Use of proceeds	**Revised allocation of usage of net proceeds (RMB million)**	**Revised percentage of total net proceeds**	**Actual usage up to 31 December 2019 (RMB million)**	**Unutilized net proceeds as at 31 December 2019 (RMB million)**
Marketing expense	379.9	40.0%	**114.0**	**265.9**
Development of supply chain management business	135.0	14.2%	**40.0**	**95.0**
Development of Loan referral business	20.0	2.1%	**–**	**20.0**
Development of our self-operated interior design and construction business	50.0	5.3%	**35.0**	**15.0**
Investment in our technology infrastructure and system	162.5	17.1%	**52.0**	**110.5**
Additional strategic investments and acquisitions	95.0	10.0%	**3.0**	**92.0**
Development of our new business	40.0	4.2%	**–**	**40.0**
General working capital	67.4	7.1%	**20.0**	**47.4**
Total	949.8	100.0%	**264.0**	**685.8**

Pursuant to the Prospectus, the Company expects to utilise the remaining proceeds of approximately RMB685.8 million within the next 3 years.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, purchases from the Group's five largest suppliers accounted for 43.7% of the Group's total purchases. In addition, purchases from the Group's single largest supplier accounted for 13.2% of the Group's total purchases during the same period.

For the year ended 31 December 2019, the Group's five largest customers accounted for 7.7% of the Group's total revenue. In addition, revenue from the Group's single largest customer accounted for 2.4% of the Group's total revenue during the same period.

During the year ended 31 December 2019, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

On 10 December 2019, Shanghai Qiyu (as the purchaser), a wholly owned subsidiary of the Company, entered into the agreement with Mr. Chen Yangui and Mr. Zuo Hanrong (as the vendors) for purchasing their respective equity interests of 5.0377% and 10.0156% in Brausen for an aggregate consideration of RMB5,775,773. Before and after the completion of this transaction, the Company owned 69.8934% and 84.9467% in Brausen, respectively. The completion has taken place in December 2019. For details, please refer to the announcement of the Company dated 10 December 2019.

On 30 October 2019, Shanghai Qiyu (as transferor), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer framework agreement with Chengjia (Shanghai) Investment Co. Ltd (丞家（上海）投資有限公司) ("**Chengjia Shanghai**") (as transferee), which sets out the principal terms in respect of the sale and purchase of such equity interests in Sanming Qijia Network and Shanghai Zhengyi which shall result in the indirect transfer of an aggregate of 70% equity interest in Shanghai Jinjie to Chengjia Shanghai for a maximum total consideration of RMB303,874,871. Shanghai Jinjie wholly owns the Land. For details, please refer to the announcement of the Company dated 30 October 2019. In April 2020, the parties thereunder agreed to terminate the equity transfer framework agreement and the relevant equity interests in Sanming Qijia Network and Shanghai Zhengyi will not be disposed.

Save as disclosed above, we did not have other material acquisitions and disposals of subsidiaries and joint ventures during the year ended 31 December 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in property, plant and equipment of the Company are set out in note 12(a) to the consolidated financial statements.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were:

Executive Directors

Mr. DENG Huajin *(Chairman and Chief Executive Officer)*
Mr. TIAN Yuan
Mr. GAO Wei

Non-executive Directors

Mr. LI Gabriel
Mr. ZHAO Guibin *(appointed on 24 April 2020)*
Mr. SHENG Gang *(resigned on 24 April 2020)*
Ms. PING Xiaoli *(appointed on 29 October 2019)*
Mr. WU Haifeng *(resigned on 29 March 2019)*
Mr. TANG Zhenjiang *(appointed on 29 March 2019 and resigned on 29 October 2019)*

Independent Non-executive Directors

Mr. ZHANG Lihong
Mr. CAO Zhiguang
Mr. WONG Man Chung Francis

BIOGRAPHICAL DETAILS OF DIRECTORS

The Board comprises nine Directors in total. For details, please refer to the section headed "Board of Directors and Senior Management" above. There are four members of senior management in total, including Mr. DENG Huajin, Mr. TIAN Yuan, Mr. GAO Wei and Mr. LIN Jinsong.

Information about the details of the Directors and senior management of the Company is set out in the section headed "Board of Directors and Senior Management".

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers all the independent non-executive Directors to be independent.

SERVICE CONTRACTS OF DIRECTORS

The Company has entered into service contracts with all Directors for a term of three years following each Director's respective appointment date or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier, or which shall be terminated pursuant to relevant terms of respective contracts or letters of appointment.

None of the Directors has entered into any service contract with the Company or any of its subsidiaries which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save for service contracts and the Contractual Arrangements, there were no other transactions, arrangements or contracts of significance in relation to the Group's business, to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which none of the Directors or its connected entities had a material interest, whether directly or indirectly, as at the end of the year.

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.

INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

The Directors has confirmed that other than business of the Group, none of the Directors holds any interest in business which directly or indirectly competes or is likely to compete with the business of the Group.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(i) Interest in Shares of the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of the issued voting shares of the Company
Mr. Deng[(1)]	Interest in controlled corporation	302,349,530	25.18%
	Interest of spouse	13,587,610	1.13%
Mr. Gao Wei[(2)]	Interest in controlled corporation	5,229,970	0.44%
Mr. Tian Yuan[(3)]	Interest in controlled corporation	4,578,876	0.38%
Mr. Gabriel Li[(4)]	Interest of spouse	100,000,000	8.33%

Notes:

(1) Mr. Deng holds 100% equity interests of Qeeka Holding, which in turn directly holds 302,349,530 Shares. Accordingly, Mr. Deng is deemed to be interested in the 302,349,530 Shares held by Qeeka Holding. Mr. Deng is the spouse of Ms. Sun, and is deemed to be interested in the 13,587,610 Shares of Ms. Sun held through Sunjie Home, representing approximately 1.13% interest in the Company.

(2) Mr. Gao Wei holds 100% equity interests in Josephine Holding, which in turn directly holds 5,229,970 Shares. Accordingly, Mr. Gao Wei is deemed to be interested in the 5,229,970 Shares held by Josephine Holding.

(3) Mr. Tian Yuan holds 100% equity interests of Tianyuan Home, which in turn directly holds 4,578,876 Shares. Accordingly, Mr. Tian Yuan is deemed to be interested in the 4,578,876 Shares held by Tianyuan Home.

(4) Mr. Gabriel Li is the spouse of Ms. Lam Lai Ming ("**Ms. Lam**"), and is deemed to be interested in the Shares held by Ms. Lam in Orchid Asia. Orchid Asia directly holds 100,000,000 Shares. Orchid Asia is owned as to 95% by Orchid Asia VI, L.P. and as to 5% by Orchid Asia V Co-Investment Limited. The general partner of Orchid Asia VI, L.P. is OAVI Holdings, L.P. and the general partner of OAVI Holdings, L.P. is Orchid Asia VI GP, Limited, a company which is indirectly wholly-owned by Ms. Lam. Orchid Asia V Co-Investment Limited is wholly controlled by Ms. Lam.

Save as disclosed above, as of 31 December 2019, none of the Directors and chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as 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 Model Code.

(ii) Interest in associated corporations

Save as disclosed above, so far as the Directors are aware, as at 31 December 2019, none of the Directors or chief executive of the Company and their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2019, the following persons had interest or short positions in the shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company:

Name of Shareholders	Nature of Interest	Number of Shares(1)	Approximate percentage of shareholding in the Company
Qeeka Holding(2)	Beneficial owner	302,349,530 (L)	25.18%
Mr. Deng(2)	Interest in a controlled corporation and interest of spouse	315,937,140 (L)	26.31%
Ms. Sun(3)	Interest in a controlled corporation and interest of spouse	315,937,140 (L)	26.31%
Baidu HK(4)	Beneficial owner	124,981,861 (L)	10.41%
Baidu Holdings Limited(4)	Interest in a controlled corporation	124,981,861 (L)	10.41%
Baidu, Inc.(4)	Interest in a controlled corporation	124,981,861 (L)	10.41%
Hua Yuan International(5)	Beneficial owner	101,912,750 (L)	8.49%
China-Singapore Suzhou Industrial Park Ventures Co., Ltd.(5)	Interest in a controlled corporation	101,912,750 (L)	8.49%
Suzhou Oriza Holdings Co., Ltd(5)(7)	Interest in a controlled corporation	185,246,080 (L)	15.42%
Suzhou Industrial Park Economic Development Co., Ltd.(5)(7)	Interest in a controlled corporation	185,246,080 (L)	15.42%
Suzhou Industrial Park State-owned Assets Holding Development Co., Ltd.(5)(7)	Interest in a controlled corporation	185,246,080 (L)	15.42%
Suzhou Industrial Zone Management Committee(5)(7)	Interest in a controlled corporation	185,246,080 (L)	15.42%
Orchid Asia(6)	Beneficial owner	100,000,000 (L)	8.33%

Name of Shareholders	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding in the Company
Orchid Asia VI, L.P.[6]	Interest in a controlled corporation	100,000,000 (L)	8.33%
Orchid Asia V Group Management, Limited[6]	Interested in a controlled corporation	100,000,000 (L)	8.33%
Orchid Asia V Group, Limited[6]	Interested in a controlled corporation	100,000,000 (L)	8.33%
Areo Holdings Limited[6]	Interested in a controlled corporation	100,000,000 (L)	8.33%
OAVI Holdings, L.P.[6]	Interest in a controlled corporation	100,000,000 (L)	8.33%
Orchid Asia VI GP, Limited[6]	Interest in a controlled corporation	100,000,000 (L)	8.33%
Lam Lai Ming[6]	Interest in a controlled corporation	100,000,000 (L)	8.33%
Mr. Gabriel Li[6]	Interest of spouse	100,000,000 (L)	8.33%
SIP Oriza[7]	Beneficial owner	83,333,330 (L)	6.94%
SIP Oriza PE Fund Management Co., Ltd.[7]	Interest in a controlled corporation	83,333,330 (L)	6.94%
SIP Oriza Jingfeng Equity Investment Management Co., Ltd.[7]	Interest in a controlled corporation	83,333,330 (L)	6.94%
Suzhou Oriza Holdings Co., Ltd.[7]	Interest in a controlled corporation	83,333,330 (L)	6.94%
Yao Hua[7]	Interest in a controlled corporation	83,333,330 (L)	6.94%
Karst Peak Capital Limited[8]	Investment manager	72,332,500 (L)	6.02%
Leitzes Adam Gregory[8]	Interest in a controlled corporation	72,332,500 (L)	6.02%
Teng Yue Partners Master Fund, L.P.[9]	Beneficial owner	105,186,500 (L)	8.76%
Li Tao[9]	Interest in a controlled corporation	105,186,500 (L)	8.76%
Teng Yue Partners GP, LLC[9]	Interest in a controlled corporation	105,186,500 (L)	8.76%
Teng Yue Partners Holdings GP, LLC[9]	Interest in a controlled corporation	105,186,500 (L)	8.76%
Teng Yue Partners Holdings, LLC[9]	Interest in a controlled corporation	105,186,500 (L)	8.76%
Teng Yue Partners, L.P.[9]	Investment manager	105,186,500 (L)	8.76%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Qeeka Holding is wholly-owned by Mr. Deng, therefore Mr. Deng is deemed to be interested in the 302,349,530 Shares held by Qeeka Holding under the SFO. In addition, Mr. Deng is the spouse of Ms. Sun and therefore is deemed to be interested in the 13,587,610 Shares which Ms. Sun is interested in under the SFO.

(3) Sunjie Home is wholly-owned by Ms. Sun, therefore Ms. Sun is deemed to be interested in the 13,587,610 Shares held by Sunjie Home under the SFO. In addition, Ms. Sun is the spouse of Mr. Deng and is therefore deemed to be interested in the 302,349,530 Shares which are interested by Mr. Deng under the SFO.

(4) Baidu HK is an investment holding company wholly-owned by Baidu Holdings Limited, which is wholly-owned by Baidu, Inc., a company listed on NASDAQ (NASDAQ: BIDU). Under the SFO, Baidu, Inc. and Baidu Holdings Limited are deemed to be interested in the Shares held by Baidu HK.

(5) Hua Yuan International is wholly-owned by China-Singapore Suzhou Industrial Park Ventures Co., Ltd., which is wholly-owned by Suzhou Oriza Holdings Co., Ltd, which is owned as to 70% by Suzhou Industrial Park Economic Development Co., Ltd. and as to 30% by Suzhou Industrial Park State-owned Assets Holding Development Co., Ltd., both of which are wholly-owned by Suzhou Industrial Zone Management Committee. Under the SFO, China-Singapore Suzhou Industrial Park Ventures Co., Ltd., Suzhou Oriza Holdings Co., Ltd, Suzhou Industrial Park Economic Development Co., Ltd., Suzhou Industrial Park State-owned Assets Holding Development Co., Ltd. and Suzhou Industrial Zone Management Committee are deemed to be interested in the Shares held by Hua Yuan International.

(6) Orchid Asia is owned as to 95% by Orchid Asia VI, L.P., and as to 5% by Orchid Asia V Co-Investment Limited. The general partner of Orchid Asia VI, L.P. is OAVI Holdings, L.P., and the general partner of OAVI Holdings, L.P. is Orchid Asia VI GP, Limited. Orchid Asia VI GP, Limited is wholly owned by Orchid Asia V Group Management, Limited, which is wholly owned by Orchid Asia V Group, Limited. Orchid Asia V Group, Limited is wholly owned by Areo Holdings Limited, a company which is wholly owned by Ms. Lam. Under the SFO, Orchid Asia VI, L.P., OAVI Holdings, L.P., Orchid Asia VI GP, Limited, Orchid Asia V Group Management, Limited, Orchid Asia V Group, Limited, Areo Holdings Limited and Ms. Lam are deemed to be interested in the Shares held by Orchid Asia. Mr. Gabriel Li is the spouse of Ms. Lam, and is deemed to be interested in the Shares held by Ms. Lam in Orchid Asia.

(7) The general partner of SIP Oriza is SIP Oriza PE Fund Management Co., Ltd., which is owned as to 51% by SIP Oriza Jingfeng Equity Investment Management Co., Ltd. and as to 49% by Suzhou Oriza Holdings Co., Ltd.. SIP Oriza Jingfeng Equity Investment Management Co., Ltd. is owned as to 44.19% by Yao Hua. Suzhou Oriza Holdings Co., Ltd. is owned as to 70% by Suzhou Industrial Park Economic Development Co., Ltd. and as to 30% by Suzhou Industrial Park State-owned Assets Holding Development Co., Ltd., both of which are wholly-owned by Suzhou Industrial Zone Management Committee. Under the SFO, SIP Oriza PE Fund Management Co., Ltd., SIP Oriza Jingfeng Equity Investment Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Yao Hua, Suzhou Industrial Park Economic Development Co., Ltd., Suzhou Industrial Park State-owned Assets Holding Development Co., Ltd. and Suzhou Industrial Zone Management Committee are deemed to be interested in the Shares held by SIP Oriza.

(8) The number of Shares disclosed was based on the latest disclosure of interest forms filed on 11 October 2019 (the date of relevant event be 8 October 2019) received from Karst Peak Capital Limited and Adam Gregory Leitzes. According to the filed forms, Karst Peak Asia Master Fund and Vermilion Peak Master Fund (collectively, the "Controlled Entities") held 42,809,500 Shares and 29,523,000 Shares, respectively. Karst Peak Capital Limited is noted as the controlling person (with 100% control) of each Controlled Entity as it is the sole discretionary investment manager of each such Controlled Entity. Adam Gregory Leitzes is the sole director, shareholder and Chief Investment Officer of Karst Peak Capital Limited. Accordingly, Karst Peak Capital Limited and Adam Gregory Leitzes are deemed to be interested in the 72,332,500 Shares held by the Controlled Entities aggregately.

(9) The number of Shares disclosed was based on the disclosure of Interest form filed on 11 July 2019 (the date of relevant event be 10 July 2019) received from Mr. Li Tao. According to the filed form, (1) Teng Yue Partners Master Fund, L.P., holds 105,186,500 Shares, which is wholly owned by Teng Yue Partners GP, LLC. Teng Yue Partners GP, LLC. is wholly owned by Teng Yue Partners Holdings GP, LLC, a company which is owned as to 99% by Mr. Li Tao. (2) Teng Yue Partners, L.P. is wholly owned by Teng Yue Partners Holdings, LLC, a company which is owned as to 99% by Mr. Li Tao. Accordingly, based on the above disclosure, Teng Yue Partners Master Fund, L.P., Teng Yue Partners GP, LLC, Teng Yue Partners Holdings GP, LLC, Teng Yue Partners Holdings, LLC, Teng Yue Partners, L.P. and Mr. Li Tao are deemed to be interested in the Shares held by Teng Yue Partners Master Fund, L.P.

DEBENTURE ISSUED

The Company has not issued any debentures during the year ended 31 December 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the Reporting Period.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company did not enter into any equity-linked agreement during the year ended 31 December 2019.

PERMITTED INDEMNITY PROVISION

Pursuant to the Memorandum and Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force during the Reporting Period.

The Company has maintained appropriate liability insurance for its Directors and senior management. The permitted indemnity provisions are set out in such liability insurance.

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE COMPANY

The Company did not provide any financial assistance or guarantee to its affiliated companies during the Reporting Period, which gives rise to a disclosure under Rule 13.16 of the Listing Rules. The Company did not enter into any loan agreement with covenants relating to specific performance of its controlling Shareholder nor breach the terms of any loan agreements during the Reporting Period.

PRE-IPO SHARE OPTION SCHEME

In order to incentivize the Directors, senior management, connected persons and other grantees for their contribution to the Group and to attract and retain suitable personnel to the Group, two employee share option plans were approved and adopted by the Company in 2011 and 2016, respectively, which were formalised in 2018. During the year under the Pre-IPO Share Option Scheme, 3,000 share options was exercised but there are 2,436,474 share options were lapsed. As at 31 December 2019, the total number of outstanding share options was 42,901,141 which represent approximately 3.6% of the total number of issued shares of the Company as at that date. A summary of the principal terms of the Pre-IPO Share Option Scheme is set out as below.

Administration

The Pre-IPO Share Option Scheme is administered by the chief executive officer of the Company. All decisions, determinations and interpretations of the chief executive officer of the Company under the Pre-IPO Share Option Scheme will be final and binding on all recipients, and if applicable, transferees of awards under the scheme.

Eligible Participants

The Grantees include any individual, form of body corporate, unincorporated association, firm, partnership, joint venture, consortium, organization or trust (in each case whether or not having a separate legal personality) who or which is granted a right to subscribe for Shares pursuant to the Pre-IPO Share Option Scheme hereunder by the Company pursuant to the decision of the Committee.

Exercise Price

The price per Share at which a Grantee may subscribe for Shares on the exercise of an option shall be determined by the Board from time to time and shall be set out in an offer letter (the "**Offer Letter**").

Vesting Schedule

The vesting schedule shall be determined by the Board from time to time and shall be set out in the Offer Letter. There shall be no accelerated vesting of any options except that with the prior approval of the Board vesting may be fully accelerated for a period of not more than one year upon a change of control of the Company or the sale of all or substantially all of the assets of the Company.

Details of the Options Granted under the Pre-IPO Share Option Scheme

As at the Latest Practicable Date, options to subscribe for an aggregate of 42,789,439 Shares, representing approximately 3.6% of the issued share capital of the Company have been granted under the Pre-IPO Share Option Scheme.

The details below set out the movement of the share option granted under the Pre-IPO Share Option Scheme during the year:

Name of grantee	Date of grant	Balance as at 01/01/2019	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31/12/2019	Exercise price per Share (RMB)	Option period
Director								
GAO Wei	31/12/2011	8,981,390	–	–	–	8,981,390	2.004	10 years from grant date
Senior management								
Senior management (in aggregate)	31/12/2011	12,461,680	–	–	–	12,461,680	2.004	10 years from grant date
	31/12/2016	2,357,620	–	–	–	2,357,620	2.004	10 years from grant date
Employee								
Employee (in aggregate)	31/12/2016	21,539,925	3,000	–	2,436,474	19,100,451	2.004	10 years from grant date
Total	–	45,340,615	3,000	–	2,436,474	42,901,141	–	–

Further details of the Pre-IPO Share Option Scheme are set out in the Prospectus and Note 25 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a public float of no less than 25% of the issued shares as at the date of this annual report, which was in line with the requirement under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2019, the Company repurchased a total of 21,221,500 shares of the Company on the Stock Exchange pursuant to the general mandate granted by the shareholders at the annual general meeting held on 28 May 2019. All the Shares Repurchased were subsequently cancelled by 14 February 2020.

Particulars of the repurchases made by the Company during the year ended 31 December 2019 are as follows:

Month	Number of shares repurchases	Purchases price per share Highest (HK$)	Lowest (HK$)	Aggregate consideration (HK$)
June 2019	3,542,000	2.91	2.46	9,318,849
July 2019	980,000	2.94	2.45	2,626,149
August 2019	1,942,000	2.59	2.04	4,709,800
September 2019	2,854,000	2.61	2.37	7,174,168
November 2019	2,436,000	2.34	2.14	5,468,519
December 2019	9,467,500	2.56	2.12	22,770,020

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Memorandum and 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 existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's listed securities.

EMPLOYEES, REMUNERATION AND PENSION SCHEME

As at 31 December 2019, the Group had 976 full-time employees (2018: 1,279) in China. The Group remunerates the employees based on their performance, work experience and market rates. In addition, performance bonus is granted on a discretionary basis. Other employees benefits include provision fund, insurance and medical coverage. The Company has adopted the Pre-IPO Share Option Scheme, see the section headed "Pre-IPO Share Option Scheme" for details.

Remuneration of the Directors is determined based on their roles and duties and with reference to the Company's remuneration policy and the prevailing market conditions. Details of remuneration of Directors and the five highest paid individuals of the Company for the year ended 31 December 2019 are set out in note 35 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and their respective associates had an interest in any business which competes or may compete with the business in which the Group is engaged during the year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders.

Save as disclosed in this annual report, the Company has complied with the applicable code provisions of the CG Code during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding Directors' dealings in the securities of the Company.

Having made specific enquiry to all the Directors, each Director confirmed that he/she had complied with the required standards set out in the Model Code during the Reporting Period. The Board has also established written guidelines to regulate dealings by relevant employees who are likely to be in possession of inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code.

AUDITORS

The Company has been engaging PricewaterhouseCoopers as the Company's auditor since the commencement of the preparation for its IPO. The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the conclusion of the forthcoming AGM.

The Company will propose a resolution to re-appoint PricewaterhouseCoopers as the Company's auditor at the forthcoming AGM.

CONTINUING CONNECTED TRANSACTIONS

Connected Person

Mr. DENG is the chairman, executive Director and a substantial shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

CONNECTED TRANSACTION

On 10 December 2019, Shanghai Qiyu (as the purchaser), a wholly owned subsidiary of the Company, entered into the agreement with Mr. Chen Yangui and Mr. Zuo Hanrong (as the vendors) for purchasing their respective equity interests of 5.0377% and 10.0156% in Brausen for an aggregate consideration of RMB5,775,773. Before and after the completion of this transaction, the Company owned 69.8934% and 84.9467% in Brausen and the completion has taken place on December 2019.

Continuing Connected Transactions

Supplies Purchase Framework Agreement

On 10 January 2019, Fujian Qijia Network, a wholly owned subsidiary of the Company, entered into the Supplies Purchase Framework Agreement with Shanghai Qiyuan, pursuant to which Fujian Qijia Network will purchase smart home appliances from Shanghai Qiyuan as supply chain materials to be sold to end-clients.

The Supplies Purchase Framework Agreement is effective from 10 January 2019 to 31 December 2019. Purchase of smart home appliances by Fujian Qijia Network under the Supplies Purchase Framework Agreement for the year ended 31 December 2019 was subject to a cap of RMB4,000,000. The actual transaction amount pursuant to the Supplies Purchase Framework Agreement for the year ended December 2019 was RMB0.002 million.

Referral Services Agreement

On 10 January 2019, Beijing Brausen, a non-wholly owned subsidiary of the Company, entered into the Brausen Referral Services Agreement with Shanghai Qijia E-Commerce, pursuant to which Shanghai Qijia E-Commerce will work with certain construction materials and household products suppliers, to sell customized construction materials and furniture packages to end-clients introduced by Beijing Brausen. In return for the referral services provided by Beijing Brausen, Shanghai Qijia E-Commerce will pay commission to Beijing Brausen. The Brausen Referral Services Agreement was initially effective from January 10, 2019 to December 31, 2019. On 27 December 2019, the parties entered into the Renewed Brausen Referral Services Agreement which is effective from 1 January 2020 to 31 December 2020.

Reference is made to the prospectus of the Company dated 21 June 2018 (as supplemented by the supplemental prospectus dated 3 July 2018) in respect of the Qiyi Referral Services Agreement. Given that the Brausen Referral Services Agreement or Renewed Brausen Referral Services Agreement (as applicable) and the Qiyi Referral Services Agreement are entered into between subsidiaries of the Company on the one hand and Shanghai Qijia E-Commerce on the other and the nature of the transactions under these two agreements are similar, Brausen Referral Services Agreement or Renewed Brausen Referral Services Agreement (as applicable) and the Qiyi Referral Services Agreement shall be aggregated pursuant to Rule 14A.81 of the Listing Rules (the "**Aggregation**").

With consideration of the Aggregation, commissions receivable by Beijing Brausen under the Brausen Referral Services Agreement or Renewed Brausen Referral Services Agreement (as applicable) and by Shanghai Qiyi under the Qiyi Renewed referral services agreement are, on an aggregate basis, subject to a cap of RMB5,960,000 and RMB6,570,000, for the years ended 31 December 2019 and 31 December 2020, respectively. The commission received by Beijing Brausen under the Brausen Referral Services Agreement was RMB5.2 million for the year ended 31 December 2019.

Pursuant to the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and the report of the auditor and confirmed that the continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to (or from) independent third parties; and (iii) in accordance with the agreements governing it on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions with regard to the agreements 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 an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Non-Exempt Continuing Connected Transactions – Contractual Arrangements

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

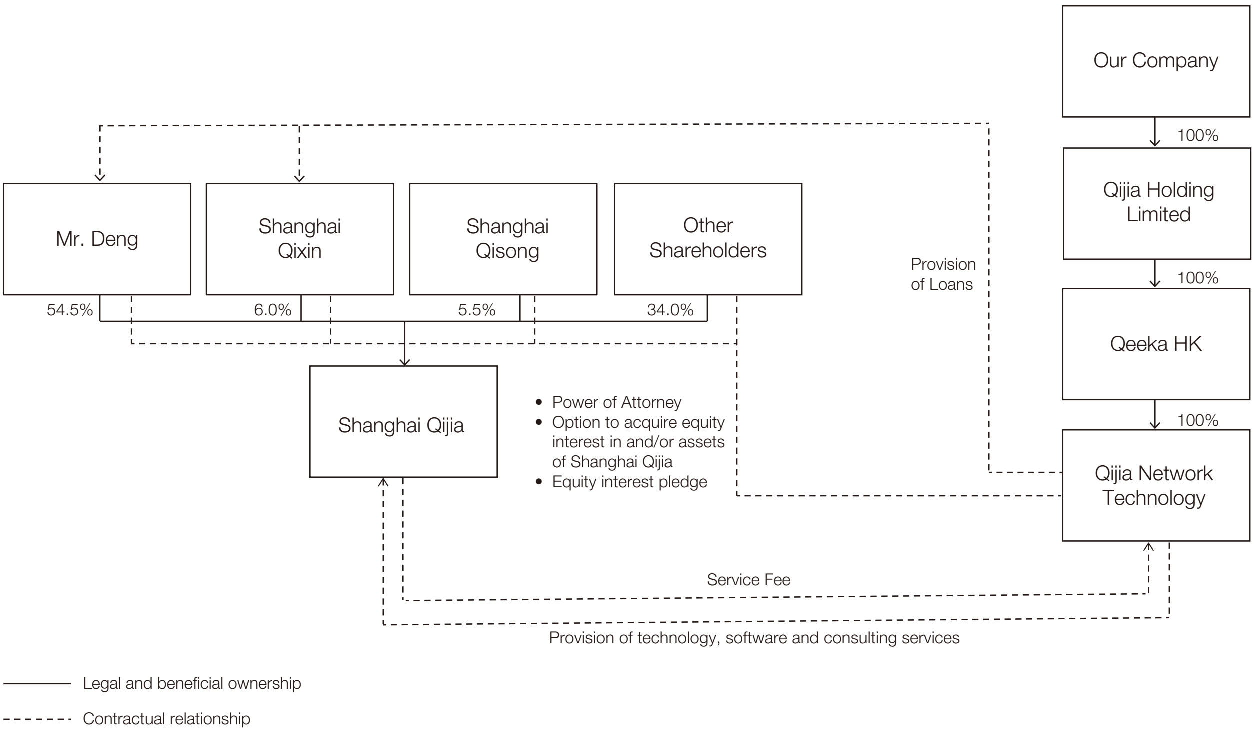
As disclosed in the section headed "Contractual Arrangements" of the Prospectus due to regulatory restrictions on foreign ownership in the PRC, we conduct a substantial portion of our business through Shanghai Qijia, a consolidated affiliated entity of the Company, in China. Shanghai Qijia is currently held by Mr. Deng as to 54.5%, Shanghai Qixin and Shanghai Qisong as to 6.0% and 5.5% respectively, and the onshore affiliates of the Series A Investors in aggregate as to 34.0%.

We do not hold any equity interests in Shanghai Qijia. Rather, through the Contractual Arrangements, we effectively control Shanghai Qijia and its subsidiary, Shanghai Qiyi, and are able to derive all of their economic benefits, and expect to continue to do so. The aggregate revenue and net assets value of the Shanghai Qijia and its subsidiary, Shanghai Qiyi that are subject to the Contractual Arrangements amounted to approximately RMB455.2 million for the year ended 31 December 2019 and approximately RMB150.0 million as at 31 December 2019 respectively.

To comply with PRC laws and regulations, the Group conduct substantially all of the online interior design and construction platform business and provision of internet information services in China through of the Contractual Arrangements, which enable the Group to (i) have the power to direct the activities that most significantly affect the economic performance of the PRC Operating Entities; (ii) receive substantially all of the economic benefits from the PRC Operating Entities in consideration for the services provided by the Shanghai Qijia; (iii) have an exclusive option to purchase all or part of the equity interests in the PRC Operating Entities when and to the extent permitted by PRC law, or request any Registered Shareholder to transfer all or part of the equity interest in the PRC Operating Entities to another PRC person or entity designated by the Group at any time at its discretion; and (iv) have the pledged equity interests in Shanghai Qijia to ensure the performance of the above items.

On 27 December 2019, pursuant to an equity transfer agreement entered into between Suzhou Kunrong Venture Capital Co., Ltd. ("**Suzhou Kunrong**") and Suzhou Dingrong Investment Management Co., Ltd. ("**Suzhou Dingrong**"), Suzhou Kunrong transferred its 0.88% equity interest in Shanghai Qijia to Suzhou Dingrong. Pursuant to a succession agreement ("**Succession Agreement**") entered into on the same day amongst Shanghai Qijia, Qijia Network Technology, Suzhou Kunrong, Suzhou Dingrong, Mr. Deng, Shanghai Qisong Investment Management Co., Ltd., Shanghai Qixin Venture Capital Center (Limited Partnership), Cowin Venture Capital Co., Ltd., Horgo Kaifeng Jinqu Venture Capital Co., Ltd. (previously named as Suzhou Kaifeng Jinqu Venture Capital Co., Ltd.), GF Xinde Investment Management Co., Ltd. and Beijing Baidu Netcom Science Technology Co., Ltd., Suzhou Dingrong assumed all the rights and obligations of Suzhou Kunrong under the Contractual Arrangements while Suzhou Kunrong remained jointly liable for such obligations arising from the Contractual Arrangements. Suzhou Kunrong is an indirect wholly-owned subsidiary of Suzhou Dingrong, and therefore the Directors (including the independent non-executive Directors) are of the view that the transfer of equity between Suzhou Kunrong and Suzhou Dingrong constitutes any material change to the Contractual Arrangements.

The following simplified diagram illustrates the flow of economic benefits from the PRC Operating Entities to the Group stipulated under the Contractual Arrangements:



A brief description of each of the specific agreements comprises the Contractual Arrangements is set out as follows:

Exclusive Technological Services Agreement
Pursuant to the exclusive technological services agreement dated 26 February 2018 between Shanghai Qijia and Qijia Network Technology (the "**Exclusive Technological Services Agreement**"), Shanghai Qijia agreed to engage Qijia Network Technology as its exclusive provider of technical support, consulting services and software services in exchange for service fees.

Under the Exclusive Technological Services Agreement, the service fee shall consist of (a) an amount to be determined by Qijia Network Technology and Shanghai Qijia in writing through negotiation, considering factors such as: (i) the complexity of the services; (ii) the seniority of and the time spent by employees of Qijia Network Technology on providing the services; (iii) the content and value of the services; (iv) the market price of similar types of services; (v) the operating conditions of Shanghai Qijia; and (vi) necessary costs, expenses, taxes and statutory reserves or retaining funds and (b) an amount equivalent to the depreciation costs of the equipments actually used by Shanghai Qijia to be calculated based on the value of the equipments and the depreciable life.

The Exclusive Technological Services Agreement shall remain effective unless terminated (a) in writing by Qijia Network Technology; or (b) in the event that the entire equity interests held by the Relevant Shareholders in Shanghai Qijia or the entire assets of Shanghai Qijia have been transferred to Qijia Network Technology or its appointee(s) pursuant to the Exclusive Option Agreement.

Exclusive Option Agreement
Shanghai Qijia and each of the Relevant Shareholders entered into an exclusive option agreement with Qijia Network Technology on 26 February 2018 (the "Exclusive Option Agreement"), pursuant to which the Relevant Shareholders granted Qijia Network Technology an irrevocable and exclusive right to purchase, or designate one or more persons or entities (each, a "designee") to purchase the equity interests in Shanghai Qijia (the "Optioned Interest") then held by the Relevant Shareholders once or at multiple times at any time in part or in whole at Qijia Network Technology's sole and absolute discretion to the extent permitted under the applicable PRC laws. Where Qijia Network Technology chooses to purchase the Optioned Interest, the Relevant Shareholders shall cause Shanghai Qijia to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving the Relevant Shareholder's transfer of the Optioned Interests to Qijia Network Technology and/or its designee.

The purchase price to be paid by Qijia Network Technology or its designee upon exercise of the option by Qijia Network Technology or its designee in respect to: (i) Mr. Deng's Optioned Interest is RMB100.5 million or another amount as separately agreed among the Qijia Network Technology and the transferee; (ii) Shanghai Qixin's Optioned Interest is RMB16.88 million or another amount as separately agreed among Qijia Network Technology and the transferee; and (iii) all other Optioned Interests held by the Relevant Shareholders except Mr. Deng and Shanghai Qixin, is the minimum price permitted under applicable PRC laws. If Qijia Network Technology or its designee exercises the option to purchase part of the Optioned Interests held by the respective shareholders in Shanghai Qijia, then the purchase price shall be calculated on a pro rata basis. Shanghai Qijia shall use its best endeavors to obtain any required authorization from governmental authorities or any Independent Third Party and complete any required registration or filings under PRC laws at the time Qijia Network Technology or its designee, exercises its equity purchase option. Subject to applicable PRC laws, the Relevant Shareholders have undertaken to return all purchase price received from Qijia Network Technology or its designee, upon Qijia Network Technology's request within 10 days after the Relevant Shareholders receives the purchase price; provided that the purchase price received by Mr. Deng and Shanghai Qixin, that is, RMB100.5 million and RMB16.88 million, respectively, shall be used to offset their respective loans due to Qijia Network Technology under the Loan Agreements.

Equity Pledge Agreements
Qijia Network Technology and each of the Relevant Shareholders entered into equity pledge agreements on 26 February 2018 (the "Equity Interest Pledge Agreements"). Under the Equity Interest Pledge Agreements, the Relevant Shareholders agreed to pledge all their respective equity interests in Shanghai Qijia that they own, including any interest or dividend paid for the shares, to Qijia Network Technology as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts of Shanghai Qijia and the Relevant Shareholders under the Exclusive Technological Services Agreement, the Exclusive Option Agreement, the Power s of Attorney, and the Loan Agreements (as applicable).

The pledge in respect of Shanghai Qijia takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Relevant Shareholders and Shanghai Qijia under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Relevant Shareholders and the Consolidated Affiliated Entity under the relevant Contractual Arrangements have been fully paid.

Powers of Attorney
Shanghai Qijia, each of the Relevant Shareholders and Qijia Network Technology entered into a power of attorney on 26 February 2018 (the "Powers of Attorney"). Under the Powers of Attorney, each of the Relevant Shareholders irrevocably appointed Qijia Network Technology (as well as its successors, including a liquidator, if any, replacing Qijia Network Technology) or its designee(s) (including its directors) as its sole exclusive agent to exercise on its behalf, certain powers, including without limitation: (i) exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of the Consolidated Affiliated Companies, including but not limited to the sale, transfer, pledge or disposal of any or all of the shares in Shanghai Qijia, (ii) to attend shareholders' meetings of Shanghai Qijia and to execute any and all written resolutions and meeting minutes in the name and on behalf of such shareholder, and (iii) to file documents with the relevant companies registry.

Loans Agreement

As part of our Contractual Arrangement, in February 2018, Mr. Deng entered into a loan agreement with Qijia Network Technology, pursuant to which Qijia Network Technology agreed to lend him RMB100.5 million for purposes of enabling the settlement of CDH Arrangement. For details on the CDH Arrangement, see "History and Corporate Structure – Pre-IPO Investments – 1. Overview." of Prospectus.

In addition, around the same time, Shanghai Qixin entered into a loan agreement with Qijia Network Technology pursuant to which Qijia Network Technology agreed to lend Shanghai Qixin RMB16.88 million for purposes of settling the loan lent to Shanghai Qixin by Shanghai Qijia (such loans collectively, the "**Loan Agreements**").

To secure the performance of all the obligations of Mr. Deng and Shanghai Qixin under the Loan Agreements, respectively, Mr. Deng and Shanghai Qixin have each entered into an Equity Pledge Agreement with Qijia Network Technology, whereby, among other things, Mr. Deng and Shanghai Qixin have pledged all his/its equity interests in Shanghai Qijia to Qijia Network Technology.

Each loan will become due and payable upon Qijia Network Technology's demand under any of the following circumstances: (i) Mr. Deng resigns or is being removed from the various positions held by him with the Group, (ii) the death or incapacity of Mr. Deng, (iii) Mr. Deng being engaged or involved in criminal activities, (iv) Mr. Deng becoming insolvent or incurring any other significant personal debt which may affect his ability to repay the loan, or (v) Qijia Network Technology or its Designee exercising its option to purchase all or part of the equity interests in Shanghai Qijia held by Mr. Deng or Shanghai Qixin, respectively, to the extent permitted by PRC laws and regulations as soon as the PRC foreign ownership restrictions applicable to the Group's value-added telecommunications business have been lifted, in which case the exercise price shall be settled against any portion of the loan repayable and Qijia Network Technology is not require to remit any fund for such exercise.

Reasons for adopting the Contractual Arrangements

From the perspective of operating the Group's existing business in a manner that is in compliance with applicable PRC laws and regulations, given the current policy of the relevant PRC government authorities and as advised by PRC legal advisors, the Company is currently unable to hold a shareholding interest in the PRC Operating Entities, which hold the license and permit required for the provision of internet information services through website and mobile based-apps. In order for the Company, as a foreign investor under the current regulatory regime, to maintain its business operations while complying with the PRC laws and regulations, Shanghai Qijia, and the Registered Shareholders entered into the Contractual Arrangements. For details of the foreign investment restrictions relating to the Contractual Arrangements, please refer to the sections headed "Contractual Arrangements – PRC Laws and Regulations relating to Foreign Ownership Restrictions" and "Contractual Arrangements – Development in the PRC Legislation on Foreign Investment" of the Prospectus.

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to the Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of the PRC Operating Entities and any member of the Group (the "**New Intergroup Agreements**" and each of them, a "**New Intergroup Agreement**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that the Group is placed in a special position in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the reporting, annual review, announcement and the independent Shareholders' approval requirements. In view of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, and (ii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject to the conditions as set out in the Prospectus.

Risks Relating to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements, including:

- If the PRC government finds that the agreements establishing the structure for operating the businesses of the Group in China do not comply with applicable PRC laws and regulations, or should these regulations or the interpretations change, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of its interests in the Operating Entities.

- The Group relies on Contractual Arrangements for its business operations in China, which may not be as effective in providing operational control or enabling the Group to derive economic benefits as through direct ownership of controlling equity interest. The Operating Entities or the Registered Shareholders may fail to perform their obligations under the Contractual Arrangements, which could adversely affect the results of operations and financial condition of the Group.

- The Group may cease to benefit from assets and licenses held by the Operating Entities that are critical to the operation of its business if the Operating Entities were to declare bankruptcy or become subject to a dissolution or liquidation proceeding.

- The Registered Shareholders may potentially have a conflict of interest with the Group, and they may breach or attempt to amend their contracts with the Group in a manner contrary to the interests of the Group.

- The Contractual Arrangements with the PRC Operating Entities may result in adverse tax consequences to the Group.

- Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the Draft PRC Foreign Investment Law and how it may impact the viability of the current corporate structure, corporate governance and business operations of the Group.

- If the Group exercises the option to acquire the equity ownership and assets of the PRC Operating Entities, the ownership or asset transfer may subject the Group to certain limitations and substantial costs.

For further details, please refer to the section headed "Risk Factors – Risks relating to Our Corporate Structure" of the Prospectus.

The management of the Company works closely with the external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements. Besides, the Company has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and the compliance with the Contractual Arrangements:

- major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

- the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

- the Company will disclose the overall performance and compliance with the Contractual Arrangements in annual reports; and

- the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board with reviewing the implementation of the Contractual Arrangements, and review the legal compliance of the WFOE and the Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the Stock Exchange

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules as Mr. Deng, the Director, to the Contractual Arrangements, is a connected person of the Company.

In respect of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Rules 14A.04 and 14A.105 of the Listing Rules, and (ii) the requirement of setting an annual cap for the transaction under the Contractual Arrangements under Rule 14A.53 of the Listing Rules subject to the following conditions:

(a) No change to the Contractual Arrangements (including with respect to any fees payable to the Shanghai Qijia will be made without the approval of the independent non-executive Directors.

(b) Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval.

(c) The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the PRC Operating Entities through (i) the Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets at a consideration which shall be the higher of (A) a nominal price or (B) the lowest price as permitted and applicable under PRC laws, (ii) the business structure under which the profit generated by the PRC Operating Entities is retained by the Group (after deduction of any accumulated deficit of the Operating Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions), such that no annual cap shall be set on the amount of service fees payable to the WFOE by the Operating Entities under the Exclusive Business Cooperation Agreement, and (iii) the Group's right to control the management and operation of, as well as the substance of, all of the voting rights of the Operating Entities.

(d) On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has a direct shareholding, on the one hand, and the PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements.

(e) the Company will disclose details relating to the Contractual Arrangements on an on-going basis.

Annual review by the Independent Non-Executive Directors and the Auditor

The independent non-executive Director have reviewed the Contractual Arrangements and confirmed that:

(a) the transactions carried out during the Reporting Period had been entered into accordance with the relevant provisions of the Contractual Arrangements;

(b) no dividends or other distributions had been made by the Operating Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group;

(c) other than the Succession Agreement described before, no new contracts had been entered into, renewed and/or reproduced between the Group and the Operating Entities during the Reporting Period; and

(d) the Contractual Arrangements had been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable in the interest of the Group and the Shareholders as a whole.

The Auditor has confirmed in a letter to the Board with a copy to the Stock Exchange confirming that the transactions carried out pursuant to the Contractual Arrangements during the Reporting Period had received the approval of the Directors, had been entered in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions had been made by the Operating Entities to the holders of the equity interests which were not otherwise subsequently assigned or transferred to the Group.

SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

TAX ALLOWANCES

The Company is not aware of any particular tax allowances granted to the Shareholders due to their interests in its securities.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, the Company has not made any changes to Memorandum and Articles of Association of the Company.

SUBSEQUENT EVENTS

(1) A final dividend distribution for the year ended 31 December 2019 of approximately HKD23.8 million was proposed on 27 March 2020 as disclosed in "Final dividend" section above.

(2) Since January 2020, the outbreak of a novel coronavirus ("COVID-19"), has economic impact on the global business environment. As at the date of this annual report, COVID-19 has not caused material impact on the consolidated financial results of the Company. Depending on the subsequent development of COVID-19, any change in macro-economic conditions may have impact on the financial results of the Company, the extent of which could not be assessed as at the date of this annual report. The Company will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has allocated system and staff resources to ensure ongoing compliance with rules and regulations and to maintain well relationships with regulators effectively through effective communications. During the year ended 31 December 2019, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of principal risks and uncertainties that the Group may be facing can be found in the sections headed "Report of Directors – Risks relating to the Contractual Arrangement" on page 66 of this annual report.

RELATIONSHIP WITH STAKEHOLDERS

The Group acknowledges the importance of stakeholders to the Group's development and always pays attention to matters of concern to stakeholders including the government and regulators, shareholders and investors, employees, business partners, customers and the community. The Group maintains transparent and bilateral exchange, strengthens mutual trust and cooperation and establishes harmonious relationship with its stakeholders.

The Group has always treated compliance to laws and regulations as a basic requirement for operations, and maintains good communication with the government and regulatory agencies through voluntary reporting, cooperating with reviews and investigations, and recommending optimal industry standards. The Group treats the realization of the interests of Shareholders and investors as an important business objective, establishes communication channels such as shareholder meetings and timely announcements, and delivers sound financial performance to Shareholders and investors. The Group regards employees as valuable assets, motivates employees with a competitive salary and transparent promotion mechanism, and provides them with a fair working environment. The Group also supports their career development skills with various forms of training support. The Group regularly exchanges visits and undergoes communication related to the industry with its business partners, and maintains real-time interaction in daily operations with them in order to develop long-term and stable cooperation. The Group innovates to meet customers' needs and is committed to providing customers with high-quality and reliable services. The Group provides various online and offline channels to enable timely and accurate communication with customers, assisting them in their long-term development. The Group also maintains a sound communication mechanism with the community, develops innovative models, strengthens school-enterprise cooperation, conducts public welfare activities, and promotes the stable development of the community.

For details of the Group's relationship with stakeholders, please refer to the annual environmental, social and governance report of the Group, which is set out in the "Environmental, Social and Governance Report" on pages 36 to 47 of this annual report.

By order of the Board
Qeeka Home (Cayman) Inc.

DENG Huajin
Chairman

Shanghai, the PRC
27 March 2020

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Qeeka Home (Cayman) Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 159, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

A key audit matter identified in our audit is related to the impairment assessment of the investments accounted for using the equity method.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of the investments accounted for using the equity method	
Refer to Notes 4(b) and 16 relating to estimation of non-financial assets impairment and investments accounted for using the equity method respectively to the consolidated financial statements. The Group has significant investments accounted for using the equity method. As at 31 December 2019, the investments accounted for using the equity method amounted to RMB254,704,000 before provision of impairment of RMB14,340,000, Investments accounted for using equity method are reviewed at each reporting date to determine whether there is any indication of impairment. The Group engaged an independent valuer to assist them on the impairment assessments of the investments with impairment indicator. In carrying out the impairment assessments, significant judgements and estimates were required by the Group's management in estimating the recoverable amount of these investments based on value-in-use model and to determine the reasonableness of the assumptions used by the management of the associated companies in their respective cash flow projections such as the revenue growth rates, long-term growth rates and the discount rates.	Our procedures in relation to the impairment assessment of the investments accounted for using the equity method included: – We evaluated the external valuer's competence, capabilities and objectivity; – We understood, evaluated and validated the Group management's assessments on the reasonableness of the future cash flow projections prepared by the associated companies; – We involved our internal valuation expert to assess the appropriateness of valuation model adopted; – We tested the data inputs used in the impairment assessments to respective supporting evidence such as budgets prepared by the management of the associated companies; – We assessed the reasonableness of the key assumptions used in the cash flow projections prepared by the associated companies including revenue growth rates and long-term growth rates used by comparing them to historical results of the associates and market available economic and industry forecasts. We also involved our internal valuation expert in assessing the discount rates used in the assessments by making reference to relevant market data of capital of comparable companies; and

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Based on the results of these impairment assessments conducted by the Group, impairment losses of RMB14,340,000 were recognised for the Group's investments accounted for using the equity method as at 31 December 2019.	– We reviewed the sensitivity analyses performed by the independent valuer on the key assumptions to ascertain that the selected adverse changes of key assumptions would not cause the carrying amounts of the investments to exceed the recoverable amounts.
The model adopted, inputs and assumptions used involved significant management judgements and estimations, which could give a material impact to the outcome. We therefore focused on this area.	Based on the procedures performed, we found the valuation model adopted and the assumptions used by management in relation to these impairment assessments to be supportable by the available evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgement 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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 Lam Siu Wing, Benny.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Continuing operations			
Revenue	5	**770,912**	645,704
Cost of sales	6	**(262,289)**	(264,146)
Gross profit		**508,623**	381,558
Selling and marketing expenses	6	**(406,260)**	(303,216)
Administrative expenses	6	**(79,637)**	(105,422)
Research and development expenses	6	**(45,466)**	(37,058)
Net impairment gains/(losses) on financial assets	20(c)	**2**	(242)
Other gains – net	8	**26,777**	12,317
Operating profit/(loss)		**4,039**	(52,063)
Finance income	9	**25,409**	59,115
Finance costs	9	**(1,958)**	–
Finance income – net	9	**23,451**	59,115
Share of results of investments accounted for using the equity method	16	**17,864**	2,007
Fair value gains of preferred shares and convertible liabilities		**–**	699,247
Profit before income tax		**45,354**	708,306
Income tax credits	10	**5,465**	5,164
Profit from continuing operations		**50,819**	713,470
Profit from discontinued operations	5(e)	**–**	31,987
Profit for the year		**50,819**	745,457
Profit/(loss) attributable to:			
Equity holders of the Company		**61,934**	757,594
Non-controlling interests		**(11,115)**	(12,137)
		50,819	745,457
Earnings per share for profit from continuing operations and discontinued operations attributable to equity holders of the Company			
Basic earnings per share (RMB)	11		
– Continuing operations		**0.05**	0.92
– Discontinued operations		**–**	0.04
Total		**0.05**	0.96
Diluted earnings per share (RMB)	11		
– Continuing operations		**0.05**	0.01
– Discontinued operations		**–**	0.03
Total		**0.05**	0.04

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Profit for the year		**50,819**	745,457
Other comprehensive income for the year			
Items that may be reclassified to profit or loss:			
Share of other comprehensive loss of investments accounted for using the equity method	16, 24	**(281)**	(1,074)
Exchange differences on translation of foreign operations	24	**12,306**	27,367
		12,025	26,293
Items that will not be reclassified to profit or loss:			
Changes in the fair value of equity investments at fair value through other comprehensive income	17,24	**(2,420)**	(9,717)
Effects of changes in credit risk for liabilities designated at fair value through profit or loss		**–**	(947)
		(2,420)	(10,664)
Other comprehensive income for the year, net of tax		**9,605**	15,629
Total comprehensive income for the year		**60,424**	761,086
Total comprehensive income/(loss) for the year is attributable to:			
Equity holders of the Company		**71,539**	773,223
Non-controlling interests		**(11,115)**	(12,137)
		60,424	761,086
Total comprehensive income for the year attributable to the equity holders of the Company arises from:			
Continuing operations		**71,539**	741,236
Discontinued operations		**–**	31,987
		71,539	773,223

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2019

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12(a)	**22,128**	17,572
Right-of-use assets	12(b)	**340,402**	–
Prepayment for land use rights	12(b)	**–**	311,930
Intangible assets	13	**8,827**	9,156
Goodwill	14	**7,796**	7,796
Deferred tax assets	15	**18,543**	13,147
Investments accounted for using the equity method	16	**240,364**	196,065
Financial assets at fair value through other comprehensive income ("FVOCI")	17	**56,944**	41,919
Financial assets at fair value through profit or loss ("FVPL")	21	**10,958**	–
Other receivables	20	**1,503**	–
Total non-current assets		**707,465**	597,585
Current assets			
Inventories	18	**12,956**	25,576
Trade and other receivables and prepayments to suppliers	20	**104,997**	91,745
Amounts due from related parties	31(c)	**5,291**	1,643
Contract assets	20	**25,351**	–
Financial assets at fair value through profit or loss ("FVPL")	21	**222,151**	70,000
Term deposits	22	**547,258**	333,552
Cash and cash equivalents	22	**410,681**	779,779
Total current assets		**1,328,685**	1,302,295
Total assets		**2,036,150**	1,899,880
EQUITY			
Share capital	23	**799**	805
Share premium	23	**2,356,802**	2,378,009
Other reserves	24	**(203,399)**	(204,962)
Treasury shares	23(a)	**(25,281)**	–
Accumulated losses		**(758,909)**	(820,392)
Equity attributable to equity holders of the Company		**1,370,012**	1,353,460
Non-controlling interests		**(22,681)**	(32,783)
Total equity		**1,347,331**	1,320,677

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	15	**730**	889
Lease liabilities	12(b)	**12,157**	–
Total non-current liabilities		**12,887**	889
Current liabilities			
Short-term borrowings	27	**12,000**	–
Trade and other payables	28	**511,249**	425,899
Contract liabilities	28	**104,042**	110,255
Amounts due to related parties	31(c)	**6**	69
Lease liabilities	12(b)	**9,261**	–
Income tax liabilities		**39,374**	39,971
Deferred revenue		**–**	2,120
Total current liabilities		**675,932**	578,314
Total liabilities		**688,819**	579,203
Total equity and liabilities		**2,036,150**	1,899,880

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 75 to 159 were approved by the Board of Directors on 27 March 2020 and were signed on its behalf.

Deng Huajin
Director

Tian Yuan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Attributable to the equity holders of the Company					
		Share capital (Note 23) RMB'000	Share premium (Note 23) RMB'000	Other reserves (Note 24) RMB'000	Accumulated losses RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018		25	15,616	144,851	(1,627,457)	(24,565)	(1,491,530)
Changes on initial application of IFRS 9		–	–	(50,227)	49,471	–	(756)
Restated balance at 1 January 2018		25	15,616	94,624	(1,577,986)	(24,565)	(1,492,286)
Profit/(loss) for the year		–	–	–	757,594	(12,137)	745,457
Other comprehensive income		–	–	15,629	–	–	15,629
Total comprehensive income/(loss)		–	–	15,629	757,594	(12,137)	761,086
Transaction with owners:							
– Issuance of Series C preferred shares		–	–	59,285	–	–	59,285
– Conversion of convertible liabilities to Series A preferred shares		–	–	161,859	–	–	161,859
– Conversion of preferred shares to ordinary shares		37	1,416,270	(541,033)	–	–	875,274
– Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs		162	946,704	–	–	–	946,866
– Capitalisation Issue		581	(581)	–	–	–	–
– Acquisition of additional equity interest in a subsidiary		–	–	(299)	–	(302)	(601)
– Share-based compensation under Employee Share Option Plan ("ESOP")	25	–	–	4,973	–	–	4,973
– Capital contribution from non-controlling shareholders		–	–	–	–	2,005	2,005
– Disposal of subsidiaries		–	–	–	–	2,216	2,216
At 31 December 2018		805	2,378,009	(204,962)	(820,392)	(32,783)	1,320,677

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2019

		Attributable to the equity holders of the Company						
	Note	Share capital (Note 23) RMB'000	Share Premium (Note 23) RMB'000	Other reserves (Note 24) RMB'000	Treasury shares (Note 23(a)) RMB'000	Accumulated losses RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019		805	2,378,009	(204,962)	-	(820,392)	(32,783)	1,320,677
Changes on initial application of IFRS 16	2.2	-	-	-	-	(451)	-	(451)
Restated balance at 1 January 2019		805	2,378,009	(204,962)	-	(820,843)	(32,783)	1,320,226
Profit/(loss) for the year		-	-	-	-	61,934	(11,115)	50,819
Other comprehensive income		-	-	9,605	-	-	-	9,605
Total comprehensive income/(loss)		-	-	9,605	-	61,934	(11,115)	60,424
Transaction with owners:								
– Repurchase of shares	23(a)	(6)	(21,216)	-	(25,281)	-	-	(46,503)
– Exercise of ESOP	23, 25	-*	9	(3)	-	-	-	6
– Acquisition of additional equity interests in a subsidiary	24, 36(b)	-	-	(13,783)	-	-	8,007	(5,776)
– Share-based compensation under ESOP	24, 25	-	-	5,744	-	-	-	5,744
– Capital contribution from non-controlling shareholders	36(a)(i)	-	-	-	-	-	13,379	13,379
– Liquidation of subsidiaries	36(a)(ii)	-	-	-	-	-	(169)	(169)
At 31 December 2019		799	2,356,802	(203,399)	(25,281)	(758,909)	(22,681)	1,347,331

Note*: The balance stated above is less than RMB1,000.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	29(a)	**43,630**	52,482
Interest received		**7,128**	9,442
Income tax paid		**(691)**	(3,574)
Net cash generated from operating activities		**50,067**	58,350
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,477)**	(7,236)
Purchase of intangible assets		**(2,844)**	(3,571)
Purchase of land use rights	12(b)(i)	**(9,358)**	(311,930)
Proceeds from disposal of property, plant and equipment	29(b)	**580**	756
Increase in investments in associates	16(a)	**(34,362)**	–
Net increase in term deposits	22	**(213,706)**	(333,552)
Dividends received from investments accounted for using the equity method		**–**	2,303
Net increase in amounts held for securities trading purposes	20	**(5,982)**	–
Increase in investments measured at FVOCI	17(b)	**(2,974)**	(2,000)
Loans to related parties	31(b)	**(6,652)**	–
Proceeds from sale of financial assets at FVPL	21(d)	**326,821**	–
Purchase of financial assets at FVPL	21(d)	**(473,940)**	(70,000)
Repayments of loans from a related party	31(b)	**–**	5,697
Disposal of subsidiaries, net of cash disposed	29(c)	**(3)**	(92,435)
Interest received on term deposits		**26,744**	12,024
Net cash used in investing activities		**(400,153)**	(799,944)
Cash flows from financing activities			
Cash received from capital contributions in subsidiaries from non-controlling shareholders	36(a)(i)	**13,379**	2,005
Proceeds from borrowings	29(e)	**17,000**	–
Repayment of borrowings	29(e)	**(5,000)**	–
Cash paid for repurchase of shares	23(a)	**(46,503)**	–
Interest paid for short-term borrowings		**(365)**	–
Cash received from exercise of ESOP	25	**6**	–
Payment for lease liabilities (including interest component)	29(e)	**(8,413)**	–
Proceeds from issuance of ordinary shares relating to the initial public offering, net off listing expenses		**–**	949,793
Proceeds from issuance of Series C preferred shares		**–**	63,095
Net cash inflow from settlement of receivables and payables with SIP Oriza PE Fund Management Co., Ltd. and SIP Oriza Qijia PE Enterprise (Limited Partnership)	31(b)	**–**	4,400
Net cash (used in)/generated from financing activities		**(29,896)**	1,019,293
Net (decrease)/increase in cash and cash equivalents		**(379,982)**	277,699
Effect on exchange rate difference		**10,884**	21,443
Cash and cash equivalents at beginning of the year	22	**779,779**	480,637
Cash and cash equivalents at end of the year	22	**410,681**	779,779

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

1.1 General information

Qeeka Home (Cayman) Inc. (the "Company") was incorporated in the Cayman Islands on 20 November 2014 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 Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding Company. The Company and its subsidiaries, including structured entities (collectively, the "Group") are principally engaged in (i) the provision of order recommendation services, provision of advertising and promotion services, licensing its brand to business partners and others ("Platform Business"); (ii) the provision of interior design and construction service ("Self-operated Interior Design and Construction Business"); (iii) the provision of building and home decoration materials supply chain services ("Materials Supply Chain Business"). Mr. Deng Huajin (鄧華金, "Mr. Deng") is the ultimate controlling shareholder of the Company.

The Company completed its initial public offering ("IPO") and listed its shares on the Main Board of the Stock Exchange of Hong Kong on 12 July 2018.

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 27 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries, including structured entities.

2.1 Basis of preparation

(i) Compliance with IFRSs and HKCO (as defined below)

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets measured at fair value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(iii) New standards, amendments and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2019:

- IFRS 16 "Leases"
- Prepayment features with negative compensation – Amendments to IFRS 9
- Long-term Interests in Associate and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015-2017 cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

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

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 "Leases" on the Group's consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standards. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.28.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.39%.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

2.2.1 Practical expedients applied

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

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

The Group has also elected not to reassess whether a contract is,or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 “Determining Whether an Arrangement Contains a Lease”.

2.2.2 Measurement of lease liabilities

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	**43,341**
Termination of certain lease contracts in early 2019	**(5,694)**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**30,445**
Less:	
Short-term leases recognised on a straight-line basis as expense	**(2,926)**
Low-value assets recognised on a straight-line basis as expense	**(516)**
Lease liabilities recognised as at 1 January 2019	**27,003**
Of which are:	
Current lease liabilities	**8,812**
Non-current lease liabilities	**18,191**

2.2.3 Measurement of right-of-use assets

The associated right-of-use assets related to leases previously classified as operating leases were measured at its carrying amount as if the standard had been applied since the commencement date, but discounted using the leasee's incremental borrowing rate at the date of initial application. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

2.2.4 Impact on the Group's prepayment for land use rights

The Group's prepayment for land use rights represented the full payments to acquire long-term interest in the usage of certain land. It will be reclassified into right-of-use asset under IFRS 16 and begin depreciation when the respective land use rights is ready to use during 2019. As at 31 December 2019, the certificate for this land has been obtained and therefore the corresponding rights have been granted to the Group. In this regard, the Group has reclassified this prepayment for land use rights into right-of-use asset after it is ready to use (Note 12(b)).

2.2.5 Adjustments recognised in the balance sheet on 1 January 2019

- right-of-use assets – increased by RMB26,552,000,
- lease liabilities – increased by RMB27,003,000.

The net impact on accumulated losses on 1 January 2019 was an increase of RMB451,000.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary (including a structured entity) is an entity 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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Subsidiaries controlled through Contractual Arrangements (as defined below)

The wholly-owned subsidiary of the Company, Qijia (Shanghai) Network Technology Co., Ltd. (齊家網(上海)網絡科技有限公司, "Qijia WFOE"), has entered into a series of contractual arrangements (referred to as "Contractual Arrangements"), including Cooperation Agreement, Purchase Option Agreement, Equity Interest Pledge Agreement, Shareholders' Voting Rights Agreement and Irrevocable Powers of Attorney, with Shanghai Qijia Network Information Technology Co., Ltd. (上海齊家網信息科技股份有限公司, "Shanghai Qijia") and its equity holders, which enable Qijia WFOE and the Group to:

- govern the financial and operating policies of Shanghai Qijia;
- exercise equity holders' voting rights of Shanghai Qijia;
- receive substantially all of the economic interest returns generated by Shanghai Qijia in consideration for the technology consulting and services provided by Qijia WFOE;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Shanghai Qijia from the respective equity holders at a minimum purchase price permitted under People's Republic of China (the "PRC") laws and regulations. Qijia WFOE may exercise such options at any time until it has acquired all equity interests of Shanghai Qijia; and
- obtain a pledge over the entire equity interests of Shanghai Qijia from its respective equity holders as collateral security for all of Shanghai Qijia's payments due to Qijia WFOE and to secure performance of Shanghai Qijia's obligation under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Group has right to exercise power over Shanghai Qijia, receive variable returns from its involvement with Shanghai Qijia, has the ability to affect those returns through its power over Shanghai Qijia and thus is considered to control Shanghai Qijia. Consequently, the Company regards Shanghai Qijia and its subsidiaries as controlled structured entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Shanghai Qijia and its subsidiaries. Uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Shanghai Qijia and its subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Qijia WFOE, Shanghai Qijia and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(b) Business combination

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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the 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 IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated income statements.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in consolidated income statements or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.3.2 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 16), after initially being recognised at cost.

2.5 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in consolidated income statements, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.12.

2.6 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in "other reserves" within equity attributable to equity holders of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in consolidated income statements. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statements.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to consolidated income statements where appropriate.

2.7 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Foreign currency translation

2.8.1 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 functional currency is US Dollars ("USD"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB.

2.8.2 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 income statement within "other gains – net".

2.8.3 Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statements 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

(c) all resulting currency translation differences are recognised in other comprehensive income/(loss).

2.9 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 income statements during the year in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, 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:

Bulidings	20 to 50 years
Transportation equipment	4 years
Office furniture and equipment	3 to 5 years
Computer and electric equipment	3 to 5 years
Display and exhibition equipment	3 to 7 years
Leasehold improvements	Over the shorter of the lease term or the estimated useful life of the asset (5 years)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 2.12).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in the consolidated income statement.

2.10 Intangible assets

2.10.1 Goodwill

Goodwill is measured as described in Note 14. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

2.10.2 Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

2.10.3 Domain names

Domain names are initially recognised and measured at costs incurred to acquire and bring to use the domain names. Domain names have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets (continued)

2.10.4 Software

Costs associated with maintaining programmes are recognised as an expense as incurred. Separately acquired software are shown at historical cost. Software acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

2.10.5 Amortisation methods and periods

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

Trademarks and licenses	5 to 10 years
Domain names	10 years
Software	5 to 10 years

2.11 Research and development

Research expenditures are recognised as an expenses as incurred. Costs incurred on development projects are capitalised as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. There were no development costs meeting these criteria and capitalised as intangible assets as of 31 December 2019.

2.12 Impairment of non-financial assets

Goodwill are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Investments and other financial assets

2.13.1 Classification

The Group classifies its financial assets in the following measurement 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 equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

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

2.13.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.13.3 Measurement

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

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

Debt instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Investments and other financial assets (continued)

2.13.3 Measurement (continued)

***Debt instruments** (continued)*

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, 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 other comprehensive income is reclassified from equity to profit or loss and recognised in other gains-net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains-net and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains-net in the period in which it arises.

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 other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

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

2.13.4 Impairment

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

For contract assets and trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of contract assets and trade receivables.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises decoration materials, direct labour and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Trade and other receivables

Trade receivables are amounts due from customers for goods and services sold in the ordinary course of business. Trade and other receivables are generally due for settlement within 30 days to 180 days and therefore are all classified as current.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1.2 for a description of the Group's impairment policies.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 Share capital

Ordinary shares and non-redeemable participating preference shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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

Where the Group repurchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity as "treasury shares" until the shares are cancelled.

2.19 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Borrowing 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.

2.22 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.

2.22.1 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.

2.22.2 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 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 consolidated income statements, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Employee benefits

2.23.1 Pension obligations

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 employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. 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 an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

2.23.2 Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee 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 period.

2.23.3 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

2.23.4 Employee leave entitlement

Employee entitlement to annual leave are recognised when they have accrued 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. Employees entitlement to sick leave and maternity leave are not recognised until the time of leave.

2.23.5 Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Employee benefits (continued)

2.23.6 Share-based compensation benefits of the Group

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (options) is recognised as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments (options) granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

At the end of each reporting period, the Group revises its estimates of the number of options 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 the consolidated income statement, with a corresponding adjustment to equity.

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 date and grant date.

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 recognised 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 recognised 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 recognised over the remainder of the original vesting period.

2.24 Provisions

Provisions for service warranties 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 can be reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Revenue recognition

Revenue is recognised when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheets as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Revenue recognition (continued)

2.25.1 The accounting policy for the Group's principal revenue sources

(a) Order recommendation fees

The Group provides order recommendation services to the merchants. The Group charges the merchants for a fixed fee for each order recommended. Revenue from order recommendation is recognised upon completion of the acceptance of the order recommendation by the merchants.

Sometimes, the merchants pay for an additional service fee to receive priority in receiving orders from individual customers for a specific period. Such additional service fees are recognised based on straight-line method during the specific service period.

For arrangements where consideration is paid in advance of service provided, the Group records a contract liability when the payment is received.

(b) Licence fee

The Group establishes business relationships with design and construction companies in smaller cities throughout China to promote its platform business. The Group enters into license agreements with these design and construction companies, under which, these companies are authorised to operate the platform in smaller cities, provide design and construction services in their designated region by using the Company's brand during the license term. Licence fee income is recognised on a straight-line basis over the relevant licence agreements.

(c) Storefront fees

The Group charges merchants for participating in the Group's online storefronts, where the Group is not the primary obligor, does not bear the inventory risk and does not have the ability to establish the price. The Group charges these merchants a fixed annual fee. Storefronts fee revenues are recognised based on straight-line method during the service period as specified in the contracts.

(d) Inspection service fee

The Group provides third-party inspection services to the individual customers during the interior design and construction projects. The Group charges the interior design and construction service providers a fixed fee for each project. Inspection service fee revenues are recognised over time, by reference to completion of the specific transaction assessed on the results achieved up to the end of the reporting period as a percentage of total services to be provided for each contract.

(e) Sales of building materials

Sales of building materials is categorised under Materials Supply Chain Business. Sales of building materials are recognised when the customers have accepted the products. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Revenue recognition (continued)

2.25.1 The accounting policy for the Group's principal revenue sources (continued)

(f) Self-operated interior design and construction business

For self-operated interior design and construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the results achieved up to the end of the reporting period as a percentage of total services to be provided for each contract.

(g) Fund management fees

One of the Group's PRC subsidiaries participates in an investment fund management, under which, the Group provides administrative services in return for a management fee. The fund management fee is calculated based on certain percentage of the total equity of the investment fund. Revenue is recognised during the period when the management service is provided.

2.25.2 Practical expedients and exemptions

The Group generally expenses contract acquisition cost when incurred because the amortisation period would have been 1 year or less. Accordingly, the Group does not capitalise any incremental costs to obtain a contract.

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of 1 year or less.

2.26 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Government grants

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

2.28 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, the Group was a lessee of various offices, which were classified as operating leases, in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee (Note 30). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Leases (continued)

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

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

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

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group's prepayment for land use rights was reclassified to right-of-use assets under IFRS 16 and began depreciation over a useful life of 40 years after the land use right is ready to use.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and leases with a remaining term of 12 months or less as of the date of initial adoption of IFRS 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Earnings per share

(i) Basic earnings per share

Basic earnings per share shall be calculated by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

(ii) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the Group shall adjust profit attributable to equity holders of the Company, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

2.30 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the year in which the dividends are approved by the entities' shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow 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. Risk management is carried out by the senior management of the Group.

3.1.1 Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the group entities' functional currency. The Company's functional currency is USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

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 as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for trade and other receivables, term deposits and cash and cash equivalents, details of which have been disclosed in Notes 20 and Note 22, respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk

Risk Management

Credit risk arises from cash and cash equivalents, term deposits, wealth management products, amounts due from related parties, contract assets, as well as trade and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, cash and cash equivalent, term deposits and wealth management products are mainly placed with state-owned and reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

The Group has policies in place to ensure that trade receivables and contract assets with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The Group is not exposed to significant credit risk arising from storefront fees and order recommendation fees as deposits are generally required from most of its customers.

For other receivables and amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Group believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and amounts due from related parties.

Impairment

The Group has three types of financial assets that are subject to the expected credit loss model:

- contract assets,
- trade receivables, and
- other receivables.

While cash and cash equivalents, term deposits and amounts due from related parties are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(a) *Contract assets and trade receivables*

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

The contract assets relate to unbilled work in progress where the payment is not due, therefore the expected loss rate of contract assets is assessed to be minimal.

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

The expected loss rates of trade receivables are based on the payment profiles of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(a) Contract assets and trade receivables (continued)

On that basis, the loss allowance as at 31 December 2019 and 2018 was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 90 days past due	More than 365 days past due	Total
31 December 2019					
Expected loss rate	**0.1%**	**0.1%**	**3.2%**	**47.41%**	**5.2%**
Gross carrying amount – trade receivables	**15,580**	**4,275**	**14,388**	**3,075**	**37,318**
Loss allowance	**17**	**4**	**460**	**1,458**	**1,939**

	Current	More than 30 days past due	More than 90 days past due	More than 365 days past due	Total
31 December 2018					
Expected loss rate	0.2%	0.2%	0.9%	N/A	0.6%
Gross carrying amount – trade receivables	1,823	1,105	3,145	–	6,073
Loss allowance	3	2	29	–	34

The loss allowances for trade receivables as at 31 December 2019 and 2018 reconcile to the opening loss allowances as follows:

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Opening loss allowance at 1 January	**(34)**	(34)
Provision for impairment	**(1,945)**	(9)
Unused amount reversed	**22**	9
Write-off	**18**	–
Closing loss allowance at 31 December	**(1,939)**	(34)

(b) Other receivables

Other receivables mainly include deposits, staff advances, interest receivable and loans due from third parties, and others.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) Other receivables (continued)

The following table explains the changes in the loss allowance for other receivables between the beginning and the end of the year:

	Performing 12-month ECL RMB'000	Non-performing Lifetime ECL RMB'000	Total RMB'000
Loss allowance as at 31 December 2018	(943)	(11,750)	(12,693)
Provision for impairment	(243)	(1,829)	(2,072)
Unused amount reversed	397	1,000	1,397
Write-off	–	1,329	1,329
Disposal of subsidiaries	1	–	1
Loss allowance as at 31 December 2019	**(788)**	**(11,250)**	**(12,038)**

The gross carrying amount of other receivables, and thus the maximum exposure to loss, is as follows:

	31 December 2019 RMB'000
Performing	**36,524**
Non-performing	**11,250**
Total gross other receivables	**47,774**
Less: loss allowance	**(12,038)**
Total net other receivables	**35,736**

(c) Contract assets, trade receivables and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 5 years past due.

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Financial liabilities included in trade and other payables (excluding staff salaries and welfare payables and tax payables)	**438,607**	**–**	**–**	**–**	**438,607**
Borrowings (principle and interest)	**12,171**	**–**	**–**	**–**	**12,171**
Lease liabilities	**9,261**	**5,831**	**8,020**	**1,356**	**24,468**
Amounts due to related parties	**6**	**–**	**–**	**–**	**6**
	460,045	**5,831**	**8,020**	**1,356**	**475,252**
As at 31 December 2018					
Financial liabilities included in, trade and other payables (excluding staff salaries and welfare payables and tax payables)	330,440	–	–	–	330,440
Amounts due to related parties	69	–	–	–	69
	330,509	–	–	–	330,509

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 shareholder, return capital to shareholders, or issue new shares or sell assets to reduce debt.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
– Financial assets at FVPL (Note 21)	**68,361**	**–**	**164,748**	**233,109**
– Financial assets at FVOCI (Note 17)	**–**	**–**	**56,944**	**56,944**
	68,361	**–**	**221,692**	**290,053**
As at 31 December 2018				
– Financial assets at FVPL (Note 21)	–	–	70,000	70,000
– Financial assets at FVOCI (Note 17)	–	–	41,919	41,919
	–	–	111,919	111,919

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

There were no transfers between level 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2019 (2018: nil).

(i) Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments, and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the year ended 31 December 2019 (2018: nil).

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(ii) Fair value measurement using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended 31 December 2019 and 2018:

		Financial assets at FVPL		
	Financial assets at FVOCI RMB'000	Financial assets related to redemption rights RMB'000	Wealth management products RMB'000	Total RMB'000
As at 1 January 2018	49,636	–	–	49,636
Aquisitions	2,000	–	70,000	72,000
Changes in fair value	(9,717)	–	–	(9,717)
As at 31 December 2018	41,919	–	70,000	111,919
As at 1 January 2019	**41,919**	**–**	**70,000**	**111,919**
Aquisitions	**17,445**	**–**	**404,084**	**421,529**
Changes in fair value	**(2,420)**	**10,958**	**3,399**	**11,937**
Currency translation differences	**–**	**–**	**1,422**	**1,422**
Disposals	**–**	**–**	**(325,115)**	**(325,115)**
As at 31 December 2019	**56,944**	**10,958**	**153,790**	**221,692**
Net unrealised gain for the year	**(2,420)**	**10,958**	**1,284**	**9,822**

(iii) The carrying amounts of the Group's financial assets, including cash and cash equivalents, term deposits, trade and other receivables and amounts due from related parties, and financial liabilities including trade and other payables, interest-bearing bank borrowings, amounts due to related parties and lease liabilities, approximate their fair values due to their short maturities. The carrying amount of the Group's non-current lease liabilities approximate their fair values as they are carried at an interest rate close to market rate at each year end.

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.

(a) Estimation of non-financial assets impairment – Goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of a cash generating unit ("CGU") is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the 5-year period are extrapolated using the estimated growth rates is 3.0%. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment test, key assumptions and impact of possible changes in key assumptions are disclosed in Note 14.

(b) Estimation of non-financial assets impairment – Investments accounted for using the equity method

In respect of the Group's investments accounted for using the equity method, the Group tested them for impairment by estimating the value-in-use of these investments as at 31 December 2019 if any impairment indicator noted. The key assumptions adopted in the test were revenue growth rates, long-term growth rates and discount rates from 12.0% to 16.5%. Based on the result of the test, impairment losses of RMB RMB14,635,000 was recognised as at 31 December 2019. Assuming revenue growth rates and long-term growth rate decreased by 5.0% or the discount rates increased by 3.0%, the value-in-use calculated for each of these investments would not result in a material loss to the Group.

5 SEGMENT INFORMATION

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

During the year ended 31 December 2019, the provision of building and home decoration material supply chain services, which was previously reported in the Platform Business, was separately reported as it is closely monitored by the CODM as a potential growth segment and is expected to materially contribute to Group's revenue in the future. The comparatives have been reclassified to conform with the current period's classification.

The Group's operations are mainly organised under the following business segments as a result of the aforementioned change on operating segments:

- Platform Business;
- Self-operated Interior Design and Construction Business; and
- Materials Supply Chain Business.

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 consistently with the Group's gross profit.

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.

5 SEGMENT INFORMATION (continued)

Segment	Platform Business RMB'000	Self-operated Interior Design and Construction Business RMB'000	Materials Supply Chain Business RMB'000	Others RMB'000	Total RMB'000
	Year ended 31 December 2019				
Revenue					
Segment revenue	506,423	274,749	75,759	4,224	861,155
Inter-segment sales	(47,393)	(30,144)	(12,706)	–	(90,243)
Revenue from external customers	459,030	244,605	63,053	4,224	770,912
Timing of revenue recognition					
At a point in time	300,289	11,871	63,053	–	375,213
Over time	158,741	232,734	–	4,224	395,699
	459,030	244,605	63,053	4,224	770,912
Results					
Segment gross profit	439,403	60,104	7,194	1,922	508,623
Selling and marketing expenses					(406,260)
Administrative expenses					(79,637)
Research and development expenses					(45,466)
Other gains – net					26,777
Finance income – net					23,451
Net impairment gains on financial assets					2
Share of results of investments accounted for using the equity method					17,864
Profit before income tax					45,354

5 SEGMENT INFORMATION (continued)

	Year ended 31 December 2018					
Segment	Platform Business	Self-operated Interior Design and Construction Business	Materials Supply Chain Business	Others	Total	Discontinued Business (e)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
Segment revenue	487,716	333,813	74,443	5,079	901,051	22,666
Inter-segment sales	(166,486)	(68,074)	(20,787)	–	(255,347)	–
Revenue from external customers	321,230	265,739	53,656	5,079	645,704	22,666
Timing of revenue recognition						
At a point in time	250,421	16,185	53,656	–	320,262	1,618
Over time	70,809	249,554	–	5,079	325,442	21,048
	321,230	265,739	53,656	5,079	645,704	22,666
Results						
Segment gross profit	304,892	68,700	6,233	1,733	381,558	3,421
Selling and marketing expenses					(303,216)	
Administrative expenses					(105,422)	
Research and development expenses					(37,058)	
Net impairment losses on financial assets					(242)	
Other gains – net					12,317	
Finance income – net					59,115	
Share of results of investments accounted for using the equity method					2,007	
Fair value gains of preferred shares and convertible liabilities					699,247	
Profit before income tax					708,306	

5 SEGMENT INFORMATION (continued)

(a) Revenue

The revenue from the continuing operations for the years ended 31 December 2019 and 2018 are set out as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Platform Business	**459,030**	321,230
– Order recommendation fees	**410,681**	280,449
– Storefront fees	**21,305**	16,441
– Inspection service fee	**16,526**	10,072
– Licence fee	**10,518**	14,268
Self-operated Interior Design and Construction Business	**244,605**	265,739
– Self-operated decoration business	**232,734**	249,554
– Sales of goods	**11,871**	16,185
Materials Supply Chain Business	**63,053**	53,656
Others	**4,224**	5,079
	770,912	645,704

(b) Revenue by geographical markets

All the revenue of the Group was generated in the PRC during the years ended 31 December 2019 and 2018.

(c) Information about major customers

No individual customer's revenue amounted to 10% or more of the Group's total revenue.

(d) Liabilities related to contracts with customer

All the carried-forward contract liabilities as at 1 January 2019 have been satisfied and the revenue related has been recognised during the year ended 31 December 2019.

(e) In December 2017, pursuant to a board resolution, the Group determined to dispose its business related to operating and managing building materials shopping mall ("Discontinued Business") to Mr. Deng at a consideration of RMB18,010,000. The transaction was completed on 28 March 2018. The profit after tax from this Discontinued Business in 2018 was RMB31,987,000.

Please refer to the 2018 annual report of the Company for details of financial performance and cash flow information of the Discontinued Business.

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses, administrative expenses, and research and development expenses are analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Advertising and promotion expenses	**241,291**	161,120
Outsourced labour costs	**189,310**	112,876
Cost of inventories sold (Note 18)	**139,756**	154,784
Employee benefit expenses (Note 7)	**126,590**	151,741
Travelling, entertainment and communication expenses	**14,923**	13,953
Depreciation of property, plant and equipment (Note 12(a))	**9,822**	10,308
Short-term leases and leases of low-valued assets (For 2018: all operating leases) (Note 12(b))	**9,953**	18,343
Depreciation of right-of-use assets (Note 12(b))	**8,771**	–
Bank charges and point-of-sale device processing fees	**6,267**	3,343
Technology development expenses	**5,470**	2,176
Auditor's remuneration		
– Audit service	**3,400**	3,700
– Non audit service	**120**	120
Amortisation of intangible assets (Note 13)	**3,173**	2,633
Taxes and levies	**1,795**	4,256
Utilities and electricity expenses	**1,124**	1,480
Listing expenses	**–**	40,282
Miscellaneous	**31,887**	28,727
	793,652	709,842

7 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries, wages and bonuses	**101,987**	123,231
Pension costs – defined contribution plan	**12,049**	14,962
Other social security costs, housing benefits and other employee benefits	**6,810**	8,787
Share-based compensation expenses	**5,744**	4,761
	126,590	151,741

8 OTHER GAINS – NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Government grants	**16,482**	9,252
Fair value changes of financial assets at FVPL (Note 21(d))	**14,568**	–
Gain on addition of investment in an associate (Note 16(a))	**5,345**	–
Gain on addition of a financial asset at FVOCI (Note 29(d)(i))	**1,009**	–
Gains on disposals of subsidiaries (Note 29(c))	**1,064**	3,196
Net foreign exchange gains	**1,124**	668
Gains on termination of lease contracts (Note 12(b)(i))	**98**	–
Impairment loss on investments accounted for using the equity method (Note 16)	**(12,991)**	(1,349)
Net loss on disposal of property, plant and equipment (Note 12(a)(ii))	**(2,498)**	(229)
Others	**2,576**	779
	26,777	12,317

9 FINANCE INCOME – NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance income:		
Interest income	**25,409**	37,704
Accretion charge related to preferred shares	**–**	21,411
	25,409	59,115
Finance costs:		
Interest expense on borrowings	**(365)**	–
Interest expense on lease liabilities	**(1,593)**	–
	(1,958)	–
Finance income – net	**23,451**	59,115

10 INCOME TAX CREDITS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current tax:		
Current tax on profit for the year	**90**	285
Deferred income tax:		
Increase in deferred tax assets	**(5,396)**	(4,089)
Decrease in deferred tax liabilities	**(159)**	(158)
Total deferred tax	**(5,555)**	(4,247)
Income tax credits	**(5,465)**	(3,962)
Income tax (credits)/expenses attributable to:		
Profit from continuing operations	**(5,465)**	(5,164)
Profit from discontinued operations	**–**	1,202
	(5,465)	(3,962)

10 INCOME TAX CREDITS (continued)

The Group's principal applicable taxes and tax rates are as follows:

(i) Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) British Virgin Islands

The Group's entities incorporated in the British Virgin Islands are not subject to tax on income or capital gains.

(iii) Hong Kong

The Group's entities incorporated in Hong Kong are subject to Hong Kong profit tax of 16.5%.

(iv) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the year ended 31 December 2019 (2018: 25%).

Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprise, and accordingly, they were subject to a reduced preferential CIT rate of 15% for the year ended 31 December 2019 (2018: 15%) according to the applicable CIT Law.

Certain subsidiaries of the Group in the PRC were qualified as Small Low Profit Enterprise and accordingly, the CIT of these entities are calculated on a deemed profit margin.

(v) Withholding tax on undistributed profits

According to CIT law, distribution of profits earned by PRC companies since 1 January 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas – incorporated immediate holding companies. During the year ended 31 December 2019 (2018: Nil), the Group does not have any profit distribution plan.

10 INCOME TAX CREDITS (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profit of the consolidated entities as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit from continuing operations before income tax	**45,354**	708,306
Profit from discontinued operations before income tax	**–**	33,189
	45,354	741,495
Tax calculated at PRC statutory income tax rate of 25%	**11,339**	185,374
Tax effects of:		
Differential income tax rates applicable to certain entities comprising the Group	**(2,376)**	1,374
Income not subject to tax (a)	**(3,609)**	(154,683)
Non-deductible expenses (b)	**4,031**	3,818
Tax effect of preferential tax treatment	**1,855**	1,705
Research and development tax credit	**(2,887)**	(2,452)
Utilisation of previously unrecognised tax losses and other temporary differences	**(55,319)**	(57,164)
Unrecognised deferred income tax assets	**41,501**	18,066
Income tax credits	**(5,465)**	(3,962)

(a) The income not subject to tax mainly refers to the changes in fair value of financial assets and share of results of investments accounted for using equity method.

(b) Non-deductible expenses primarily include expenses without valid invoices, and entertainment expenses exceeding the tax deduction limits under the CIT Law.

10 INCOME TAX CREDITS (continued)

(c) The unrecognised deferred tax assets are analysed as follows:

(i) Tax losses carried forward

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognised	**266,448**	249,637
Unrecognised deferred tax assets relating to tax losses carried forward	**66,612**	62,409

(ii) Other temporary differences

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Temporary difference for which deferred tax assets have not been recognised:		
Advertising service fee exceeding the ceiling amount which can be carried forward	**420,080**	434,787
Accruals	**10,198**	39,040
Provision for impairment of investments accounted for using the equity method	**14,635**	1,349
Provision for impairment of trade and other receivables	**13,977**	12,695
	458,890	487,871
Unrecognised deferred tax assets relating to the above temporary differences	**114,722**	121,968

The unused tax losses can be carried forward and will be expired in 5 years from 2020 to 2024.

11 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year excluding treasury shares.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31 December 2018 has been retroactively adjusted for the Capitalisation Issue of the share premium account arisen from the IPO of the Company.

	Year ended 31 December	
	2019	2018
Earnings from continuing operations attributable to equity holders of the Company (RMB'000)	**61,934**	725,607
Weighted average number of ordinary shares in issue (thousand)	**1,205,937**	789,808
Earnings per share from continuing operations	**0.05**	0.92
Earnings from discontinued operations attributable to equity holders of the Company (RMB'000)	**–**	31,987
Weighted average number of ordinary shares in issue (thousand)	**–**	789,808
Earnings per share from discontinued operations	**–**	0.04

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2019, the Company had one category of dilutive potential ordinary shares: Employee Share Option Plan. For the year ended 31 December 2018, the Company had various categories of dilutive potential ordinary shares, including Series A, Series B and Series C Preferred Shares (collectively, "Preferred Shares") and Employee Share Option Plan.

For the Employee Share Option Plan, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The Preferred Shares are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the accretion charge less the tax effect and any exchange and fair value movements. For the year ended 31 December 2018, the impact of weighted average outstanding shares from Preferred Shares on earnings per share was dilutive.

11 EARNINGS PER SHARE (continued)

	Year ended 31 December	
	2019	2018
Continuing operations		
Profit from continuing operations attributable to equity holders of the Company (RMB'000)	**61,934**	725,607
Adjustments for Preferred Shares	**–**	(720,658)
Adjusted profit from continuing operations attributable to equity holders the Company (RMB'000)	**61,934**	4,949
Weighted average number of ordinary shares in issue (thousand)	**1,205,937**	789,808
Adjustments for ESOP (thousands of shares)	**8,543**	14,766
Adjustments for Preferred Shares (thousands of shares)	**–**	244,347
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**1,214,480**	1,048,921
Diluted earnings per share from continuing operations (RMB per share)	**0.05**	0.01
Discontinued operations		
Profit from discontinued operations attributable to equity holders of the Company (RMB'000)	**–**	31,987
Adjustments for Preferred Shares	**–**	–
Adjusted profit from discontinued operations attributable to equity holders of the Company (RMB'000)	**–**	31,987
Weighted average number of ordinary shares in issue (thousand)	**–**	789,808
Adjustments for ESOP (thousands of shares)	**–**	14,766
Adjustments for Preferred Shares (thousands of shares)	**–**	244,347
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**–**	1,048,921
Diluted earnings per share from discontinued operations (RMB per share)	**–**	0.03

12 PROPERTY, PLANT AND EQUIPMENT AND LEASES

(a) Property, plant and equipment

	Leasehold improvements RMB'000	Transportation equipment RMB'000	Office furniture and equipment RMB'000	Computer and electric equipment RMB'000	Display and exhibition equipment RMB'000	Construction in-progress RMB'000	Total RMB'000
As at 1 January 2018							
Cost	47,668	3,929	2,908	11,856	17,367	662	84,390
Accumulated depreciation	(37,663)	(2,601)	(1,767)	(8,227)	(11,178)	–	(61,436)
Net book amount	10,005	1,328	1,141	3,629	6,189	662	22,954
Year ended 31 December 2018:							
Opening net book amount	10,005	1,328	1,141	3,629	6,189	662	22,954
Additions	1,978	–	233	1,400	1,159	2,045	6,815
Transfer upon completion	2,582	–	–	–	–	(2,582)	–
Disposals	–	–	(53)	(112)	(498)	–	(663)
Disposals of subsidiaries	(382)	(53)	(76)	(38)	(677)	–	(1,226)
Depreciation	(5,607)	(619)	(399)	(1,921)	(1,762)	–	(10,308)
Net book amount	8,576	656	846	2,958	4,411	125	17,572
As at 31 December 2018:							
Cost	51,467	3,852	2,891	12,275	16,799	125	87,409
Accumulated depreciation	(42,891)	(3,196)	(2,045)	(9,317)	(12,388)	–	(69,837)
Net book amount	8,576	656	846	2,958	4,411	125	17,572

	Leasehold improvements RMB'000	Buildings (Note (i)) RMB'000	Transportation equipment RMB'000	Office furniture and equipment RMB'000	Computer and electric equipment RMB'000	Display and exhibition equipment RMB'000	Construction in-progress RMB'000	Total RMB'000
As at 1 January 2019								
Cost	51,467	-	3,852	2,891	12,275	16,799	125	87,409
Accumulated depreciation	(42,891)	-	(3,196)	(2,045)	(9,317)	(12,388)	-	(69,837)
Net book amount	8,576	-	656	846	2,958	4,411	125	17,572
Year ended 31 December 2019:								
Opening net book amount	8,576	-	656	846	2,958	4,411	125	17,572
Additions	914	13,600	32	15	240	1,610	1,140	17,551
Transfer upon completion	130	-	-	-	-	-	(130)	-
Disposals (Note (ii))	(290)	-	(223)	(271)	(521)	(1,773)	-	(3,078)
Disposal of subsidiaries (Note 29 (c))	-	-	-	(8)	(1)	(86)	-	(95)
Depreciation	(5,937)	(812)	(266)	(218)	(1,305)	(1,284)	-	(9,822)
Net book amount	3,393	12,788	199	364	1,371	2,878	1,135	22,128
As at 31 December 2019:								
Cost	52,511	13,600	3,668	1,473	7,888	16,046	1,135	96,321
Accumulated depreciation	(49,118)	(812)	(3,469)	(1,109)	(6,517)	(13,168)	-	(74,193)
Net book amount	3,393	12,788	199	364	1,371	2,878	1,135	22,128

12 PROPERTY, PLANT AND EQUIPMENT AND LEASES (continued)

(a) Property, plant and equipment (continued)

(i) In September 2019, the Group acquired a building from a third party by settling a receivable of RMB14,824,000 from it, pursuant to an agreement with this third party. The Group is still in the process of applying for the legal title of the building.

(ii) In 2019, the Group disposed of certain property, plant and equipment of RMB3,078,000 for RMB580,000, with a net loss of RMB2,498,000 recorded in "other gains – net".

(iii) Depreciation of the Group's property, plant and equipment has been recognised in the consolidated income statement as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**158**	413
Selling and marketing expenses	**5,136**	2,604
Administrative expenses	**3,713**	6,235
Research and development expenses	**815**	1,056
	9,822	10,308
Depreciation from discontinued operations	**–**	2,745
	9,822	13,053

(b) Leases

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2019	1 January 2019
	RMB'000	RMB'000
		(Note 2.2)
Right-of-use assets		
Land-use rights	**320,148**	–
Buildings	**20,254**	26,552
	340,402	26,552
Lease liabilities		
Current	**9,261**	8,812
Non-current	**12,157**	18,191
	21,418	27,003

12 PROPERTY, PLANT AND EQUIPMENT AND LEASES (continued)

(b) Leases (continued)

(i) Amounts recognised in the consolidated balance sheet (continued)

The movement of right-of-use assets are listed below:

	Buildings RMB'000	Land-use rights RMB'000	Total RMB'000
Restated balance at 1 January 2019			
Cost	43,330	–	43,330
Accumulated depreciation	(16,778)	–	(16,778)
Net book amount	26,552	–	26,552
Year ended 31 December 2019:			
Opening net book amount	26,552	–	26,552
Transferred from prepayment for land use rights (Note 2.2.4 and Note (1))	–	321,288	321,288
Additions	3,925	–	3,925
Termination of lease contracts (Note (2))	(2,592)	–	(2,592)
Depreciation charge	(7,631)	(1,140)	(8,771)
Net book amount	20,254	320,148	340,402
As at 31 December 2019:			
Cost	43,175	321,288	364,463
Accumulated depreciation	(22,921)	(1,140)	(24,061)
Net book amount	20,254	320,148	340,402

Note (1): This represents a land use rights acquired in the year ended 31 December 2019, for which the total consideration of RMB311,930,000 was prepaid in December 2018 and the deed tax of RMB9,358,000 was paid in June 2019. The legal title of the land use rights has been duly obtained in October 2019.

Note (2): Certain lease contracts were terminated, accordingly the lease liabilities decreased by RMB2,690,000 with a gain of RMB98,000 recorded in "other gains – net".

12 PROPERTY, PLANT AND EQUIPMENT AND LEASES (continued)

(b) Leases (continued)

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2019 RMB'000
Depreciation charge of right-of-use assets	
Land-use rights	**1,140**
Buildings	**7,631**
	8,771
Interest expense (included in finance cost) (Note 9)	**1,593**
Expense relating to short-term leases (included in cost of sales and administrative expenses) (Note 6)	**9,405**
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) (Note 6)	**548**
	11,546

The total cash outflow for leases in 2019 was RMB18,366,000.

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

The Group leases various offices, and warehouses. Rental contracts are typically made for fixed periods of 12 months to 10 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

13 INTANGIBLE ASSETS

	Trademarks and licenses RMB'000	Domain names RMB'000	Software RMB'000	Total RMB'000
As at 1 January 2018				
Cost	4,990	2,568	8,745	16,303
Accumulated amortisation	(1,438)	(1,563)	(5,084)	(8,085)
Net book amount	3,552	1,005	3,661	8,218
Year ended 31 December 2018				
Opening net book amount	3,552	1,005	3,661	8,218
Additions	2,300	–	1,271	3,571
Amortisation	(942)	(257)	(1,434)	(2,633)
Net book amount	4,910	748	3,498	9,156
As at 31 December 2018				
Cost	7,290	2,568	10,016	19,874
Accumulated amortisation	(2,380)	(1,820)	(6,518)	(10,718)
Net book amount	4,910	748	3,498	9,156
As at 1 January 2019				
Cost	**7,290**	**2,568**	**10,016**	**19,874**
Accumulated amortisation	**(2,380)**	**(1,820)**	**(6,518)**	**(10,718)**
Net book amount	**4,910**	**748**	**3,498**	**9,156**
Year ended 31 December 2019				
Opening net book amount	**4,910**	**748**	**3,498**	**9,156**
Additions	**–**	**–**	**2,844**	**2,844**
Amortisation	**(1,096)**	**(257)**	**(1,820)**	**(3,173)**
Net book amount	**3,814**	**491**	**4,522**	**8,827**
As at 31 December 2019				
Cost	**7,290**	**2,568**	**12,859**	**22,717**
Accumulated amortisation	**(3,476)**	**(2,077)**	**(8,337)**	**(13,890)**
Net book amount	**3,814**	**491**	**4,522**	**8,827**

13 INTANGIBLE ASSETS (continued)

Amortisation of the Group's intangible assets has been recognised in the consolidated income statement as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Administrative expenses	**2,074**	1,437
Research and development expenses	**885**	1,196
Selling and marketing expenses	**214**	–
	3,173	2,633

14 GOODWILL

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning and end of the year	**7,796**	7,796

(a) The goodwill mainly arose from the acquisitions of Brausen (Fujian) Decoration Engineering Co., Ltd. ("Fujian Brausen"), Xiamen Brausen and Luoyuan Brausen in 2015 and 2016. The goodwill is attributable to the acquired market share and economies of scale expected to be derived from combining with the operations of the Group.

(b) Impairment test of goodwill

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts to the carrying amounts. The recoverable amount was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the 5-year period. The Group believes that it is appropriate to cover a 5-year period in its cash flow projection, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. 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 experience in the industry and provided forecast based on past performance and their expectation of future business plans and market developments.

14 GOODWILL (continued)

(c) The following table sets out the key assumptions used in value-in-use calculations:

	As at 31 December 2019	2018
Annual revenue growth rate for the 5-year period (%)	**10.5%**	10.0%
Gross profit rate (%)	**42.0%**	37.4%
Terminal revenue growth rate (%)	**3%**	3%
Pre-tax discount rate (%)	**17%**	19.8%

The budgeted annual revenue growth rate for the 5-year period used in the goodwill impairment testing, was determined by the management based on past performance and its expectation for market development. The expected terminal revenue growth rate and gross profit rates are following the business plan approved by the Company. The discount rates reflect market assessments of the time value and the specific risks relating to the industry.

(d) As at 31 December 2019 and 31 December 2018, the directors are of the view that there was no evidence of impairment of goodwill.

15 DEFERRED INCOME TAX

Deferred income taxes are calculated on certain 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 balance sheet:

	As at 31 December 2019 RMB'000	2018 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**15,510**	10,055
– to be recovered within 12 months	**3,033**	3,092
	18,543	13,147
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(571)**	(730)
– to be recovered within 12 months	**(159)**	(159)
	(730)	(889)

15 DEFERRED INCOME TAX (continued)

	Accruals	Tax losses carried forward	Advertising service fee exceeding the ceiling amount	Cultural construction fee	Intangible assets acquired in business combination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2018	1,640	–	6,820	598	(1,047)	8,011
Charged to consolidated income statement	1,452	3,088	(530)	79	158	4,247
As at 31 December 2018	3,092	3,088	6,290	677	(889)	12,258
As at 1 January 2019	**3,092**	**3,088**	**6,290**	**677**	**(889)**	**12,258**
Charged to consolidated income statement	**(59)**	**7,773**	**(2,318)**	**–**	**159**	**5,555**
As at 31 December 2019	**3,033**	**10,861**	**3,972**	**677**	**(730)**	**17,813**

Deferred income tax assets are recognised for deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 December 2019 and 2018, the Group did not recognise deferred income tax assets in respect of losses and deductible temporary differences of RMB173,996,000 and RMB172,355,000, respectively. These tax losses will expire from 2020 to 2024 (31 December 2018: from 2019 to 2023).

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Associates	**240,364**	196,065

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year – carrying amount	**197,414**	198,784
Additions (a)	**39,707**	–
Share of results of the associates	**17,864**	2,007
Dividend from associate	**–**	(2,303)
Share of other comprehensive loss of investments accounted for using the equity method	**(281)**	(1,074)
At the end of the year-carrying amount	**254,704**	197,414
Less: provision of impairment (b)(ii)	**(14,340)**	(1,349)
	240,364	196,065

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(a) In August 2019, the Group acquired a 18.08% share in Shanghai Qihong equity investment fund partnership (limited partnership) (上海齊泓股權投資基金合夥企業(有限合夥), "Shanghai Qihong"), a limited partnership, for RMB31,362,000 from one of the limited partners. After this acquisition, the Group held 18.45% share in Shanghai Qihong. The fair value of the acquired share exceeded the consideration paid by the Group as this was a forced sale in which the aforementioned limited partner was acting under legal compulsion. Correspondingly, a gain was recognised in "other gains-net" for the exceeding amount of RMB5,345,000 (Note 8).

In December 2019, the Group made an investment in Kuaizhu Intelligent Technology (Suzhou) Co., Ltd. (快住智能科技(蘇州)有限公司, "Suzhou Kuaizhu"), an unlisted limited company, by acquiring 1.5% equity interests in it for RMB3,000,000. After this investment, the Group held 1.5% equity interests in Suzhou Kuaizhu with a director appointed by the Group to the board of Suzhou Kuaizhu, which demonstrated that the Group was able to exercise significant influence over the board, and accordingly the investment was accounted for using equity method.

(b) Set out below are the associates of the Group as at 31 December 2019, which, in the opinion of the directors, are material to the Group. The places of incorporation or establishment are also their principal place of business.

Name	Date of incorporation/ establishment	Paid-up capital	Place of incorporation/ establishment	Percentage of ownership interest attribute to the Group 31 December 2019	2018	Principal activities
		(RMB'000)				
Guangzhou Seagull Kitchen and Bath Products Co. Ltd. (廣州海鷗住宅工業股份有限公司, Seagull") (i)	08 January 1998	506,393	Guangzhou, the PRC	**4.79%**	4.55%	Development, production and sales of high-grade plumbing equipment and hardware
Shanghai Qihong	21 October 2014	271,000	Shanghai, the PRC	**18.45%**	0.37%	Equity investment
Beijing Rayion Technology Co., Ltd. (北京鋭揚科技有限責任公司 "Beijing Rayion") (ii)	10 October 2014	800	Beijing, the PRC	**25%**	25%	VR engine technology development and application

(i) The Group invested in Seagull in 2015, a company listed in Shenzhen Stock Exchange. Since the Group appointed an director to the board of Seagull, which demonstrated the Group was able to exercise significant influence over the board, the investment was accounted for by using equity method.

In 2019, Seagull repurchased a certain amount of its shares (not yet cancelled as at 31 December 2019), as a result the percentage of equity interests held by the Group in Seagull increased to 4.79%.

As at 31 December 2019, the quoted market price of the equity interest the Group held in Seagull was RMB149,439,000.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) (continued)

(ii) The Group carries out its impairment test on investments with indicator of impairment. In the case of Beijing Rayion, a total impairment loss of RMB14,340,000 was recognised as at 31 December 2019 due to its deteriorating performance.

(iii) Summarised financial information of the Group's associates

The tables below provide summarised financial information for the associates that are material to the Group. Shanghai Qihong was included as a material associate in 2019.

Items	As at/for the year ended 31 December 2019 RMB'000	2018 RMB'000
Assets	**3,474,261**	2,902,775
Liabilities	**1,433,143**	1,127,837
Revenue	**2,573,100**	2,228,009
Profit for the year	**189,335**	36,211

(iv) Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of its interest in the material associates.

Items	31 December 2019 RMB'000
Net assets at the beginning of the year	**1,774,244**
Additions	**201,821**
Profit for the year	**189,335**
Other comprehensive loss	**(6,132)**
Repurchase of shares	**(118,844)**
Net assets at the end of the year	**2,040,424**
Net assets attributable to the Group	**136,860**
Goodwill	**104,054**
Adjustment	**(74)**
Carrying value	**240,840**

(c) As at 31 December 2019 and 2018, the aggregate carrying amount of interests in individually immaterial investments that are accounted for using the equity method was approximately RMB13,864,000 and RMB11,704,000, respectively.

(d) There are no contingent liabilities relating to the Group's interest in the associates.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**41,919**	49,636
Additions (b)	**17,445**	2,000
Changes in the fair value (Note 24)	**(2,420)**	(9,717)
At the end of the year	**56,944**	41,919

(a) The financial assets at FVOCI referred to the equity investments which were not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

As all these investments are unlisted securities and are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows method and back solve method etc., and are then within level 3 of the fair value hierarchy.

Key assumptions used in the valuation include volatility. If the volatility had decreased/increased by 10% with all other variables held constant, the fair value of the financial assets at FVOCI would have been increased/decreased by approximately RMB232,650 as of 31 December 2019 (31 December 2018: RMB214,400).

(b) The additions represented:

(i) an investment in a new investee with a consideration of RMB9,862,000 (paid in January 2020).

(ii) an investment in a new investee with a consideration of RMB4,609,000 (non-cash activity).

In June 2019, the Group entered into an agreement with a third party, pursuant to which, the Group acquired an investment in an unlisted company from the above mentioned third party by setting receivables from it, of which RMB2,600,000 has been written off in prior year and RMB1,000,000 has been fully provisioned in prior year. The Group has obtained the legal title of the investment.

(iii) an investment in an existing investee with a consideration of RMB2,974,000 (paid in September and December 2019).

(c) As at 31 December 2019, the main part of the financial assets at FVOCI was the investment in Shanghai Qin Shui Jia Ding Investment LLP (上海欽水嘉丁投資合夥企業(有限合夥), "Qin Shui Jia Ding LLP") with a carrying amount of RMB37,380,000 (31 December 2018: RMB39,800,000).

18 INVENTORIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Raw materials	**1,965**	3,286
Work-in-progress	**8,102**	19,149
Finished goods	**2,889**	3,141
	12,956	25,576
Less: allowance for impairment of slow moving inventories	**–**	–
	12,956	25,576

For the year ended 31 December 2019, the cost of inventories recognised as expense and included in "cost of sales" amounted to RMB139,756,000 (2018: RMB154,784,000).

19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortised cost:		
– Trade and other receivables (Note 20)	**71,115**	46,090
– Amounts due from related parties (Note 31(c))	**5,291**	1,643
– Term deposits (Note 22)	**547,258**	333,552
– Cash and cash equivalents (Note 22)	**410,681**	779,779
Financial assets at FVPL (Note 21)	**222,151**	70,000
Financial assets at FVOCI (Note 17)	**56,944**	41,919
	1,313,440	1,272,983
Financial liabilities:		
Financial liabilities at amortised cost:		
– Short-term borrowings (Note 27)	**12,000**	–
– Financial liabilities included in trade and other payables (excluding staff salaries and welfare payables and tax payables) (Note 28)	**438,607**	330,440
– Amounts due to related parties (Note 31)	**6**	69
– Lease liabilities (Note 12(b))	**21,418**	27,003
	472,031	357,512

20 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS TO SUPPLIERS AND CONTRACT ASSETS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current:		
Other receivables		
Project deposits	**1,503**	–
Less: provision for impairment of other receivables	**–**	–
Net other receivables	**1,503**	–
Current:		
Trade receivables		
Due from third parties	**37,318**	6,073
Less: provision for impairment of trade receivables	**(1,939)**	(34)
Net trade receivables	**35,379**	6,039
Other receivables		
Loans due from third parties	**11,983**	23,709
Project deposits	**6,796**	–
Interest receivable	**7,801**	16,264
Amounts held for security trading purposes	**5,982**	–
Rebate receivable in the form of prepayments for the third-party advertising platforms' services	**4,657**	–
Staff advances	**2,555**	3,289
Rental deposits	**2,496**	5,596
Others	**4,001**	3,886
Gross other receivables	**46,271**	52,744
Less: provision for impairment of other receivables	**(12,038)**	(12,693)
Net other receivables	**34,233**	40,051
Others		
Prepayments to suppliers	**20,877**	33,669
Value-added tax recoverable	**14,508**	11,986
	104,997	91,745
Contract assets (a)	**25,351**	–
	131,851	91,745

(a) The contract assets are primarily related to the Group's rights to consideration for work completed in relation to Self-operated Interior Design and Construction Business and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional other than the passage of time. The expected loss rate of contract assets is assessed to be minimal, therefore no loss allowance is recorded for contract assets.

20 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS TO SUPPLIERS AND CONTRACT ASSETS (continued)

(b) As at 31 December 2019, the carrying amounts of trade and other receivables are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

The Group grants credit periods to customers ranging from 30 days to 180 days. As at 31 December 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables – gross		
Within 1 month	**15,580**	1,823
Over 1 month and within 3 months	**4,275**	1,105
Over 3 months and within 1 year	**14,388**	3,145
Over 1 year and within 2 years	**3,075**	–
	37,318	6,073

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

Movements on the Group's provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**(34)**	–
Changes on initial application of IFRS 9	**–**	(34)
Restated balance at the beginning of the year	**(34)**	(34)
Provision for impairment	**(1,945)**	(9)
Unused amount reversed	**22**	9
Write-off	**18**	–
At the end of the year	**(1,939)**	(34)

20 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS TO SUPPLIERS AND CONTRACT ASSETS (continued)

(b) (continued)

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**(12,693)**	(11,750)
Changes on initial application of IFRS 9	**–**	(722)
Restated balance at the beginning of the year	**(12,693)**	(12,472)
Provision for impairment	**(2,072)**	(242)
Unused amount reversed	**1,397**	–
Write-off	**1,329**	18
Disposal of subsidiaries	**1**	3
At the end of the year	**(12,038)**	(12,693)

Note 3.1.2 sets out information about the impairment of trade and other receivables and the Group's exposure to credit risk. The Group did not hold any collateral as security of receivables.

(c) Net impairment gains/ (losses) on financial assets are analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net impairment loss provision		
– Trade receivables	**(1,923)**	-
– Other receivables	**(675)**	(242)
Subsequent recovery of amounts previously written off (Note 17 (b)(ii))		
– Other receivables	**2,600**	-
	2	(242)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current:		
Financial assets related to redemption rights (a)	**10,958**	–
Current:		
Wealth management products (b)	**153,790**	70,000
Investment in a listed company (c)	**68,361**	–
	222,151	70,000

(a) The financial asset related to redemption rights arises from the investment in one associate of the Group where a shareholders' agreement was previously reached that the Group has the right to request the other two shareholders (i.e. the founders) of the investee to purchase the equity instrument held by the Group for cash or other financial assets when certain conditions are met. The carrying amount of the financial asset was initially assessed to be minimal but was subsequently monitored and adjusted to reflect the present value of the estimated future cash inflows at the financial instrument's original effective interest rate.

The financial asset related to redemption rights was classified as a non-current asset as the redemption right can only be exercised 12 months after 31 December 2019. The fair value adjustment was recognised as "other gains – net" in the consolidated income statement.

The fair value of the financial asset related to redemption rights is within level 3 of the fair value hierarchy.

Key assumptions used to determine the fair value include discount rate. If the discount rate had decreased/increased by 1% with all other variables held constant, the fair value of the financial asset would have been increased/decreased by approximately RMB738,000 as of 31 December 2019 (31 December 2018: nil).

(b) Wealth management products were issued by reputable commercial banks and financial institutions, and were denominated in RMB and USD with expected rate of return of 2.67% to 3.9% per annum. The return on these wealth management products is not guaranteed, hence the contractual cash flow does not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss.

The fair values were based on cash flow discounted using the expected return based on management judgement and are within level 3 of the fair value hierarchy.

As at 31 December 2019, wealth management products of RMB10,000,000 were pledged to the Group's certain bank borrowings of RMB5,000,000 (Note 27).

(c) The investment in a listed company represents the securities held by the Group in Guangzhou Holike Creative Home Co., Ltd. (廣州好萊客創意家居股份有限公司, "Guangzhou Holike"), a company listed in Shanghai Stock Exchange.

The fair values were based on quoted prices in active markets and are within level 1 of the fair value hierarchy.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(d) The movements of financial assets at FVPL are listed below:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**70,000**	–
Additions	**473,940**	70,000
Currency translation difference	**1,422**	–
Disposals	**(326,821)**	–
	218,541	70,000
Add: fair value change (Note 8)	**14,568**	–
At the end of the year	**233,109**	70,000

22 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank	**957,808**	1,113,201
Cash on hand	**131**	130
	957,939	1,113,331
Less: term deposits with initial term of over three months	**(547,258)**	(333,552)
	410,681	779,779

Term deposits with initial terms of over three months were neither past due nor impaired. The directors of the Company considered that the carrying amount of the term deposits with initial terms of over three months approximated to their fair value as at 31 December 2019.

Cash and cash equivalents and term deposits are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**374,156**	274,956
USD	**580,626**	836,065
HKD	**3,157**	2,310
	957,939	1,113,331

The effective interest rates of the term deposits of the Group for the year ended 31 December 2019 was 2.98% (2018: 3.35%).

22 CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank	**410,550**	779,649
Cash on hand	**131**	130
	410,681	779,779

23 SHARE CAPITAL AND SHARE PREMIUM

	Ordinary shares	
	Number of ordinary shares	**Nominal value of ordinary shares**
		US$'000
Authorised:		
As of 31 December 2019 and 2018	**2,000,000,000**	**200**

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent Nominal value of ordinary shares	Share premium
		US$'000	RMB'000	RMB'000
Issued:				
As of 31 December 2018	1,210,274,090	121	805	2,378,009
Exercise of ESOP	3,000	–*	–*	9
Cancellation of treasury shares (a)	(9,318,000)	(1)	(6)	(21,216)
As of 31 December 2019	1,200,959,090	120	799	2,356,802

Note *: The balance stated above is less than RMB1,000.

(a) Treasury shares and cancellation of ordinary shares

During the year ended 31 December 2019, 21,221,500 shares with a nominal value of USD2,122 (equivalent to RMB15,000) were repurchased at an aggregate consideration of HKD51,998,000 (equivalent to RMB46,503,000). 9,318,000 shares have been cancelled during the year, while the remaining 11,903,500 shares were subsequently cancelled in February 2020 and accordingly recorded as "treasury shares" of RMB25,281,000 in equity as at 31 December 2019.

24 OTHER RESERVES

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Preferred shares reserve RMB'000	Currency translation differences RMB'000	Share option reserve RMB'000	FVOCI reserve RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	(188,495)	10,277	319,889	(2,477)	5,714	–	(57)	144,851
Changes on initial application of IFRS 9	–	–	–	–	–	(50,710)	483	(50,227)
Restated balance at 1 January 2018	(188,495)	10,277	319,889	(2,477)	5,714	(50,710)	426	94,624
Currency translation differences	–	–	–	27,367	–	–	–	27,367
Acquisition of additional equity interest in a subsidiary	–	–	–	–	–	–	(299)	(299)
Conversion of convertible liabilities to Series A Preferred Shares	–	–	161,859	–	–	–	–	161,859
Issuance of Series C preferred shares	–	–	59,285	–	–	–	–	59,285
Conversion of preferred shares into ordinary shares	–	–	(541,033)	–	–	–	–	(541,033)
Effects of changes in credit risk for liabilities designated as at fair value through profit or loss	–	–	–	–	–	(947)	–	(947)
Fair value change of financial assets at FVOCI (Note 17)	–	–	–	–	–	(9,717)	–	(9,717)
Share of other comprehensive income of investments accounted for using the equity method (Note 16)	–	–	–	–	–	–	(1,074)	(1,074)
Share-based compensation under ESOP (Note 25)	–	–	–	–	4,973	–	–	4,973
As of 31 December 2018	(188,495)	10,277	–	24,890	10,687	(61,374)	(947)	(204,962)

	Capital reserve RMB'000	**Statutory surplus reserve RMB'000**	**Currency translation differences RMB'000**	**Share option reserve RMB'000**	**FVOCI reserve RMB'000**	**Others RMB'000**	**Total RMB'000**
At 1 January 2019	**(188,495)**	**10,277**	**24,890**	**10,687**	**(61,374)**	**(947)**	**(204,962)**
Currency translation differences	**-**	**-**	**12,306**	**-**	**-**	**-**	**12,306**
Exercise of ESOP (Note 25)	**-**	**-**	**-**	**(3)**	**-**	**-**	**(3)**
Fair value change of financial assets at FVOCI (Note 17)	**-**	**-**	**-**	**-**	**(2,420)**	**-**	**(2,420)**
Share of other comprehensive loss of investments accounted for using the equity method (Note 16)	**-**	**-**	**-**	**-**	**-**	**(281)**	**(281)**
Acquisition of additional equity interests in a subsidiary (Note 36(b)(i))	**-**	**-**	**-**	**-**	**-**	**(13,783)**	**(13,783)**
Share-based compensation under ESOP (Note 25)	**-**	**-**	**-**	**5,744**	**-**	**-**	**5,744**
As of 31 December 2019	**(188,495)**	**10,277**	**37,196**	**16,428**	**(63,794)**	**(15,011)**	**(203,399)**

25 EMPLOYEE SHARE OPTION PLAN ("ESOP")

(a) In 2011 and 2016, the Board of Directors approved the establishment of two batches of ESOP with the purpose to provide incentive for certain directors, senior management members and employees to contribute to the Group.

The Group granted share options on 31 December 2011 and 31 December 2016 with the exercise price of RMB20.04 per ordinary share, which was adjusted to RMB2.00 per ordinary share catering to the Capitalisation Issue upon the IPO.

The ESOPs included certain performance conditions, which required the employees to complete a service period and meet specified performance targets.

The options have graded vesting terms: options granted on 31 December 2011 vest in equal tranches from the grant date over two years; 25% of the options granted in 2016 shall vest on the first vesting date, which is 30 days after qualified IPO; and the remaining 75% options shall vest on a monthly basis over the next 36 months.

All options granted expire in ten years from the respective grant date.

(b) Movements in the number of share options granted and their related weighted average exercise price are as follows:

	Weighted average exercise price (in RMB)	**Number of share options Year ended 31 December**	
		2019	2018
At the beginning of the year	2.00/20.04	**45,340,615**	4,911,500
Capitalisation Issue		**–**	44,203,500
Exercise of ESOP	2.00	**(3,000)**	–
Forfeited	2.00	**(2,436,474)**	(3,774,385)
At the end of the year	2.00	**42,901,141**	45,340,615

As at 31 December 2019 and 2018, 33,215,493 and 27,515,148 outstanding options were exercisable.

25 EMPLOYEE SHARE OPTION PLAN ("ESOP") (continued)

(c) The fair value of the share options granted under the abovementioned ESOPs have been valued by an independent qualified valuer using Binomial valuation model as at the grant date. Key assumptions are set as below:

	First grant 31 December 2011	Second grant 31 December 2016
Risk-free interest rate	2.50%	2.50%
Volatility	36.52%	36.52%
Dividend yield	0%	0%
Early exercise level	2.8	2.2~2.8

The directors estimated the risk-free interest rate based on the yield of curve of US Treasury strips with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on the directors' estimation at the grant date.

(d) The total expenses recognised in the consolidated income statement for share options granted are RMB5,744,000 for the year ended 31 December 2019 (2018: RMB4,761,000 from continuing operations and RMB212,000 from discontinued operations).

26 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2019 (2018: nil).

In accordance with the resolution at the Board of Directors' meeting dated 27 March 2020, the Board of Directors proposed a dividend in respect of the year ended 31 December 2019 for approximately RMB21,736,000 to the shareholders. The subsequently proposed dividend is not recorded as liability in the financial statements for the year ended 31 December 2019.

27 SHORT-TERM BORROWINGS

	As at 31 December	
	2019	2018
Bank borrowings	**12,000**	–

The short-term borrowings represents: (i) a six-month bank borrowing with a principal amount of RMB5,000,000 bearing a fixed interest rate of 4.31% per annum, and (ii) a one-year bank borrowing with a principal amount of RMB7,000,000 bearing a fixed interest rate of 4.79% per annum. The former was pledged by the wealth management products of RMB10,000,000. The latter was pledged by the property owned by Mr. Yang Weihan, who is the non-controlling shareholder of Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.

The carrying amounts of the bank borrowings approximate their fair values.

28 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables (c)	**81,291**	70,695
Other payables		
Deposits payables (a)	**261,337**	168,977
Quality and performance guarantee deposits from customers	**72,285**	67,732
Payables for financial assets at FVOCI (Note 17(b))	**9,862**	–
Payables for listing expenses	**–**	4,219
Payables for purchases of property, plant and equipment	**–**	526
Other accrued expenses and payables	**13,832**	18,291
Total other payables	**357,316**	259,745
Others		
Staff salaries and welfare payables	**50,169**	69,444
Accrued taxes other than income tax	**22,473**	26,015
	511,249	425,899
Contract liabilities (b)	**104,042**	110,255

(a) Deposits payables mainly represent security deposits from users of our escrow payment services.

(b) Contract liabilities represent prepayments made by customers in exchange for goods or services to be provided by the Group in subsequent period, primarily in relation to order recommendation services, self-operated interior design and construction services and sales of building materials.

(c) The ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 month	**27,789**	36,254
Over 1 month and within 3 months	**40,723**	7,306
Over 3 months and within 1 year	**6,204**	18,468
Over 1 year	**6,575**	8,667
	81,291	70,695

29 NET CASH GENERATED FROM OPERATIONS

(a) Reconciliation from profit before income tax to cash generated from operations:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**45,354**	741,495
– Profit before income tax from continuing operations	**45,354**	708,306
– Profit before income tax from discontinued operations	**–**	33,189
Adjustment for:		
Finance income (Note 9)	**(25,409)**	(59,141)
Finance costs (Note 9)	**1,958**	–
Depreciation of property, plant and equipment (Note 12(a))	**9,822**	13,053
Depreciation of right-of-use assets (Note 12(b))	**8,771**	–
Amortisation of intangible assets (Note 13)	**3,173**	2,633
Net impairment (gains)/losses on financial assets (Note 20(c))	**(2)**	242
Impairment loss on investments accounted for using the equity method (Note 8)	**12,991**	1,349
Net loss on disposal of property, plant and equipment (Note 8)	**2,498**	243
Gains on termination of lease contracts (Note 8)	**(98)**	–
Share of results of investments accounted for using equity method (Note 16)	**(17,864)**	(2,007)
Fair value gain of preferred shares and convertible liabilities	**–**	(699,247)
Fair value changes of financial assets at FVPL (Note 8)	**(14,568)**	–
Gains on disposals of subsidiaries (Note 8)	**(1,064)**	(44,118)
Gain on addition of investment in an associate (Note 8)	**(5,345)**	–
Share-based compensation (Note 25)	**5,744**	4,973
Changes in working capital:		
Decrease/(increase) in inventories (Note 18)	**12,620**	(13,402)
Increase in contract assets (Note 20)	**(25,351)**	–
Increase in trade and other receivables	**(40,149)**	(16,444)
Increase in amounts due from related parties	**(3,648)**	(1,643)
Increase in trade and other payables and contract liabilities	**74,260**	124,427
(Decrease)/increase in amounts due to related parties	**(63)**	69
Cash generated from operations	**43,630**	52,482

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net book amount	**3,078**	999
Net loss on disposal of property, plant and equipment (Note 8)	**(2,498)**	(243)
Proceeds from disposal of property, plant and equipment	**580**	756

29 NET CASH GENERATED FROM OPERATIONS (continued)

(c) Disposal of subsidiaries

During the year ended 31 December 2019, the Group disposed 100% equity interests in Fuzhou Qijia Information Technology Co., Ltd., 100% equity interests in Fuzhou Qimeiju Decoration Engineering Co., Ltd., and 100% equity interests in Fujian Brausen Information Technology Co., Ltd., with a cash consideration of RMB10, RMB10 and RMB10, respectively. After the completion of the transactions, the Group lost the control of these three entities. The cash flows from the disposals were as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Total consideration		
– Cash consideration	**–***	–*
– Non cash consideration	**–**	91
Less: Cash and cash equivalents in the subsidiaries disposed	**(3)**	(181)
Net cash out on disposals	**(3)**	(181)

Note*: The balance stated above is less than RMB1,000.

The net liabilities of the subsidiaries disposed were as follows:

	On disposed date	
	2019	2018
	RMB'000	RMB'000
Cash	**3**	181
Trade and other receivables	**5,417**	1,848
Inventories	**–**	594
Property, plant and equipment	**95**	1,226
Trade and other payables	**(6,547)**	(8,490)
Contract liabilities	**(32)**	(680)
Net liabilities	**(1,064)**	(5,321)
Attributable to:		
– Equity holders of the Company	**(1,064)**	(3,105)
– Non – controlling interests	**–**	(2,216)
Disposal gain attributable to the Group	**1,064**	3,196

29 NET CASH GENERATED FROM OPERATIONS (continued)

(d) Non-cash investing and financing activities

(i) Acquisition of an investment in an unlisted company by means of settling receivables

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Additions of financial assets measured at FVOCI (Note 17(b)(ii))	**4,609**	–
Subsequent recoveries of amounts previously written off (Note 20(c))	**(2,600)**	–
Decrease in other receivables	**(1,000)**	–
A gain recorded in "other gains – net" (Note 8)	**(1,009)**	–
Net cash impact	**–**	–

(ii) Acquisition of a building by means of settling a receivable

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Addition of a building (Note 12(a)(i))	**13,600**	–
Increase in value-added tax recoverable	**1,224**	–
Decrease in other receivables	**(14,824)**	–
Net cash impact	**–**	–

(iii) Acquisition of additional equity interests in a subsidiary by means of settling a receivable

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Consideration of acquired equity interests (Note 36 (b))	**5,776**	–
Decrease in other receivables	**(5,776)**	–
Net cash impact	**–**	–

In December 2019, the Group entered into an agreement with the non-controlling shareholders of Fujian Brausen, pursuant to which, the Group acquired the 15.05% equity interests in Fujian Brausen held by the non-controlling shareholders by settling a receivable of RMB5,776,000 from them.

Other than the above, the Group did not have any material non-cash investing and financing activities for the year ended 31 December 2019.

29 NET CASH GENERATED FROM OPERATIONS (continued)

(e) Net cash reconciliation

	Cash and cash equivalents RMB'000	Short-term borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Net cash as at 1 January 2018	480,637	–	–	480,637
Cash flows	277,699	–	–	277,699
Foreign exchange adjustments	21,443	–	–	21,443
Net cash as at 31 December 2018	**779,779**	**–**	**–**	**779,779**
Recognised on adoption of IFRS 16 (Note 2.2)	**–**	**–**	**(27,003)**	**(27,003)**
Cash flows	**(379,982)**	**(12,000)**	**8,413**	**(383,569)**
Acquisition – leases (Note 12(b)(i))	**–**	**–**	**(3,925)**	**(3,925)**
Accrued interest for lease liabilities (Note 9)	**–**	**–**	**(1,593)**	**(1,593)**
Termination of leases contracts (Note 12(b)(i))	**–**	**–**	**2,690**	**2,690**
Foreign exchange adjustments	**10,884**	**–**	**–**	**10,884**
Net cash as at 31 December 2019	**410,681**	**(12,000)**	**(21,418)**	**377,263**

30 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Group leases various offices, and warehouses under non-cancellable operating leases expiring within 3 months to 10 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases and leases of low-value assets, see Note 2.2 and Note 12(b) for further information

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Minimum lease payments under non-cancellable operating leases not recognised in the consolidated financial statements are as follows:		
Within 1 year	**9,140**	13,866
Later than 1 year and no later than 5 years	**–**	26,732
Later than 5 years	**–**	2,743
	9,140	43,341

31 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to 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. Related parties may be individuals or other entities.

(a) Saved as disclosed elsewhere in this report, 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 during the year:

Name of related parties	Relationship with the Group
Mr. Deng	Controlling shareholder and executive director of the Company
Mr. Chen Yangui(陳言貴)	Non-controlling shareholder
Mr. Zuo Hanrong (左漢榮)	Non-controlling shareholder
Mr. Yang Weihan (楊衛涵)	Non-controlling shareholder
SIP Oriza PE Fund Management Co., Ltd (蘇州工業園區元禾重元股權投資基金管理有限公司, "SIP Oriza Fund")	One investor of Series B preferred shares (before April 2018)
SIP Oriza Qijia PE Enterprise (Limited Partnership) (蘇州工業園區重元齊家股權投資企業(有限合夥), "SIP Oriza")	Onshore company of SIP Oriza Fund (before April 2018)
Shanghai Qijia E-commerce Co., Ltd. (上海齊家電子商務有限公司, "Shanghai Qijia E-commerce")	Controlled by the controlling shareholder (from 28 March 2018)
Shanghai Qiyuan Intelligent Technology Co.,Ltd (上海齊頤智能科技有限公司, "Shanghai Qiyuan")	Controlled by the controlling shareholder

31 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Repayment to a related party		
SIP Oriza Fund	**–**	310,090
Proceeds from a related party		
SIP Oriza	**–**	314,490
Repayment of loans from a related party		
Mr.Deng	**–**	5,697
Lease from a related party		
Shanghai Qijia E-commerce	**308**	419
Rebate pay to a related party		
Shanghai Qijia E-commerce	**–**	365
Advertising service from a related party		
Shanghai Qijia E-commerce	**–**	68
Advertising service to a related party		
Shanghai Qijia E-commerce	**1,816**	1,450
Service income from a related party		
Shanghai Qijia E-commerce	**5,154**	104
Purchase goods from a Related party		
Shanghai Qiyuan	**2**	343
Acquisition of equity interests in Fujian Brausen		
Mr. Zuo Hanrong	**3,843**	–
Mr. Chen Yangui	**1,933**	–
	5,776	–
Loans provided to related parties		
Mr. Zuo Hanrong	**3,767**	–
Mr. Yang Weihan	**980**	
Mr. Chen Yangui	**1,905**	–
	6,652	–

Loans provided by the Group were unsecured, interest-free and repayable on demand.

In the opinion of the Company's directors, the above related party transactions were carried out in the ordinary course of the business and in accordance with the term of the underlying agreements.

31 RELATED PARTY TRANSACTIONS (continued)

(c) Year-end balances with related parties

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Amounts due from related parties:		
Shanghai Qijia E-commerce	**3,599**	1,643
Mr. Yang Weihan	**980**	–
Mr. Zuo Hanrong	**467**	–
Mr. Chen Yangui	**245**	–
	5,291	1,643
Amounts due to related parties:		
Mr. Chen Yangui	**6**	–
Shanghai Qiyuan	**–**	69
	6	69

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.

31 RELATED PARTY TRANSACTIONS (continued)

(d) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries, wages and bonus	**3,635**	3,194
Pension cost – defined contribution plan	**176**	214
Other social security costs, housing benefits and other employee benefits	**233**	342
Share-based compensation expenses	**455**	692
	4,499	4,442

32 CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group did not have any material contingent liabilities.

33 SUBSEQUENT EVENTS

(i) A final dividend distribution for the year ended 31 December 2019 of approximately HKD23.8 million (equivalent to RMB21.7 million) was proposed on 27 March 2020 as disclosed in Note 26.

(ii) Since January 2020, an outbreak of a novel coronavirus (named COVID-19 by the World Health Organisation) has swept within the PRC. The Group suspended its business operations in the PRC for around one and a half weeks (excluding the Chinese New Year holidays) and resumed the operations on 10 February 2020.

The spread of the coronavirus is a non-adjusting event, and the Group has already commenced an assessment of the impact of the COVID-19 epidemic on the Group's overall operation and financial performance in the year ending 31 December 2020. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected, but the Group will be continually assessing the impact on its business operation and financial performance given that the COVID-19 epidemic has been constantly changing since its outbreak.

34 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		**261,158**	255,414
Current assets			
Trade and other receivables		**10,669**	1,227
Amounts due from subsidiaries		**1,371,435**	1,147,697
Term deposits		**547,258**	333,552
Cash and cash equivalents		**36,002**	487,274
Total current assets		**1,965,364**	1,969,750
Total assets		**2,226,522**	2,225,164
EQUITY			
Share capital	23	**799**	805
Share premium	23	**2,356,802**	2,378,009
Other reserves	(a)	**(100,440)**	(140,025)
Treasury shares	23	**(25,281)**	–
Accumulated losses		**(91,857)**	(104,274)
Total equity		**2,140,023**	2,134,515
LIABILITIES			
Current liabilities			
Other payables		**1,224**	5,882
Amounts due to subsidiaries		**85,275**	84,767
Total current liabilities		**86,499**	90,649
Total liabilities		**86,499**	90,649
Total equity and liabilities		**2,226,522**	2,225,164

The balance sheet of the Company was approved by the Board of Directors on 27 March 2020 and were signed on its behalf.

Deng Huajin
Director

Tian Yuan
Director

34 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY (continued)

Note (a) Reserves movements of the Company

	Capital reserve RMB'000	Preferred shares reserve RMB'000	Currency translation differences RMB'000	Share option reserve RMB'000	FVOCI reserve RMB'000	Total RMB'000
At 31 December 2017	(188,495)	319,889	18,720	5,714	–	155,828
Changes on initial application of IFRS 9	–	–	–	–	(50,227)	(50,227)
Restated balance at 1 January 2018	(188,495)	319,889	18,720	5,714	(50,227)	105,601
Currency translation differences	–	–	70,237	–	–	70,237
Conversion of convertible liabilities to Series A Preferred Shares	–	161,859	–	–	–	161,859
Issuance of Series C preferred shares	–	59,285	–	–	–	59,285
Conversion of preferred shares into ordinary shares	–	(541,033)	–	–	–	(541,033)
Effects of changes in credit risk for liabilities designated as at fair value through profit or loss	–	–	–	–	(947)	(947)
Share-based compensation under ESOP (Note 25)	–	–	–	4,973	–	4,973
As of 31 December 2018	(188,495)	–	88,957	10,687	(51,174)	(140,025)
At 1 January 2019	**(188,495)**	**–**	**88,957**	**10,687**	**(51,174)**	**(140,025)**
Currency translation differences	**–**	**–**	**33,844**	**–**	**–**	**33,844**
Exercise of ESOP	**–**	**–**	**–**	**(3)**	**–**	**(3)**
Share-based compensation under ESOP (Note 25)	**–**	**–**	**–**	**5,744**	**–**	**5,744**
As of 31 December 2019	**(188,495)**	**–**	**122,801**	**16,428**	**(51,174)**	**(100,440)**

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Remuneration of every director is set out below,

	For the year ended 31 December 2019					
	Director's fee RMB'000	Salaries, wages and bonus RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive Directors:						
Mr. Deng	–	1,200	38	40	–	1,278
Mr. GAO Wei (高巍)	–	570	–	40	–	610
Mr. TIAN Yuan (田原)	–	620	38	40	–	698
Non-executive Directors						
Mr. LI Gabriel (李基培)	–	–	–	–	–	–
Mr. SHENG Gang (盛剛)	–	–	–	–	–	–
Mr. WU Haifeng (吳海鋒)	–	–	–	–	–	–
Mr. TANG Zhenjiang (唐振江)	–	–	–	–	–	–
Mr. PING Xiaoli (平曉黎)	–	–	–	–	–	–
Independent non-executive Directors						
Mr. ZHANG Lihong (張禮洪)	48	–	–	–	–	48
Mr. CAO Zhiguang (曹志廣)	48	–	–	–	–	48
Mr. WONG Man Chung Francis (黃文宗)	280	–	–	–	–	280
	376	2,390	76	120	–	2,962

35 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

	For the year ended 31 December 2018					
	Director's fee RMB'000	Salaries, wages and bonus RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive Directors:						
Mr. Deng	–	1,083	44	39	–	1,166
Mr. GAO Wei (高巍)	–	500	21	20	–	541
Mr. TIAN Yuan (田原)	–	550	44	39	–	633
Non-executive Directors						
Mr. LI Gabriel (李基培)	–	–	–	–	–	–
Mr. SHENG Gang (盛剛)	–	–	–	–	–	–
Mr. WU Haifeng (吳海鋒)	–	–	–	–	–	–
Independent non-executive Directors						
Mr. ZHANG Lihong (張禮洪)	48	–	–	–	–	48
Mr. CAO Zhiguang (曹志廣)	48	–	–	–	–	48
Mr. WONG Man Chung Francis (黃文宗)	138	–	–	–	–	138
	234	2,133	109	98	–	2,574

Mr. LI Gabriel (李基培) and Mr. SHENG Gang (盛剛) were appointed as non-executive directors of the Company in April 2018. Mr. WU Haifeng (吳海鋒) was appointed as a non-executive director from April 2018 to 29 March 2019. Mr. TANG Zhenjiang (唐振江) was appointed as a non-executive director from 29 March 2019 to 29 October 2019. Mr. PING Xiaoli (平曉黎) was appointed as non-executive directors of the Company on 29 October 2019.

Mr. ZHANG Lihong (張禮洪), Mr. CAO Zhiguang (曹志廣) and Mr. WONG Man Chung Francis (黃文宗) were appointed as independent non-executive directors of the Company in June 2018.

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2019 and 2018, respectively.

Except for the loans due from related parties disclosed in Note 31, 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 31 December 2019 and 2018, respectively.

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 during the years ended 31 December 2019 and 2018.

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2019 and 2018.

During the year ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the year ended 31 December 2019 (2018: Nil).

35 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2019 and 2018 include 2 and 3 directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 and 2 individuals during the years ended 31 December 2019 and 2018, respectively are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries, wages and bonuses	**2,188**	1,518
Pension costs – defined contribution plans	**162**	85
Other social security costs, housing benefits and other employee benefits	**174**	77
Share-based compensation expenses	**301**	40
	2,825	1,720

The emoluments of these individuals are within the following bands:

	Number of individuals	
	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
HKD		
Nil – 1,000,000	**1**	1
1,000,001–1,500,000	**2**	1
	3	2

36 SUBSIDIARIES

(a) Particulars of the subsidiaries of the Group during the year ended 31 December 2019 and as at date of this report are set out below:

Company name	Country/place and date of incorporation	Issued and paid up capital or registered capital ('000)	Effective interests held by the Group% At 31 December 2019	2018	Direct or Indirect	Principal activities
Qijia Holding Limited.	BVI, 25 November 2014	USD 50	**100%**	100%	Direct	Investment holding company
Jia (Hong Kong) Limited.	HK, 9 December 2014	HKD 10	**100%**	100%	Indirect	Investment holding company
Qijia (Shanghai) Network Technology Co., Ltd..	PRC, 16 April 2015	USD 290,000	**100%**	100%	Indirect	Provision of Platform Service
Qi Home (Shanghai) Information Technology Co., Ltd.	PRC, 5 June 2015	USD 50,000	**100%**	100%	Indirect	Provision of Platform Service
Shanghai Qijia Network Information Technology Co., Ltd.	PRC, 09 August 2007	50,265	**100%**	100%	Indirect	Provision of Platform Service
Shanghai Qiyi Information Technology Co., Ltd.	PRC, 8 September 2011	5,000	**100%**	100%	Indirect	Provision of Platform Service
Fujian Qiyi Information Technology Co., Ltd.	PRC, 28 December 2016	65,000	**100%**	100%	Indirect	Provision of Platform Service
Shanghai Qiyu Information Technology Co., Ltd.	PRC, 23 September 2015	325,050	**100%**	100%	Indirect	Provision of Self-operated interior design and construction services
Shanghai Jinjie Furniture and Decorations Co., Ltd.	PRC, 4 May 2009	340,000	**100%**	100%	Indirect	Real estate development
Shanghai Qijia Qianbao Financial Information Service Co., Ltd.	PRC, 2 December 2013	6,000	**75%**	75%	Indirect	Financial Information Service
Fuzhou Qijia Information Technology Co., Ltd.	PRC, 3 December 2012	500	**N/A (iii)**	69.89%	Indirect	Provision of Platform Service
Shanghai Qixu investment and management Co., Ltd.	PRC, 22 September 2014	1,000	**100%**	100%	Indirect	Investment Management
Sanming Qijia Network Information Technology Co., Ltd.	PRC, 19 November 2012	180,920	**100%**	100%	Indirect	Provision of Platform Service
Shanghai Qisheng E-Commerce Co., Ltd.	PRC, 24 March 2010	5,000	**100%**	100%	Indirect	Electronic Commerce
Shanghai Qijia Internet Financial Information Service Co., Ltd.	PRC, 10 August 2015	10,000	**70%**	70%	Indirect	Financial Information Service
Qijiabao Payment Co., Ltd.	PRC, 10 July 2015	100,000	**N/A(ii)**	95%	Indirect	Payment System
Fujian Qijia Network Information Technology Co., Ltd.	PRC, 9 January 2015	20,000	**100%**	100%	Indirect	Provision of Platform Service

36 SUBSIDIARIES (continued)

(a) Particulars of the subsidiaries of the Group during the year ended 31 December 2019 and as at date of this report are set out below: (continued)

Company name	Country/place and date of incorporation	Issued and paid up capital or registered capital ('000)	Effective interests held by the Group% At 31 December 2019	2018	Direct or Indirect	Principal activities
Brausen (Fujian) Decoration Engineering Co., Ltd.	PRC, 23 June 2006	11,250	**84.95%**	69.89%	Indirect	Provision of Self-operated interior design and construction services
Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.	PRC, 30 August 2016	20,000	**55% (i)**	55%	Indirect	Provision of Self-operated interior design and construction services
Suzhou Qijia Jumei Supply Chain Management Co., Ltd. (Previous name: Suzhou Tea Horse Road Trading Co.,Ltd.)	PRC, 22 February 2017	1,000	**55%**	55%	Indirect	Provision of Self-operated interior design and construction services
Henan Qijia Jumei Decoration Design Engineering Co., Ltd.	PRC, 26 May 2017	2,000	**38.50%**	38.50%	Indirect	Provision of Self-operated interior design and construction services
Nanping Jianyang District Brausen Decoration Engineering Co., Ltd.	PRC, 7 April 2016	1,000	**N/A (ii)**	48.92%	Indirect	Provision of Self-operated interior design and construction services
Zhangzhou Brausen Decoration Engineering Co., Ltd.	PRC, 18 July 2016	1,300	**N/A (ii)**	53.22%	Indirect	Provision of Self-operated interior design and construction services
Quanzhou Brausen Decoration Engineering Co., Ltd.	PRC, 10 June 2014	1,520	**48.84%**	40.19%	Indirect	Provision of Self-operated interior design and construction services
Luoyuan Brausen Decoration Engineering Co., Ltd.	PRC, 21 July 2014	5,000	**46.72%**	38.44%	Indirect	Provision of Self-operated interior design and construction services
Putian Brausen Decoration Engineering Co., Ltd.	PRC, 12 January 2016	1,300	**50.79%**	41.93%	Indirect	Provision of Self-operated interior design and construction services
Brausen (Xiamen) Decoration Engineering Co., Ltd.	PRC, 10 November 2014	1,000	**43.32%**	35.64%	Indirect	Provision of Self-operated interior design and construction services
Gutian Brausen Decoration Engineering Co., Ltd.	PRC, 28 November 2016	800	**N/A (ii)**	41.93%	Indirect	Provision of Self-operated interior design and construction services
Pingtan Brausen Decoration Engineering Co., Ltd.	PRC, 28 February 2017	800	**50.97%**	41.93%	Indirect	Provision of Self-operated interior design and construction services

36 SUBSIDIARIES (continued)

(a) Particulars of the subsidiaries of the Group during the year ended 31 December 2019 and as at date of this report are set out below: (continued)

Company name	Country/place and date of incorporation	Issued and paid up capital or registered capital ('000)	Effective interests held by the Group% At 31 December 2019	2018	Direct or Indirect	Principal activities
Yunnan Qiyu Decoration Engineering Co., Ltd.(Previous name: Yunnan Brausen Decoration Engineering Co., Ltd.)	PRC, 14 March 2017	5,000	**51% (i)**	51%	Indirect	Provision of Self-operated interior design and construction services
Xiapu Brausen Decoration Engineering Co., Ltd.	PRC, 27 April 2017	800	**N/A (ii)**	35.64%	Indirect	Provision of Self-operated interior design and construction services
Ningde Brausen Decoration Engineering Co., Ltd.	PRC, 23 August 2016	1,300	**59.46%**	48.92%	Indirect	Provision of Self-operated interior design and construction services
Fujian Brausen Information Technology Co., Ltd.	PRC, 24 March 2017	20,000	**N/A (iii)**	69.89%	Indirect	Provision of Self-operated interior design and construction services
Shanghai Brausen Decoration Engineering Co., Ltd.	PRC, 25 August 2017	3,000	**84.95%**	69.89%	Indirect	Provision of Self-operated interior design and construction services
Fuzhou Qimeiju Decoration Engineering Co., Ltd.	PRC, 21 July 2017	1,000	**N/A (iii)**	69.89%	Indirect	Provision of Self-operated interior design and construction services
Beijing Brausen Home Furnishing Decoration Co., Ltd.	PRC, 06 September 2017	5,000	**84.95%**	69.89%	Indirect	Provision of Self-operated interior design and construction services
Fuzhou Changle Brausen Decoration Engineering Co., Ltd.	PRC, 25 April 2017	800	**46.72% (i)**	38.44%	Indirect	Provision of Self-operated interior design and construction services
Shanghai Zhengyi Information Technology Co., Ltd	PRC, 29 August 2016	108,880	**100%**	100%	Indirect	Provision of construction
Beijing Qisu Information Technology Co., Ltd	PRC, 8 June 2018	USD 100	**100%**	100%	Indirect	Provision of Platform Service
Shanghai Qiming Information Technology Co., Ltd.	PRC, 1 November 2019	250,000	**100%**	N/A	Indirect	Provision of Platform Service
Shanghai Qilai Furniture and Decorations Co., Ltd.	PRC, 31 July 2019	5,000	**51% (i)**	N/A	Indirect	Provision of Materials Supply Chain Business
Fujian Zhixiu Information Technology Co., Ltd.	PRC, 9 March 2020	10,000	**100%**	N/A	Indirect	Information Technology Service
Shanghai Mingqi investment and Management Co., Ltd.	PRC, 5 February 2020	10,000	**100%**	N/A	Indirect	Investment Management

36 SUBSIDIARIES (continued)

(i) The non-controlling shareholders made a capital contribution of RMB2,220,000 in Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd. in 2019.

The non-controlling shareholders made a capital contribution of RMB1,329,000 in Yunnan Qiyu Decoration Engineering Co., Ltd. in 2019.

The non-controlling shareholders made a capital contribution of RMB30,000 in Fuzhou Changle Brausen Decoration Engineering Co., Ltd. in 2019.

The non-controlling shareholders made a capital contribution of RMB9,800,000, while the Group made a capital contribution of RMB10,200,000 in Shanghai Qilai Furniture and Decorations Co., Ltd. in 2019.

(ii) The Group liquidated these companies in 2019. The Group and non-controlling shareholders succeeded the corresponding assets and liabilities of them and no cash inflow or outflow was derived from the liquidation. The liquidation procedures were completed in 2019.

(iii) The Group disposed these companies to third parties in 2019. The transfer of legal title was completed in 2019.

(b) Material non-controlling interests

Summarised financial information on subsidiaries with material non-controlling interests for the year ended 31 December 2019 is as follows:

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Losses RMB'000	Deficits RMB'000
Brausen (Fujian) Decoration Engineering Co., Ltd. (i)	**34,950**	**95,783**	**89,835**	**(2,868)**	**(60,833)**
Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.	**98,248**	**122,533**	**147,457**	**(19,819)**	**(24,285)**

(i) In December 2019, the Group acquired the 15.05% equity interests in Fujian Brausen held by non-controlling shareholders at a consideration of RMB5,776,000. The excess of RMB13,783,000 over the carrying amount of the corresponding non-controlling interests was recorded as "other reserves" in equity.

Summarised financial information on subsidiaries with material non-controlling interests for the year ended 31 December 2018 is as follows:

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Losses RMB'000	Deficits RMB'000
Brausen (Fujian) Decoration Engineering Co., Ltd.	38,364	97,802	169,799	(17,744)	(59,438)
Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.	33,468	39,675	77,617	(5,404)	(6,207)

Financial Summary

The following table sets out our key financial data for the periods or as of the dates indicated.

The key financial data is extracted from the audited consolidated financial statements disclosed in the Prospectus and the 2019 annual report.

	For the year ended 31 December				
	2015	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	141,412	300,850	479,055	645,704	**770,912**
Gross profit	87,725	124,811	239,830	381,558	**508,623**
Profit/(loss) before income tax	(168,167)	(257,223)	(837,253)	708,306	**45,354**
Income tax credit/(expense)	(3,023)	(8,019)	(7,650)	5,164	**5,465**
Profit/(loss) for the year from continuing operations	(171,190)	(265,242)	(844,903)	713,470	**50,819**
Profit/(loss) from discontinued operations	(176,357)	(144,976)	(10,622)	31,987	**–**
Profit/(loss) for the year	(347,547)	(410,218)	(855,525)	745,457	**50,819**
Profit/(loss) attributable to:					
Equity holders of the Company	(344,876)	(401,191)	(824,089)	757,594	**61,934**
Non-controlling interests	(2,671)	(9,027)	(31,436)	(12,137)	**(11,115)**

	As at 31 December				
	2015	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total Assets	1,456,995	1,373,141	1,220,002	1,899,880	**2,036,150**
Total liabilities	1,716,440	2,074,499	2,711,532	579,203	**688,819**
Equity/(deficits) attributable to the equity holders of the Company	(266,609)	(701,910)	(1,466,965)	1,353,460	**1,370,012**

Definitions

"AGM"	the forthcoming annual general meeting of the Company to be held on Friday, 29 May 2020
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee under the Board
"Auditor"	PricewaterhouseCoopers, the independent auditor of the Company
"Beijing Brausen"	Beijing Brausen Home Furnishing Decoration Co., Ltd.* (北京博若森家居裝飾有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of the Company
"Board"	the board of Directors
"Brausen"	Brausen (Fujian) Decoration & Engineering Co., Ltd.* (博若森(福建)裝飾工程有限公司), company with limited liability incorporated in PRC on 23 June 2006 and a subsidiary of our Company, and its subsidiaries as the context requires, which were acquired by us on 24 August 2015
"Brausen Referral Services Agreement"	the referral services agreement dated 10 January 2019 entered into between Beijing Brausen and Shanghai Qijia pursuant to which Shanghai Qijia will work with certain construction materials and household products suppliers, to sell customized construction materials and furniture packages to end-clients introduced by Beijing Brausen for a commission
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"China" or "PRC"	the People's Republic of China, and for the purposes of this annual report for geographical reference only (unless otherwise indicated), excluding Taiwan, Macau and Hong Kong
"Company"	Qeeka Home (Cayman) Inc. 齊屹科技(開曼)有限公司 (formerly known as China Home (Cayman) Inc.), an exempted company with limited liability incorporated in the Cayman Islands on 20 November 2014
"Contractual Arrangements"	the series of contractual arrangements entered into by, among Shanghai Qijia, Qijia Network Technology and the shareholders of Shanghai Qijia, details of which are described in the section headed "Contractual Arrangements" of the Prospectus
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"Discontinued Business"	operating and managing building materials shopping mall
"Fujian Qijia Network"	Fujian Qijia Network Information Science and Technology Co., Ltd.* (福建齊家網信息科技有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
"Group"	the Company (any one or more of, as the context may require) and its subsidiaries and operating entities

"HK$" or "HKD"	Hong Kong dollars, the lawful currency for the time being of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IAS"	the International Accounting Standards
"IASB"	the International Accounting Standards Board
"IFRS"	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)
"IPO"	The Company's initial public offering and listing of its shares on Main Board of the Stock Exchange on 12 July 2018
"Jumei"	Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.* (齊家居美(蘇州)精裝科技有限公司), a company with limited liability incorporated in PRC on 30 August 2016
"Land"	land lot No.08-08 located at North Hongqiao Community, Jiangqiao Town, Jiading District, Shanghai, the PRC (嘉定區江橋鎮北虹橋社區) east to Jinyuan Road No.1, west to the base boundary, south to Lisha River and base boundary and north to base boundary (東至金園一路，西至基地邊界，南至李沙河、基地邊界，北至基地邊界)
"Latest Practicable Date"	24 April 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Date"	12 July 2018, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Material Supply Chain Business"	the provision of building material supply chain service
"Memorandum and Articles of Association"	the amended and restated memorandum of articles of association and articles of association of our Company, conditionally adopted on 12 July 2018 with effect from the Listing Date, and as amended from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Mr. Deng"	Mr. DENG Huajin, our founder, chairman of our Board, executive Director, CEO and our single largest Shareholder
"Mr. Chen"	CHEN Yangui (陳言貴)

"Mr. Zuo"	ZUO Hanrong (左漢榮)
"MUV"	monthly unique visitors
"Nomination Committee"	the nomination committee under the Board
"Platform Business"	the provision of order recommendation services, provision of advertising and promotion services, licensing brand to business partners and others
"PRC" or "China"	the People's Republic of China, except where the context requires otherwise and only for the purposes of this annual report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Operating Entities"	Shanghai Qijia and its subsidiaries and branches, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme of the Company adopted in 2011 and 2016, and was formalized in 2018
"Prospectus"	the prospectus of the Company dated 21 June 2018 (as supplemented by the supplemental prospectus dated 3 July 2018) in connection with the IPO of the Company
"Remuneration Committee"	the remuneration committee under the Board
"Renewed Brausen Referral Services Agreement"	the referral services agreement dated 27 December 2019 entered into between Beijing Brausen and Shanghai Qijia pursuant to which Shanghai Qijia will work with certain construction materials and household products suppliers, to sell customized construction materials and furniture packages to end-clients introduced by Beijing Brausen for a commission
"Renminbi" or "RMB"	the lawful currency of the PRC
"Qeeka Holding"	Qeeka Holding Limited, an exempted company with limited liability incorporated in the BVI on 18 November 2014, which is wholly owned by Mr. Deng
"Qijia Network Technology"	Qijia (Shanghai) Network Technology Co., Ltd.* (齊家網(上海)網絡科技有限公司), a company with limited liability incorporated in the PRC on 16 April 2015 and a subsidiary of the Company
"Qiyi Referral Services Agreement"	the referral services agreement dated 1 April 2018 entered into between Shanghai Qiyi Information Technology Co., Ltd.* (上海齊屹信息科技有限公司) and Shanghai Qijia E-Commerce pursuant to which Shanghai Qijia E-Commerce will work with certain construction materials and household products suppliers, to sell customized construction materials and furniture packages to end-clients introduced by Shanghai Qiyi Information Technology Co., Ltd.* (上海齊屹信息科技有限公司) for a commission
"Self-operated Interior Design and Construction Business"	the provision of interior design and construction service
"Series A Investors"	the holders of Series A Preferred Shares, namely Series A-1 Investors, Series A-2 Investors, Series A-3 Investors, and Series A-4 Investors

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shanghai Jinjie"	Shanghai Jinjie Furniture and Decorations Co., Ltd.* (上海今杰家居用品有限公司), a company established in the PRC and a subsidiary of the Company
"Shanghai Qijia"	Shanghai Qijia Network Information Technology Co., Ltd.* (上海齊家網信息科技股份有限公司), a company with limited liability incorporated in the PRC on 9 August 2007, and is controlled by our Group through the Contractual Arrangements
"Shanghai Qijia E-Commerce"	Shanghai Qijia E-Commerce Co., Ltd.* (上海齊家電子商務有限公司), a company with limited liability incorporated in the PRC, which is ultimately controlled by Mr. Deng
"Sanming Qijia Network"	Sanming Qijia Network Information Technology Co., Ltd.* (三明市齊家網信息科技有限公司), a company established in the PRC and a subsidiary of the Company
"Shanghai Qiyi"	Shanghai Qiyi Information Technology Co., Ltd.* (上海齊屹信息科技有限公司), a company incorporated in the PRC with limited liability on 8 September 2011, which is a directly wholly-owned subsidiary of Shanghai Qijia
Shanghai Qiyuan"	Shanghai Qiyuan Intelligent Technology Co., Ltd.* (上海齊願智能科技有限公司), a company with limited liability incorporated in the PRC, which is ultimately controlled by Mr. Deng
"Shanghai Zhengyi"	Shanghai Zhengyi Information Technology Co., Ltd* (上海正軼信息科技有限公司), a company established in the PRC and a subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Supplies Purchase Framework Agreement"	the supplies framework agreement dated 10 January 2019 entered into between Fujian Qijia Network and Shanghai Qiyuan pursuant to which Fujian Qijia Network will purchase smart home appliances from Shanghai Qiyuan
"YOY"	year-on-year
"%"	per cent.

* The English names of the PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translation and/or transliteration of their Chinese names and are included for identification purposes only. In the event of inconsistency between the Chinese names and their English translations and/or transliterations, the Chinese names shall prevail.