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Qeeka Home (Cayman) Inc.

齊屹科技(開曼)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1739)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of Directors of Qeeka Home (Cayman) Inc. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2019. These results have been audited by the Auditor in accordance with International Standards on Auditing, and have also been reviewed by the Audit and Risk Management Committee.

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

KEY HIGHLIGHTS

- Total revenues for the year ended 31 December 2019 grew 19.4% year-on-year to RMB770.9 million.
- 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.
- Net profit from continuing operations attributable to equity holders of the Company for the year ended 31 December 2019 decreased to RMB61.9 million, compared to an net profit of RMB725.6 million for the year ended 31 December 2018, primarily due to the conversion of all preferred shares into ordinary shares upon completion of IPO.
- 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.

KEY FINANCIAL DATA

| | Year ended 31 December | | Year-on-year |
|--|------------------------|-----------|--------------|
| | 2019 | 2018 | Change (%) |
| <i>Continuing operations</i> | (RMB'000) | (RMB'000) | |
| 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/(loss) per share (“EPS”) is calculated by dividing the adjusted net profit/(loss) 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 2019 | 2018 | Year-on-year change |
|---|--------------------------------|---------|------------------------|
| 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.

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, The Little Bear, 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) is 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 | | 2018 | |
|--|------------------------|---------------|----------------|---------------|
| | 2019 | % of total | 2018 | % of total |
| | Amount | revenue | Amount | revenue |
| | RMB'000 | | RMB'000 | |
| 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% |
| | <u>770,912</u> | <u>100.0%</u> | <u>645,704</u> | <u>100.0%</u> |

- ***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 RMB'000 | 2018 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%) |
| | <u>248,829</u> | <u>270,818</u> | <u>(8.1%)</u> |

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 operation 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 <i>RMB'000</i> | Gross Margin <i>%</i> | Amount <i>RMB'000</i> | Gross Margin <i>%</i> |
| 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 net profit 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 |
| | <hr/> | <hr/> |
| 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 represent unrealized fair value change of financial asset 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 generated (used in)/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 |
| | <hr/> | <hr/> |
| 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 investment in an associate, share of results of investments accounted for using the equity method, fair value change on financial assets at fair value through profit or loss, gain on acquisition of an associate, losses on disposal 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 on 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 acquisition of an associate of RMB5.3 million, gain on disposal of subsidiaries of RMB1.1 million, interest expense from bank loan 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 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 payment 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)/generated from 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 borrowing 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 borrowing 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 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Purchase of property and equipment | 4,477 | 7,236 |
| Purchase of intangible assets | 2,844 | 3,571 |
| Development of land use rights | 9,358 | 311,930 |
| Total | <u>16,679</u> | <u>322,737</u> |

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

Long-term investment activities

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 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 | <u>308,266</u> | <u>237,984</u> |

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.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

| | | Year ended 31 December | |
|---|-------|------------------------|-----------|
| | | 2019 | 2018 |
| | Note | RMB'000 | RMB'000 |
| <u>Continuing operations</u> | | | |
| 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 | 10(c) | 2 | (242) |
| Other gains – net | | 26,777 | 12,317 |
| Operating profit/(loss) | | 4,039 | (52,063) |
| Finance income | 7 | 25,409 | 59,115 |
| Finance costs | 7 | (1,958) | – |
| Finance income – net | 7 | 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 | 8 | 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 |

| | | Year ended 31 December | |
|---|-------------|-------------------------------|----------------|
| | | 2019 | 2018 |
| | <i>Note</i> | RMB'000 | <i>RMB'000</i> |
| Profit/(loss) attributable to: | | | |
| Equity holders of the Company | | 61,934 | 757,594 |
| Non-controlling interests | | (11,115) | (12,137) |
| | | <u>50,819</u> | <u>745,457</u> |
| | | | |
| Earnings per share for profit from continuing operations and discontinued operations attributable to equity holders of the Company | | | |
| Basic earnings per share (RMB) | 9 | | |
| – Continuing operations | | 0.05 | 0.92 |
| – Discontinued operations | | – | 0.04 |
| | | <u>0.05</u> | <u>0.96</u> |
| Total | | | |
| | | | |
| Diluted earnings per share (RMB) | 9 | | |
| – Continuing operations | | 0.05 | 0.01 |
| – Discontinued operations | | – | 0.03 |
| | | <u>0.05</u> | <u>0.04</u> |
| Total | | | |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

| | Year ended 31 December | |
|---|------------------------|-----------------|
| Note | 2019 RMB'000 | 2018 RMB'000 |
| Profit for the year | 50,819 | 745,457 |
| Other comprehensive income for the year | | |
| <i>Items that may be reclassified to profit or loss:</i> | | |
| Share of other comprehensive loss of investments accounted for using the equity method | (281) | (1,074) |
| Exchange differences on translation of foreign operations | 12,306 | 27,367 |
| | 12,025 | 26,293 |
| <i>Items that will not be reclassified to profit or loss:</i> | | |
| Changes in the fair value of equity investments at fair value through other comprehensive income | (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 |

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

| | | As at 31 December | |
|---|------|-------------------|------------------|
| | | 2019 | 2018 |
| | Note | RMB'000 | RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 22,128 | 17,572 |
| Right-of-use assets | | 340,402 | – |
| Prepayment for land use rights | | – | 311,930 |
| Intangible assets | | 8,827 | 9,156 |
| Goodwill | | 7,796 | 7,796 |
| Deferred tax assets | | 18,543 | 13,147 |
| Investments accounted for using the equity method | | 240,364 | 196,065 |
| Financial assets at fair value through other comprehensive income (“FVOCI”) | | 56,944 | 41,919 |
| Financial assets at fair value through profit or loss (“FVPL”) | 11 | 10,958 | – |
| Other receivables | 10 | 1,503 | – |
| Total non-current assets | | 707,465 | 597,585 |
| Current assets | | | |
| Inventories | | 12,956 | 25,576 |
| Trade and other receivables and prepayments to suppliers | 10 | 104,977 | 91,745 |
| Amounts due from related parties | | 5,291 | 1,643 |
| Contract assets | 10 | 25,351 | – |
| Financial assets at fair value through profit or loss (“FVPL”) | 11 | 222,151 | 70,000 |
| Term deposits | | 547,258 | 333,552 |
| Cash and cash equivalents | | 410,681 | 779,779 |
| Total current assets | | 1,328,685 | 1,302,295 |
| Total assets | | 2,036,150 | 1,899,880 |
| EQUITY | | | |
| Share capital | | 799 | 805 |
| Share premium | | 2,356,802 | 2,378,009 |
| Other reserves | | (203,399) | (204,962) |
| Treasury shares | | (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 |

| | | As at 31 December | |
|--------------------------------------|-------------|--------------------------|------------------|
| | | 2019 | 2018 |
| | <i>Note</i> | RMB'000 | RMB'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 730 | 889 |
| Lease liabilities | | <u>12,157</u> | – |
| Total non-current liabilities | | <u>12,887</u> | 889 |
| Current liabilities | | | |
| Short-term borrowings | | 12,000 | – |
| Trade and other payables | 13 | 511,249 | 425,899 |
| Contract liabilities | 13 | 104,042 | 110,255 |
| Amounts due to related parties | | 6 | 69 |
| Lease liabilities | | 9,261 | – |
| Income tax liabilities | | 39,374 | 39,971 |
| Deferred revenue | | – | <u>2,120</u> |
| Total current liabilities | | <u>675,932</u> | <u>578,314</u> |
| Total liabilities | | <u>688,819</u> | <u>579,203</u> |
| Total equity and liabilities | | <u>2,036,150</u> | <u>1,899,880</u> |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

| | | Year ended 31 December | |
|---|-------|------------------------|------------------|
| | | 2019 | 2018 |
| | Note | RMB'000 | RMB'000 |
| Cash flows from operating activities | | | |
| Cash generated from operations | 14(a) | 43,630 | 52,482 |
| Interest received | | 7,128 | 9,442 |
| Income tax paid | | (691) | (3,574) |
| | | <u>50,067</u> | <u>58,350</u> |
| Net cash generated from operating activities | | | |
| 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 | | (9,358) | (311,930) |
| Proceeds from disposal of property, plant and equipment | | 580 | 756 |
| Increase in investments in associates | | (34,362) | – |
| Net increase in term deposits | | (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 | 10 | (5,982) | – |
| Increase in investments measured at FVOCI | | (2,974) | (2,000) |
| Loans to related parties | | (6,652) | – |
| Proceeds from sale of financial assets at FVPL | 11 | 326,821 | – |
| Purchase of financial assets at FVPL | 11 | (473,940) | (70,000) |
| Repayments of loans from a related party | | – | 5,697 |
| Disposal of subsidiaries, net of cash disposed | | (3) | (92,435) |
| Interest received on term deposits | | 26,744 | 12,024 |
| | | <u>(400,153)</u> | <u>(799,944)</u> |
| Net cash used in investing activities | | | |

| | | Year ended 31 December | |
|---|--------------|-------------------------------|------------------|
| | | 2019 | 2018 |
| | <i>Note</i> | RMB'000 | RMB'000 |
| Cash flows from financing activities | | | |
| Cash received from capital contributions in subsidiaries from non-controlling shareholders | | 13,379 | 2,005 |
| Proceeds from borrowings | <i>14(e)</i> | 17,000 | – |
| Repayment of borrowings | <i>14(e)</i> | (5,000) | – |
| Cash paid for repurchase of shares | | (46,503) | – |
| Interest paid for short-term borrowings | | (365) | – |
| Cash received from exercise of ESOP | | 6 | – |
| Payment for lease liabilities (including interest component) | <i>14(e)</i> | (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) | | – | 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 | | 779,779 | 480,637 |
| Cash and cash equivalents at end of the year | | 410,681 | 779,779 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 material Supply Chain services (“**Material 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 BASIS OF PREPARATION

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

3 ACCOUNTING POLICIES

(a) 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 4. 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.

(b) 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.

4 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 3(a) 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.

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%.

(a) 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”.

(b) 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) |
| | <hr/> |
| Lease liabilities recognised as at 1 January 2019 | 27,003 |
| | <hr/> |
| Of which are: | |
| Current lease liabilities | 8,812 |
| Non-current lease liabilities | 18,191 |
| | <hr/> |

(c) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(d) 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 right is ready to use. 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.

(e) Adjustments recognised in the balance sheet on 1 January 2019

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

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

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
- Material 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.

| Segment | Year ended 31 December 2019 | | | | |
|---|------------------------------|--|---|-------------------|------------------|
| | Platform Business RMB'000 | Self-operated Interior Design and Construction Business RMB'000 | Material Supply Chain Business RMB'000 | Others RMB'000 | Total RMB'000 |
| 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 | <u>459,030</u> | <u>244,605</u> | <u>63,053</u> | <u>4,224</u> | <u>770,912</u> |
| Timing of revenue recognition | | | | | |
| At a point in time | 300,289 | 11,871 | 63,053 | – | 375,213 |
| Over time | <u>158,741</u> | <u>232,734</u> | <u>–</u> | <u>4,224</u> | <u>395,699</u> |
| | <u>459,030</u> | <u>244,605</u> | <u>63,053</u> | <u>4,224</u> | <u>770,912</u> |
| Results | | | | | |
| Segment gross profit | <u>439,403</u> | <u>60,104</u> | <u>7,194</u> | <u>1,922</u> | <u>508,623</u> |
| 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 | | | | | <u>17,864</u> |
| Profit before income tax | | | | | <u>45,354</u> |

Year ended 31 December 2018

| Segment | Platform Business <i>RMB'000</i> | Self-operated Interior Design and Construction Business <i>RMB'000</i> | Material Supply Chain Business <i>RMB'000</i> | Others <i>RMB'000</i> | Total <i>RMB'000</i> | Discontinued Business <i>RMB'000</i> |
|---|--|---|--|--------------------------|-------------------------|--|
| 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 | <u>321,230</u> | <u>265,739</u> | <u>53,656</u> | <u>5,079</u> | <u>645,704</u> | <u>22,666</u> |
| Timing of revenue recognition | | | | | | |
| At a point in time | 250,421 | 16,185 | 53,656 | – | 320,262 | 1,618 |
| Over time | <u>70,809</u> | <u>249,554</u> | <u>–</u> | <u>5,079</u> | <u>325,442</u> | <u>21,048</u> |
| | <u>321,230</u> | <u>265,739</u> | <u>53,656</u> | <u>5,079</u> | <u>645,704</u> | <u>22,666</u> |
| Results | | | | | | |
| Segment gross profit | <u>304,892</u> | <u>68,700</u> | <u>6,233</u> | <u>1,733</u> | <u>381,558</u> | <u>3,421</u> |
| 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 | | | | | <u>699,247</u> | |
| Profit before income tax | | | | | <u>708,306</u> | |

(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 |
| Material Supply Chain Business | 63,053 | 53,656 |
| Others | 4,224 | 5,079 |
| | <u>770,912</u> | <u>645,704</u> |

(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 material shopping mall (“**Discontinued Business**”) to Mr. Deng at a consideration of RMB138,010,000. 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 RMB'000 | 2018 RMB'000 |
| Advertising and promotion expenses | 241,291 | 161,120 |
| Outsourced labour costs | 189,310 | 112,876 |
| Cost of inventories sold | 139,756 | 154,784 |
| Employee benefit expenses | 126,590 | 151,741 |
| Travelling, entertainment and communication expenses | 14,923 | 13,953 |
| Depreciation of property, plant and equipment | 9,822 | 10,308 |
| Short-term leases and leases of low-valued assets (For 2018: all operating leases) | 9,953 | 18,343 |
| Depreciation of right-of-use assets | 8,771 | – |
| Bank charges and point-of-sale device processing fees | 6,267 | 3,343 |
| Technology development expenses | 5,470 | 2,176 |
| Auditors' remuneration | | |
| – Audit service | 3,400 | 3,700 |
| – Non audit service | 120 | 120 |
| Amortisation of intangible assets | 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 FINANCE INCOME – NET

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2019 RMB'000 | 2018 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 |

8 INCOME TAX CREDITS

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

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.

9 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.

| | Year ended 31 December | |
|--|-------------------------------|-------------|
| | 2019 | 2018 |
| <i>Continuing operations</i> | | |
| Profit from continuing operations attributable to equity holders of the Company (RMB'000) | 61,934 | 725,607 |
| Adjustments for Preferred Shares | – | (720,658) |
| | <hr/> | <hr/> |
| Adjusted profit from continuing operations attributable to equity holders of the Company (RMB'000) | 61,934 | 4,949 |
| | <hr/> | <hr/> |
| 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 |
| | <hr/> | <hr/> |
| Weighted average number of ordinary shares for diluted earnings per share (thousands of shares) | 1,214,480 | 1,048,921 |
| | <hr/> | <hr/> |
| Diluted earnings per share from continuing operations (RMB per share) | 0.05 | 0.01 |
| | <hr/> | <hr/> |
| <i>Discontinued operations</i> | | |
| Profit from discontinued operations attributable to equity holders of the Company (RMB'000) | – | 31,987 |
| Adjustments for Preferred Shares | – | – |
| | <hr/> | <hr/> |
| Adjusted profit from discontinued operations attributable to equity holders of the Company (RMB'000) | – | 31,987 |
| | <hr/> | <hr/> |
| 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 |
| | <hr/> | <hr/> |
| Weighted average number of ordinary shares for diluted earnings per share (thousands of shares) | – | 1,048,921 |
| | <hr/> | <hr/> |
| Diluted earnings per share from discontinued operations (RMB per share) | – | 0.03 |
| | <hr/> | <hr/> |

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS TO SUPPLIERS AND CONTRACT ASSETS

| | As at 31 December | |
|--|--------------------------|----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current: | | |
| Other receivables | | |
| Project deposits | 1,503 | – |
| Less: provision for impairment of other receivables | – | – |
| | <u>1,503</u> | <u>–</u> |
| Net other receivables | <u>1,503</u> | <u>–</u> |
| Current: | | |
| Trade receivables | | |
| Due from third parties | 37,318 | 6,073 |
| Less: provision for impairment of trade receivables | (1,939) | (34) |
| | <u>35,379</u> | <u>6,039</u> |
| Net trade receivables | <u>35,379</u> | <u>6,039</u> |
| 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 |
| | <u>46,271</u> | <u>52,744</u> |
| Gross other receivables | <u>46,271</u> | <u>52,744</u> |
| Less: provision for impairment of other receivables | (12,038) | (12,693) |
| | <u>34,233</u> | <u>40,051</u> |
| Net other receivables | <u>34,233</u> | <u>40,051</u> |
| Others | | |
| Prepayments to suppliers | 20,877 | 33,669 |
| Value-added tax recoverable | 14,508 | 11,986 |
| | <u>104,997</u> | <u>91,745</u> |
| Net other receivables | <u>104,997</u> | <u>91,745</u> |
| Contract assets (a) | <u>25,351</u> | <u>–</u> |
| | <u>131,851</u> | <u>91,745</u> |

- (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.

- (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 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 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 | – |
| | <u>37,318</u> | <u>6,073</u> |

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 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| At the beginning of the year | (34) | – |
| Changes on initial application of IFRS 9 | – | (34) |
| | <u>(34)</u> | <u>(34)</u> |
| Restated balance at the beginning of the year | (34) | (34) |
| Provision for impairment | (1,945) | 9 |
| Unused amount reversed | 22 | (9) |
| Write-off | 18 | – |
| | <u>(1,939)</u> | <u>(34)</u> |

Movements on the Group's provision for impairment of other receivables are as follows:

| | Year ended 31 December | |
|--|-------------------------------|-----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| At the beginning of the year | (12,693) | (11,750) |
| Changes on initial application of IFRS 9 | – | (722) |
| | <u>(12,693)</u> | <u>(12,472)</u> |
| 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 |
| | <u>(12,038)</u> | <u>(12,693)</u> |

(c) Net impairment gains/(losses) on financial assets are analysed as follows:

| | Year ended 31 December | |
|---|-------------------------------|----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net impairment loss provision | | |
| – Trade receivables | (1,923) | – |
| – Other receivables | (675) | (242) |
| Subsequent recovery of amounts previously written off | | |
| – Other receivables | 2,600 | – |
| | <u>2</u> | <u>(242)</u> |

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | |
|---|--------------------------|----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current: | | |
| Financial assets related to redemption rights | <u>10,958</u> | <u>–</u> |
| Current: | | |
| Wealth management products | 153,790 | 70,000 |
| Investment in a listed company | <u>68,361</u> | <u>–</u> |
| | <u>222,151</u> | <u>70,000</u> |

(a) The movements of financial assets at FVPL are listed below:

| | Year ended 31 December | |
|-------------------------------------|-------------------------------|----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| At the beginning of the year | 70,000 | – |
| Additions | 473,940 | 70,000 |
| Currency translation difference | 1,422 | – |
| Disposals | <u>(326,821)</u> | <u>–</u> |
| | 218,541 | 70,000 |
| Add: fair value change | <u>14,568</u> | <u>–</u> |
| At the end of the year | <u>233,109</u> | <u>70,000</u> |

12 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.

13 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 | 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 |

14 NET CASH GENERATED FROM OPERATION

(a) Reconciliation from profit before income tax to cash generated from operation:

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 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 |
| | <hr/> | <hr/> |
| <i>Adjustments for:</i> | | |
| Finance income (Note 7) | (25,409) | (59,141) |
| Finance costs (Note 7) | 1,958 | – |
| Depreciation of property, plant and equipment | 9,822 | 13,053 |
| Depreciation of right-of-use assets | 8,771 | – |
| Amortisation of intangible assets | 3,173 | 2,633 |
| Net impairment (gains)/losses on financial assets (Note 10(c)) | (2) | 242 |
| Impairment loss on investments accounted for using the equity method | 12,991 | 1,349 |
| Net loss on disposal of property, plant and equipment | 2,498 | 243 |
| Gains on termination of right-of-use assets | (98) | – |
| Share of results of investments accounted for using equity method | (17,864) | (2,007) |
| Fair value gain of preferred shares and convertible liabilities | – | (699,247) |
| Fair value changes of financial assets at FVPL | (14,568) | – |
| Gain on disposals of subsidiaries | (1,064) | (44,118) |
| Gain on addition of investment in an associate | (5,345) | – |
| Share-based compensation | 5,744 | 4,973 |
| | <hr/> | <hr/> |
| <i>Changes in working capital:</i> | | |
| Decrease/(increase) in inventories | 12,620 | (13,402) |
| Increase in contract assets (Note 10) | (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 |
| | <hr/> | <hr/> |
| 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 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net book amount | 3,078 | 999 |
| Net loss on disposal of property, plant and equipment | (2,498) | (243) |
| | <hr/> | <hr/> |
| Proceeds from disposal of property, plant and equipment | 580 | 756 |

(c) **Disposals 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 Qimei Decorative 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 | <u>(3)</u> | <u>(181)</u> |
| Net cash out on disposals | <u>(3)</u> | <u>(181)</u> |

*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 | <u>(32)</u> | <u>(680)</u> |
| Net liabilities | <u>(1,064)</u> | <u>(5,321)</u> |
| Attributable to: | | |
| – Equity holders of the Company | <u>(1,064)</u> | <u>(3,105)</u> |
| – Non – controlling interests | <u>–</u> | <u>(2,216)</u> |
| Disposal gains attributable to the Group | <u>1,064</u> | <u>3,196</u> |

(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 | 4,609 | – |
| Subsequent recoveries of amounts previously written off (Note 10(c)) | (2,600) | – |
| Decrease in other receivables | (1,000) | – |
| A gain recorded in “other gains – net” | (1,009) | – |
| | <hr/> | <hr/> |
| 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 | 13,600 | – |
| Increase in value-added tax recoverable | 1,224 | – |
| Decrease in other receivables | (14,824) | – |
| | <hr/> | <hr/> |
| 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 | 5,776 | – |
| Decrease in other receivables | (5,776) | – |
| | <hr/> | <hr/> |
| 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.

(e) Net cash reconciliation

| | Cash and cash equivalents <i>RMB'000</i> | Short-term borrowings <i>RMB'000</i> | Lease liabilities <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|--|--|--|-------------------------|
| 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 (<i>Note 4</i>) | – | – | (27,003) | (27,003) |
| Cash flows | (379,982) | (12,000) | 8,413 | (383,569) |
| Acquisition – leases | – | – | (3,925) | (3,925) |
| Accrued interest for lease liabilities (<i>Note 7</i>) | – | – | (1,593) | (1,593) |
| Termination of leases contracts | – | – | 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 |

15 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 4 for further information.

| | As at 31 December | |
|--|-------------------|----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 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 |

OTHER INFORMATION

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 on 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 | Purchase price per share | | Aggregate consideration (HK\$) |
|----------------|------------------------------------|--------------------------|------------------|--------------------------------------|
| | | Highest (HK\$) | Lowest (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.

Employee and remuneration policy

As of 31 December 2019, the Group had 976 full-time employees, most of whom were based in China, primarily at our headquarters in Shanghai, with the rest based in Beijing, Fuzhou and various other cities in China.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives. As required under the PRC regulations, we participate in housing fund and various employee social security plan that are organized by applicable local municipal and provincial governments. Bonuses are generally discretionary and based in part on the overall performance of our business. We have granted and plan to continue to grant share-based incentive awards to our employees in the future to incentivise their contributions to our growth and development.

Material acquisitions and disposals of subsidiaries, associated companies and joint ventures

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 on December 2019.

During the year ended 31 December 2019, we did not have other material acquisitions and disposals of subsidiaries and joint ventures.

Compliance with CG 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 affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders.

During the year ended 31 December 2019, the Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules.

Compliance with code provision A.2.1 of the CG Code

Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have separate chairman and chief executive officer and Mr. Deng Huajin currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer by the same person has the benefit of ensuring consistent leadership within the Company and enables more effective and efficient overall strategic planning for the Company. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider segregating the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time by taking into account the circumstances of the Company as a whole.

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 our Group, our 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.

Save as the above, the Company has applied the principles and code provisions as set out in the CG Code for the Reporting Period.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company since the Listing Date. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Reporting Period.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished 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. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Reporting Period after making reasonable enquiry.

Audit and Risk Management Committee and review of financial statements

We have established an audit and risk management committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit and risk management committee consists of three independent non-executive Directors, namely Mr. WONG Man Chung Francis, Mr. CAO Zhiguang and Mr. ZHANG Lihong with Mr. WONG Man Chung Francis appointed as the chairman of the audit and risk management committee.

The Audit and Risk Management Committee has reviewed the Group's annual results for the year ended 31 December 2019, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit and Risk Management Committee has also discussed the auditing, internal control and financial reporting matters.

Auditor's procedures performed on this results announcement

The figures in respect of the announcement of the Company's results (excluding the Adjusted Net Profit from continuing operations attributed to equity holders of the Company and Adjusted Basic and Diluted EPS) for the year ended 31 December 2019 have been agreed by the Auditor to the amounts as set out in the Company's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

Final dividend

The Board resolved to propose to the shareholders of the Company (the "Shareholders") in the forthcoming annual general meeting (the "AGM") on Friday, 29 May 2020 for the distribution of a final dividend of HKD0.02 (equivalent to 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 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 Hong Kong dollar 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.

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 | <u>949.8</u> | <u>100.0%</u> | <u>264.0</u> | <u>685.8</u> |

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

Important events after reporting period

- (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 announcement, 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 announcement. 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.

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 announcement, which was in line with the requirement under the Listing Rules.

Annual General Meeting

The forthcoming annual general meeting will be held on Friday, 29 May 2020 and its notice and all other relevant documents will be published and despatched to shareholders in April 2020.

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.

Publication of 2019 annual results and annual report

This annual results announcement of the Group for the year ended 31 December 2019 is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.qeeka.com. The annual report for the year ended 31 December 2019 containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in April 2020.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the year. I would also like to express my appreciation to the guidance from the regulators and continued support from our shareholders and customers.

By Order of the Board
Qeeka Home (Cayman) Inc.
DENG Huajin
Chairman

Shanghai, the PRC, 27 March 2020

As at the date of this announcement, the Board comprises Mr. Deng Huajin, Mr. Tian Yuan and Mr. Gao Wei as executive Directors; Mr. Li Gabriel, Mr. Sheng Gang and Ms. Ping Xiaoli as non-executive Directors; and Mr. Zhang Lihong, Mr. Cao Zhiguang and Mr. Wong Man Chung Francis as independent non-executive Directors.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realized in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

DEFINITION

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| “Auditor” | PricewaterhouseCoopers, the independent auditor of the Company |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “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 |
| “BVI” | the British Virgin Islands |
| “CEO” | the chief executive officer of our Company |
| “Chairman” | the chairman of the Board |
| “CIT” | corporate income tax |
| “Company”, “our Company”, “we” or “us” | 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 |
| “Companies Ordinance” | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Contractual Arrangement(s)” | the series of contractual arrangements entered into 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 |
| “CG Code” | the Corporate Governance Code as set out in Appendix 14 of the Listing Rules |
| “Director(s)” | the director(s) of our Company |
| “Discontinued Business” | operating and managing building materials shopping mall |

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| “EPS” | earnings/(loss) per share |
| “Group” or “our Group” | the Company, its subsidiaries, and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time |
| “HKD” or “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “IAS” | the International Accounting Standards |
| “IASB” | the International Accounting Standards Board |
| “IFRS” | the International Financial Reporting Standards, amendments and interpretation issued from time to time by the IASB |
| “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 |
| “Listing Date” | 12 July 2018, the date on which the Shares were listed on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified form 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 |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules |
| “MUV” | monthly unique visitors |

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| “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) |
| “Platform Business” | the provision of an online marketplace for building materials sellers and decoration service providers, 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 prospectus, 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 |
| “Prospectus” | the prospectus being issued in connection with the IPO |
| “Qeeka Holding” | Qeeka Holding Limited, an exempted company with limited liability incorporated in the BVI on November 18, 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 |
| “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 |
| “Reporting Period” | the year ended 31 December 2019 |
| “RMB” | Renminbi, the lawful currency of PRC |
| “Self-operated Interior Design and Construction Business” | the provision of interior design and construction services |

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| “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 Qiyu” | Shanghai Qiyu Information Technology Co.,Ltd.* (上海齊煜信息科技有限公司), a company incorporated in the PRC and a wholly owned subsidiary of the Company |
| “Share(s)” | ordinary share(s) in the share capital of our Company with a par 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 |
| “%” | 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.