



齐屹科技

Qeeka Home

Qeeka Home (Cayman) Inc.

Stock Code: 1739



2022

ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. LI Gabriel
Mr. XIAO Yang¹
Ms. PING Xiaoli²
Mr. ZHAO Guibin

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

Mr. TIAN Yuan
Ms. LEUNG Kwan Wai

AUTHORIZED REPRESENTATIVES

Mr. DENG Huajin
Mr. TIAN Yuan

AUDIT AND RISK MANAGEMENT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

ICS Corporate Services (Cayman) Limited
3-212 Governors Square, 23 Lime Tree Bay Avenue
P.O. Box 30746, Seven Mile Beach
Grand Cayman KY1-1203
Cayman Islands

HEADQUARTERS

Building 1, No. 1926, Cao An Highway
Jiading District, Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Notes:

1. Mr. XIAO Yang was appointed on 23 June 2022.
2. Ms. PING Xiaoli resigned on 23 June 2022.

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

ICS Corporate Services (Cayman) Limited
3-212 Governors Square
23 Lime Tree Bay Avenue
P.O. Box 30746, Seven Mile Beach
Grand Cayman KY1-1203
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

LEGAL ADVISERS

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

AUDITOR

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

STOCK CODE

1739

COMPANY'S WEBSITE

www.qeeka.com

PRINCIPAL BANKS

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

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

Key Financial and Operation Data

1. FINANCIAL SUMMARY

	Year ended 31 December		Year-on-year Change (%)
	2022 (RMB'000)	2021 (RMB'000)	
Revenue	875,735	1,106,540	(20.9%)
Gross Profit	473,931	593,423	(20.1%)
Gross Margin	54.1%	53.6%	–
Net (loss)/profit attributable to equity holders of the Company	(126,044)	74,054	N/A
Adjusted net (loss)/profit attributable to equity holders of the Company ⁽¹⁾	(64,179)	2,378	N/A
Adjusted Net Margin	N/A	0.2%	N/A

Note:

- (1) Adjusted net (loss)/profit attributable to equity holders of the Company excludes impairment loss on investments accounted for using the equity method, net fair value change on investment on financial assets at fair value through profit or loss, which exclude wealth management products and others, share-based compensation expenses, gains on disposal of subsidiaries and income tax effects.

2. KEY OPERATION METRICS

The following table sets forth the key operation data for this segment:

	Year ended 31 December	
	2022	2021
Number of active paying merchants	4,055	5,799
Number of sales leads ⁽¹⁾	686,092	749,034
Number of recommended users	581,775	624,569
Average revenue from SaaS and Marketing Service per sales lead (RMB) ⁽²⁾	697	757

Notes:

- (1) It represents the number of data that identifies someone as a potential demand user of Interior Design and Construction for the year ended 31 December 2022.
- (2) It refers to the average revenue per sales lead, which equals the revenue of SaaS and Marketing Service for the year ended 31 December 2022 divided by the sales leads as of 31 December 2022.

Chairman's Statement



Dear shareholders:

On behalf of the Board of the Company, I hereby present the annual results of the Group for the year ended 31 December 2022.

RESULTS

The Group's audited revenue of the Company for the year ended 31 December 2022 was RMB875.7 million, a decrease of 20.9% compared with the results for the previous year.

The Group's audited net loss attributable to equity holders of the Company for the year ended 31 December 2022 was RMB126.0 million.

The Group's non-IFRS net loss attributable to equity holders of the Company for the year ended 31 December 2022 was RMB64.2 million.

BUSINESS REVIEW AND OUTLOOK

Business Review

We are one of the leading marketing solution providers in interior design and construction industry in China, with the mission of "helping users achieve beautiful living scenarios easily, reassuringly and cost-effectively", and are committed to providing a series of solutions for interior design and construction service providers to meet their diversified needs by promoting the digital upgrading of the interior design and construction industry. Our goal is to provide a SaaS-based mutually beneficial ecosystem for users and interior design and construction service providers, and attract more users by empowering our merchants, so as to achieve a win-win situation for both parties.

Chairman's Statement

In 2022, the change of macro environment, the downturn in the real estate market and the repeated outbreak of the epidemic triggered a series of chain reactions, which brought certain challenges to our business development. Our merchants and suppliers have been affected to varying degrees due to the repeated outbreak of the epidemic.

In 2022, our total revenue reached RMB875.7 million, decreased by 20.9% year-on-year. Among them, revenue from SaaS and Marketing Service Business decreased by 15.8% to RMB477.9 million, and revenue from Interior Design and Construction Business decreased by 24.2% to RMB345.2 million year-on-year.

We continue to promote the digital upgrade of the interior design and construction industry, and provide merchants with a SaaS-based total solutions to meet their different needs by optimizing digital tools, including but not limited to site management, marketing, customer service, material supply, etc., to help them effectively improve operational efficiency, reduce operating costs and enhance customer experience. In the process of empowering merchants, we have also continuously adjusted our business strategies and continuously enhanced our service capabilities.

In response to the strong demand of users for improving the living environment under the epidemic period, we adjusted the strategic direction of the self-operated decoration business, and recreated the mid-to-high-end decoration brand "Brausen" (the "Brausen") and the partial renovation brand "Youzi" (the "Youzi"), which has achieved

a good reputation among users. As of the year ended 31 December 2022, the Brausen had 3 stores in 2 cities in China, while the Youzi has opened 5 stores in Shanghai since its launch in June 2022, with a contract value of RMB12.9 million.

In addition, with the downturn in the real estate market and the shortage of capital chain of real estate developers, we adjusted the strategic direction of the public decoration brand "Jumei" (the "Jumei") and reduced the bidding of the refined customized service for real estate developers. In 2022, we participated in public decoration services such as Hotel Indigo, Jubao Hotel, and 4S store of BYD (a leading new energy vehicle (NEV) manufacturer in China), gradually transforming into commercial public decoration services.

- **SaaS and Extended Service Business**

We provide merchants with SaaS-based total solutions to empower and improve their operational efficiency through marketing acquisition, site management, material supply, etc. In 2022, affected by the epidemic, revenue from SaaS and Extended Service Business reached RMB517.6 million, decreased by 18.4% year-on-year, of which revenue from SaaS and Marketing Service decreased by 15.8% to RMB477.9 million year-on-year, and revenue from Supply Chain Service decreased by 40.7% to RMB39.7 million year-on-year.

Chairman's Statement

The following table sets forth the key operation data for this segment:

	Year ended 31 December	
	2022	2021
Number of active paying merchants	4,055	5,799
Number of sales leads ⁽¹⁾	686,092	749,034
Number of recommended users	581,775	624,569
Average revenue from SaaS and Marketing Service per sales lead (RMB) ⁽²⁾	697	757

Notes:

- (1) It represents the number of data that identifies someone as a potential demand user of Interior Design and Construction for the year ended 31 December 2022.
- (2) It refers to the average revenue per sales lead, which equals the revenue of SaaS and Marketing Service for the year ended 31 December 2022 divided by the sales leads as of 31 December 2022.

In 2022, due to the repeated COVID-19 epidemic and lockdown measures in the first half of the year, coupled with the nationwide epidemic repeated outbreak in the fourth quarter, it had a serious impact on both the user side and the merchant side. On the user side, due to the lockdown of the community and the repeated outbreak of the epidemic, the merchants cannot go to the door to measure the room, and the user cannot understand the service of the merchants, so the user's decision-making time for decoration has become longer, which inhibits the user's demand for decoration.

Therefore, the number of sales leads decreased by 8.4% compared with last year to 686,092, and the number of recommended users decreased by 6.9% compared with last year to 581,775; On the merchant side, the community lockdown measures led to the inability to construct the construction site, and the merchant and the user could not communicate the details of the service face-to-face, resulting in a decline in the signing rate, and at the same time, the intermittent shutdown of work led to a cash flow that exceeded its means, inhibiting the merchant's marketing budget, so the number of our active paying merchants decreased by 30.1% to 4,055.

In terms of supply chain, we provide merchants with diversified supply chain solutions. We help merchants coordinate from the sales end to the supply side, reduce inventory costs, improve fulfillment and delivery capabilities, and improve the operation efficiency. In 2022, we also established our private brand, further reduced cost of sales with saving on transaction fees and circulation costs too. Affected by the epidemic, the suspension of production, market demand, poor logistics, peak shifting production and many other factors, resulting in a great impact on both supply and demand transactions, our revenue from Supply Chain Service decreased by 40.7% to RMB39.7 million compared with last year.

Chairman's Statement

- **Interior Design and Construction Business**

Home decoration service

We provide users with interior design and construction solution through the mid-to-high-end decoration brand “Brausen” and the partial renovation brand “Youzi”, create an online and offline integrated digital business through offline chain experience stores + SaaS tools, deeply connect the service from designers and project managers with the needs of users, and provide users with one-stop interior design and construction solution that is cost-saving and efficient.

In 2022, affected by the epidemic, our “Brausen” brand was greatly affected due to the interruption of construction site and other reasons, the contract value reached RMB70.4 million, and the revenue decreased by 5.7% to RMB55.0 million compared to last year.

However, in order to improve the user experience and reduce the spread of the epidemic caused by face-to-face contact during the construction process, we have upgraded the Qijiabao service in the SaaS tool for free for Brausen’s users, and users can monitor the site work online anytime and anywhere through the cloud supervision system throughout the construction project, solving the inconvenience of keeping an eye on the decoration for users.

At the same time, we launched the partial renovation brand “Youzi” in Shanghai to meet the needs of users for partial renovation during the epidemic, taking the community as the service radius to provide users renewal service such as kitchen, bathroom, balcony renovation, wall refreshing, cabinet replacement and other service. As of the year ended 31 December

2022, Youzi has opened 5 stores in Shanghai, achieving a contracted value of RMB12.9 million and revenue of RMB6.1 million.

Public decoration service

We provide corporate users with interior design and construction solution through our public decoration brand “Jumei”. In 2022, due to the impact of the macroeconomic environment and real estate policies, our upstream customer developers of residential real-estate faced the risk of fund shortage, resulting in greater credit risk due to the long ageing of our accounts receivable and contract asset, and we made a provision for bad debts of RMB13.4 million.

We took the initiative to adjust the strategic direction of the brand, reduced the business proportion of refined customized service for real estate developers, and successfully cooperated with hotel operators to participate in the public decoration of Hotel Indigo and Jubao Hotel, and also cooperated with BYD company to participate in the interior decoration services of its 4S stores, we gradually transform from refined customized service for real estate developers to commercial public decoration services. In 2022, our revenue decreased by 28.5% to RMB284.0 million compared with last year.

Chairman's Statement

Company Business Outlook

Looking back on 2022, the COVID-19 epidemic continued to spread at multiple points and the uncertainty of the macroeconomic environment increased significantly. However, under the efficient coordination of the Chinese government, the epidemic prevention and control achieved positive results and stabilized the macroeconomic market.

Stepping into 2023, we have also seen some good trends in the industry. From the demand side, people's lives have gradually returned to normal, and residents' consumption has continued to recover. The demand for interior design and construction industry has grown steadily, firstly, the urbanization process continues to advance, and the replacement of improved housing has brought about the decoration demand for new houses. The second is the renovation demand brought about by the renewal and renovation of existing housing stocks triggered by the epidemic at home. From the supply side, the epidemic has accelerated the digital transformation of the decoration industry, and the industry will pay more attention to the application of digital scenarios to improve efficiency and reduce costs.

In such an environment, we will catch the opportunity, develop our advantages in digital construction, provide refined operation strategies to empower our merchants, and continuously improve operational efficiency and organizational capabilities. Continuously improve the service system, enhance user satisfaction and stickiness.

In the future, we will continue to explore and layout emerging business models, and explore new business opportunities.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to all shareholders, investors, business partners and users for their trust in and support to the Group, I would also like to thank our fellow board members, the management and staffs for their efforts and contributions to the Group. In the future, we will continue to drive the Group's growth and maximize value for our shareholders.

Mr. DENG Huajin

Chairman and Chief Executive Officer

Shanghai, China
27 March 2023

Management Discussion and Analysis

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	
	2022 RMB'000	2021 RMB'000
Revenue	875,735	1,106,540
Cost of sales	(401,804)	(513,117)
Gross profit	473,931	593,423
Selling and marketing expenses	(434,243)	(492,898)
Administrative expenses	(87,683)	(96,367)
Research and development expenses	(43,557)	(43,140)
Net impairment losses on financial assets	(15,743)	(14,279)
Other (losses)/gains – net	(51,396)	117,086
Operating (loss)/profit	(158,691)	63,825
Finance income	21,133	13,062
Finance costs	(2,609)	(2,758)
Finance income – net	18,524	10,304
Share of results of investments accounted for using the equity method	3,694	6,820
(Loss)/profit before income tax	(136,473)	80,949
Income tax expenses	(3,793)	(9,658)
(Loss)/profit for the year	(140,266)	71,291
(Loss)/profit is attributable to:		
Equity holders of the Company	(126,044)	74,054
Non-controlling interests	(14,222)	(2,763)
	(140,266)	71,291
Non-IFRS measure		
Adjusted net (loss)/profit attributable to equity holders of the Company	(64,179)	2,378

Management Discussion and Analysis

Revenue

Total revenue decreased by 20.9% from RMB1,106.5 million for the year ended 31 December 2021 to RMB875.7 million for the year ended 31 December 2022. It was mainly attributable to the impact of the COVID-19 pandemic in 2022, which was far greater than that of the previous year in terms of scope and duration resulting in a material effect on our merchants and the material suppliers in relation to their operation.

As a result, the COVID-19 pandemic and the slow market environment have led to almost all the revenue by segment of the Group decreasing during the second and fourth quarters of 2022.

The following table sets forth a breakdown of our revenue by segment during the periods indicated:

	Year ended 31 December			
	2022		2021 (restated)	
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue
SaaS and Extended Services Business	517,626	59.1%	634,290	57.3%
Interior Design and Construction and others Business	358,109	40.9%	472,250	42.7%
Total	875,735	100.0%	1,106,540	100.0%

SaaS and Extended Service Business

The breakdown of segment revenue of SaaS and Extended Service Business is as follows:

	Year ended 31 December			
	2022		2021 (restated)	
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue
SaaS and Marketing Service	477,885	92.3%	567,314	89.4%
Supply Chain Service	39,741	7.7%	66,976	10.6%
Total	517,626	100.0%	634,290	100.0%

Management Discussion and Analysis

Revenue from SaaS and Extended Business decreased by 18.4% from RMB634.3 million for the year ended 31 December 2021 to RMB517.6 million for the year ended 31 December 2022. Revenue from SaaS and Extended Business included:

– **SaaS and Marketing Service**

Revenue from our SaaS and Marketing Service Business decreased by 15.8% from RMB567.3 million for the year ended 31 December 2021 to RMB477.9 million for the year ended 31 December 2022, the decrease in revenue was due to (i) our number of sales leads decreased from 749,034 for the year ended 31 December 2021 to 686,092 for the year ended 31 December 2022, and (ii) our average revenue from SaaS and Marketing Service per sales lead decreased from RMB757 for the year ended 31 December 2021 to RMB697 for the year ended 31 December 2022.

– **Supply Chain Service**

Revenue from our Supply Chain Service Business decreased by 40.7% from RMB67.0 million for the year ended 31 December 2021 to RMB39.7 million for the year ended 31 December 2022, primarily due to the shutdown of the factory, the suspension of production, the decrease in market demand, poor logistics and many other factors during the epidemic.

Interior Design and Construction and others Business

– **Interior Design and Construction**

Revenue from Interior Design and Construction decreased by 24.2% from RMB455.6 million for the year ended 31 December 2021 to RMB345.2 million for the year ended 31 December 2022, primarily due to the decrease in the public decoration service. With the gradual acceleration of the epidemic in many places in China during the Reporting Period, the available construction sites were decreased and the efficiency of delivery and acceptance of certain projects were delayed.

Due to the downturn in the real estate industry and the shortage of funds for developers, in response to the risk of bad debts in accounts receivable, we adjusted the growth strategy of the real estate decoration of public decoration service, actively reduced the scale of the business. As a result, the contract value of the public decoration business decreased by 43.9% to RMB248.0 million for the year ended 31 December 2022, compared to RMB441.8 million for the year ended 31 December 2021.

In addition, with the gradual increase in the size of the stock housing and the residents' demand for improving their living conditions, we have launched the new brand "Youzi", which mainly provides the home partial renovation service. The revenue and contract value of this business were RMB6.1 million and RMB12.9 million for the year ended 31 December 2022, respectively.

– **Innovation and others**

Innovation and others business mainly includes "Nola", a customized integrated furniture brand and shared showroom services for material suppliers. Revenue from Innovation and others decreased by 22.6% from RMB16.7 million for the year ended 31 December 2021 to RMB12.9 million for the year ended 31 December 2022, primarily due to the segment is still at an early stage and yet to contribute sizable revenue.

Cost of sales

Cost of sales decreased by 21.7% to RMB401.8 million for the year ended 31 December 2022, compared to RMB513.1 million for the year ended 31 December 2021, of which Interior Design and Construction Business accounted for the main part.

SaaS and Extended Service Business

Cost from SaaS and Extended Service Business decreased by 32.6% from RMB86.6 million for the year ended 31 December 2021 to RMB58.4 million for the year ended 31 December 2022, primarily due to the decrease in revenue of this segment.

Interior Design and Construction Business

Cost from Interior Design and Construction Business decreased by 19.7% from RMB408.0 million for the year ended 31 December 2021 to RMB327.7 million for the year ended 31 December 2022. The decrease in cost from IDC business was primarily attributable to a decrease in raw materials and labor costs resulting from the decrease of approximately 24.2% in revenue as compared with that of the corresponding period.

Management Discussion and Analysis

Gross profit and gross profit margin

As a result of the foregoing, our total gross profit decreased by 20.1% from RMB593.4 million for the year ended 31 December 2021 to RMB473.9 million for the year ended 31 December 2022.

Our overall gross profit margin was maintained at 54.1% for the year ended 31 December 2022, compared to 53.6% for the year ended 31 December 2021.

	Year ended 31 December			
	2022		2021 (restated)	
	Amount RMB'000	Gross Margin %	Amount RMB'000	Gross Margin %
SaaS and Extended Services Business	459,230	88.7%	547,686	86.3%
Interior Design and Construction and others Business	14,701	4.1%	45,737	9.7%
	473,931	54.1%	593,423	53.6%

SaaS and Extended Service Business

Gross profit from SaaS and Extended Service Business decreased by 16.2% from RMB547.7 million for the year ended 31 December 2021 to RMB459.2 million for the year ended 31 December 2022, primarily due to the decrease in revenue of this segment.

The breakdown of gross profit and gross profit margin of SaaS and Extended Service Business is as follows:

	Year ended 31 December			
	2022		2021 (restated)	
	Amount RMB'000	Gross Margin %	Amount RMB'000	Gross Margin %
SaaS and Marketing Service	455,980	95.4%	542,095	95.6%
Supply Chain Service	3,250	8.2%	5,591	8.3%
	459,230	88.7%	547,686	86.3%

Management Discussion and Analysis

Gross profit margin of this segment stabilized at approximately 88.7% for the year ended 31 December 2022, as compared to 86.3% for the year ended 31 December 2021, primarily due to the stability of the gross profit margin from SaaS and Marketing Service, which accounted for a larger proportion of the revenue of this segment. Gross profit margin from SaaS and Marketing Service stabilized at approximately 95.4% for the year ended 31 December 2022, as compared to 95.6% for the year ended 31 December 2021.

Interior Design and Construction and others Business

Gross profit from Interior Design and Construction and other Business decreased by 67.9% from RMB45.7 million for the year ended 31 December 2021 to RMB14.7 million for the year ended 31 December 2022, was mainly attributable to (i) the decrease in revenue of this segment, and (ii) the real estate refined decoration from our public decoration services with low gross margin for the year ended 31 December 2022.

Gross profit margin of this segment decreased from 9.7% for the year ended 31 December 2021 to 4.1% for the year ended 31 December 2022, which was mainly attributable to the low margin business of our real estate refined decoration from our public decoration service, which accounted for a larger proportion of the revenue of this segment.

Selling and marketing expenses

Our selling and marketing expenses decreased by 11.9% from RMB492.9 million for the year ended 31 December 2021 to RMB434.2 million for the year ended 31 December 2022, primarily due to (i) the decrease in advertising and promotion expenses, which is in line with the decrease of our revenue from SaaS and Marketing Service, and (ii) the decrease in labor costs, mainly attributable to the Group proactively adopted measures to improve the customer services efficiency and optimize the customer services team to soft the adverse impact of the epidemic.

Administrative expenses

Our administrative expenses decreased by 9.0% from RMB96.4 million for the year ended 31 December 2021 to RMB87.7 million for the year ended 31 December 2022. It was mainly attributable to the staff made unremitting efforts to improve management efficiency and control cost to save the professional fee, travelling, entertainment and communication expenses and other miscellaneous.

Research and development expenses

Our research and development expenses slightly increased by 1.0% from RMB43.1 million for the year ended 31 December 2021 to RMB43.6 million for the year ended 31 December 2022. There was no significant changes during the year.

Net impairment losses on financial assets

Our net impairment losses on financial assets increased by 10.3% from RMB14.3 million for the year ended 31 December 2021 to RMB15.7 million for the year ended 31 December 2022. With the recurrence of the epidemic and the continuing affected by the overall downturn in the real estate market in 2022, the proportion of bad debt provision was increased by the longer collection cycle of the real estate construction projects, which was finally due to the increase in the expected credit loss on trade receivable and contract assets of the Interior Design and Construction projects. After assessment by the management of the Company, net impairment losses on financial assets mainly of IDC business had been provided for RMB15.6 million for the year ended 31 December 2022.

Management Discussion and Analysis

Other losses – net

Other net losses were RMB51.4 million for the year ended 31 December 2022. It was mainly due to (i) impairment loss on investments accounted for using the equity method of RMB49.2 million, (ii) loss on investment on financial assets at fair value through profit or loss of RMB3.5 million, and (iii) government subsidies of RMB4.0 million. Our adjusted other net gains were RMB6.5 million after the Non-IFRS items of the impairment loss on investments accounted for using the equity method and net fair value change on investment on financial assets at fair value through profit or loss, which exclude wealth management products and others, were deducted.

Finance income – net

Our finance income for the year ended 31 December 2022 was mainly due to the interest income from our term deposits.

Share of net profit of associates accounted for using the equity method

Our share of net profit of associates accounted for using the equity method for the year ended 31 December 2022 was mainly due to the result of profit picked up from investees.

Income tax expenses

Our income tax expenses for the year ended 31 December 2022 was RMB3.8 million mainly due to the decrease in deferred tax assets.

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

As a result of the foregoing, our net loss was RMB140.3 million for the year ended 31 December 2022, as compared to net profit of RMB71.3 million for the year ended 31 December 2021.

To supplement our consolidated financial statements which are presented in accordance with the IFRSs, we also use adjusted net profit 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 loss attributable to equity holders of the Company was RMB64.2 million for the year ended 31 December 2022. The decrease in adjusted net loss attributable to equity holders of the Company was mainly due to the operating loss from our IDC business and innovation business.

Management Discussion and Analysis

The following table reconciles our adjusted net profit attributable to equity holders of the Company for the years ended 31 December 2022 and 2021 to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net (loss)/profit attributable to equity holders of the Company for the year	(126,044)	74,054
Impairment loss on investments accounted for using the equity method	49,151	11,584
Net fair value change on investment on financial assets at fair value through profit or loss, which exclude wealth management products and others	8,769	9,343
Share-based compensation expenses	3,945	12,424
Gains on disposal of subsidiaries ⁽¹⁾	–	(112,958)
Income tax effects	–	7,931
Adjusted net (loss)/profit attributable to equity holders of the Company	(64,179)	2,378

Note:

(1) It mainly included the gains in relation to the disposal of entire equity interests in Shanghai Jinjie, Sanming Qijia, Shanghai Zhengyi and Fujian Qiyi of RMB111.7 million for the year ended 31 December 2021.

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 RMB445.4 million, term deposits of RMB569.5 million and restricted cash of RMB23.5 million as of 31 December 2022, compared to the balance of cash and cash equivalents and restricted cash of RMB548.0 million and RMB21.7 million as of 31 December 2021, respectively. The increase in cash and other liquid financial resources was due to the purchase of more low risk term deposits to improve the security of funds.

The following table sets forth a summary of our balance of cash and other liquid financial resources for the years indicated:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cash and cash equivalents	445,429	548,017
Term deposits	569,523	–
Restricted cash	23,474	21,734
Cash and other liquid financial resources	1,038,426	569,751

Cash and cash equivalents includes cash in hand and deposits held at call with banks. Restricted cash mainly represented temporarily frozen for purchase of wealth management products. Term deposits are bank deposits with original maturities over three months and redeemable on maturity. Our cash and cash equivalents, restricted cash and term deposits are denominated in the USD, RMB and HKD.

Management Discussion and Analysis

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net cash used in operating activities	(225,709)	(190,570)
Net cash generated from/(used in) investing activities	97,431	(82,374)
Net cash generated from/(used in) financing activities	8,203	(65,402)
Net decrease in cash and cash equivalents	(120,075)	(338,346)
Effect on exchange rate difference	17,487	(10,991)
Cash and cash equivalents at the beginning of the period	548,017	897,354
Cash and cash equivalents at the end of the period	445,429	548,017

Net cash used in operating activities

For the year ended 31 December 2022, our net cash used in operating activities was RMB225.7 million, which was primarily attributable to our loss before income tax of RMB136.5 million, as adjusted by (i) non-cash items, which primarily comprised depreciation and amortization of RMB24.4 million, provision for bad debt and impairment loss on investment in associate of RMB64.9 million, share-based payments of RMB3.9 million and loss on disposal of property, plant and equipment of RMB2.5 million; and (ii) changes in working capital, which primarily comprised a decrease in trade and other receivables of RMB43.5 million, an increase in contract assets of RMB23.3 million, a decrease in restricted cash of RMB16.3 million, and a decrease in trade and other payables and contract liabilities of RMB210.2 million.

Net cash generated from investing activities

For the year ended 31 December 2022, our net cash generated from investing activities was RMB97.4 million, which was mainly attributable to proceeds from disposals of financial assets at fair value through profit or loss of RMB1,165.2 million, disposals of subsidiaries of RMB137.2 million, cash received from loan interest and guarantee deposits of RMB8.8 million, partially offset by purchase of financial assets at fair value through profit or loss of RMB606.7 million, net increase in term deposits of RMB554.8 million, and loans provided to a third party of RMB50.0 million.

Net cash generated from financing activities

For the year ended 31 December 2022, net cash generated from financing activities was RMB8.2 million, which was mainly attributable to proceeds from borrowings of RMB38.0 million and cash received from capital contributions in subsidiaries from non-controlling interests of RMB3.2 million, partially offset by repayment of borrowings of RMB15.0 million, cash paid in the repurchase of treasury shares of RMB5.1 million and payment for lease liabilities of RMB11.1 million.

Trade and other receivables and advances to suppliers

Trade and other receivables and advances to suppliers decreased by 45.2% from RMB336.6 million as of 31 December 2021 to RMB184.5 million as of 31 December 2022, primarily due to (i) decrease of receivables from the disposal of subsidiaries of RMB142.0 million, (ii) decrease of trade receivables from third parties of RMB55.2 million, mainly attributable to the decrease in account receivables from real estate developers which returned the relevant funds, and (iii) increase of the loans due from third parties of RMB50.0 million, attributable to the provision of the loan by the Group to an independent third-party individual on 15 January 2022.

Management Discussion and Analysis

Trade and other payables

Trade and other payables decreased by 29.4% from RMB608.8 million as of 31 December 2021 to RMB429.8 million as of 31 December 2022, primarily due to (i) decrease of deposits payables of RMB137.2 million, which was mainly represent security deposits from users of our escrow payment services, and (ii) decrease of trade payables from third parties of RMB54.5 million, mainly attributable to the decrease in account payables to building materials suppliers caused by the completion of the project.

Borrowings

Borrowings increased by 133.7% from RMB16.3 million as of 31 December 2021 to RMB38.0 million as of 31 December 2022, primarily due to a new borrowing of RMB20.0 million to Shanghai Qiyi Information Technology Co., Ltd.

As at 31 December 2022, we had total borrowings principal of RMB38.0 million and the interest rate of the borrowings was from 3.25% to 4.53% per annum, RMB10.0 million of which was pledged by the property owned by Mr. Yang Weihan, who is the non-controlling shareholder of Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd., RMB8.0 million of which was guaranteed by Shanghai Qiyu Information Technology Co., Ltd., Mr. Yang Weihan and Mrs. Zhang Fan, who is the wife of Mr. Yang Weihan, and RMB20.0 million of which was guaranteed by Shanghai Qiyu Information Technology Co., Ltd. and Qijia (Shanghai) Network Technology Co., Ltd.

Gearing ratio

As at 31 December 2022, our gearing ratio, calculated as total borrowing divided by total equity attributable to equity holders of the Company was approximately 3.2%.

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 2022. 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	
	2022	2021
	RMB'000	RMB'000
Purchase of property and equipment	4,815	19,470
Purchase of intangible assets	1,272	1,120
Total	6,087	20,590

Our capital expenditures were mainly used for the acquisition of property and equipment such as leasehold improvement, servers and computers and intangible assets.

Management Discussion and Analysis

Significant Investment Held

As at 31 December 2022, the Group had the following significant investment held with a value of 5 per cent. or more of the Group's total assets which was classified as investment accounted for using the equity method:

Name of the investment	Investment costs RMB'000	Net book value as at 31 December 2022 RMB'000	Number of shares of investment held as at 31 December 2022	Percentage of investment held as at 31 December 2022 (%)	Performance/ Change in share of results of investment accounted for using the Equity method for the year ended 31 December 2022 RMB'000	Performance/ Change in share of other comprehensive loss for the year ended 31 December 2022 RMB'000	Performance/ Change in provision of impairment for the year ended 31 December 2022 RMB'000	Size as compared to the Group's total assets as at 31 December 2022 (%)
Guangzhou Seagull Kitchen and Bath Products Co. Ltd. (廣州海鷗住宅工業股份有限公司, "Seagull")	242,834	229,264	39,720,000	6.15%	3,485	(1,060)	(47,888)	12.7%

Description of the investment

In 2014, we made a minority investment in Guangzhou Seagull Kitchen and Bath Products Co. Ltd. ("Seagull"), a PRC company listed on the Shenzhen Stock Exchange (Stock code: 002084) that engages in the production and sale of high-end plumbing equipment and hardware. The investment in Seagull is not held for trading. We believe that we enjoyed strategic and synergic benefits from our investment and consider it as strategic investment. We will review our investment strategy regularly in response to the changes in market situation. The financial performance of this company has stabilized but still fell short of original projection and lowered the expectation to its future profitability and consequently affected the valuation conducted by independent valuer. As of 31 December 2022, except for the aforementioned investment, there were no other investments held with a value of 5% or more of the Group's total assets.

Financial assets at fair value through profit or loss

As at 31 December 2022, the Group had current and non-current financial assets at fair value through profit or loss of approximately RMB71.2 million (31 December 2021: approximately RMB639.3 million), mainly comprised (i) investments in wealth management products of approximately RMB49.4 million (31 December 2021: approximately RMB603.0 million); (ii) investments in listed companies of approximately RMB17.4 million (31 December 2021: approximately RMB18.4 million); and (iii) private equity funds of approximately RMB4.5 million (31 December 2021: approximately RMB5.0 million).

Management Discussion and Analysis

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Financial assets at fair value through profit or loss		
Current		
Wealth management products ⁽¹⁾	49,403	603,013
Investments in listed companies	17,358	18,432
Financial assets related to redemption rights	–	12,350
Mutual funds	–	548
Subtotal	66,761	634,343
Non-current		
Private equity funds	4,451	5,000
Subtotal	4,451	5,000
Total	71,212	639,343

(1) Wealth management products decreased by 91.8% from RMB603.0 million as at 31 December 2021 to RMB49.4 million as at 31 December 2022, mainly due to the Group purchase of more low-risk term deposits after the wealth management products were redeemed to improve the security of the funds.

Long-term investment activities

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Investments accounted for using the equity method	233,102	280,069
Financial assets at fair value through other comprehensive income	34,926	48,388
Financial assets at fair value through profit or loss	4,451	5,000
Total	272,479	333,457

We have made non-controlling interests in investments that we believe have technologies or businesses that supplement and benefit our business. Some of the investments we made were companies that do not generate meaningful revenue and profits yet. It is therefore difficult to determine the success of these investments in such early stage, and while successful investments could generate substantial returns, unsuccessful ones may need to be impaired.

For the year ended 31 December 2022, the decrease of long-term investment activities came from the decrease in the fair value of our investment company.

Management Discussion and Analysis

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 2022 and as at 31 December 2021, we did not have any material contingent liabilities.

Board of Directors and Senior Management

OUR DIRECTORS

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

Members of our Board

Name	Age	Position/Title	Date of Appointment
Mr. DENG Huajin	50	Executive Director and Chairman and Chief Executive Officer	2 April 2018
Mr. TIAN Yuan	53	Executive Director	2 April 2018
Mr. GAO Wei	51	Executive Director	2 April 2018
Mr. LI Gabriel	55	Non-executive Director	2 April 2018
Mr. ZHAO Guibin	52	Non-executive Director	24 April 2020
Mr. XIAO Yang	43	Non-executive Director	23 June 2022
Ms. PING Xiaoli ¹	37	Non-executive Director	29 October 2019
Mr. ZHANG Lihong	51	Independent non-executive Director	4 June 2018
Mr. CAO Zhiguang	49	Independent non-executive Director	4 June 2018
Mr. WONG Man Chung Francis	58	Independent non-executive Director	4 June 2018

Note:

1. Ms. PING Xiaoli resigned as a non-executive Director on 23 June 2022.

The biography of each Director during the year and as at the Latest Practicable Date:

EXECUTIVE DIRECTORS

Mr. DENG Huajin (鄧華金), aged 50, is the Chairman, an executive Director and the Chief Executive Officer of our Company since April 2018. He is also the founder of the Group in 2007 and also a member of the Remuneration Committee and the chairman of the Nomination Committee. He was appointed as a Director in November 2014, and was re-designated as an executive Director and appointed as the Chairman of the Board in April 2018. He is responsible for overall strategic planning and business direction of the Group.

Mr. Deng is a Director of Guangzhou Seagull Kitchen and Bath Products Co. Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002084), since November 2014.

Mr. Deng received a bachelor's degree in chemistry from East China Normal University in 1996. In 2021, he was honored as the "2021 China Home Furnishing Annual CEO30 Top" (2021中國家居年度CEO30強) in 2021 (5th) China Real Estate New Era Celebration hosted by Leju Finance.

Mr. TIAN Yuan (田原), aged 53, is an executive Director and a joint company secretary. He was appointed as a Director in 2015 and was re-designated as an executive Director of the Company in April 2018. He is responsible for the human resources and other affairs management.

Mr. Tian joined the Group in August 2007 and having over 20 years experience in this industry.

Mr. Tian received a bachelor's degree in engineering in electronic precision machinery from Shanghai University in 1991.

Board of Directors and Senior Management

Mr. GAO Wei (高巍), aged 51, is an executive Director. He was appointed as a Director in April 2015 and was re-designated as an executive Director in April 2018. He is responsible for the interior design and construction service of the Company.

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

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

NON-EXECUTIVE DIRECTORS

Mr. LI Gabriel (李基培), aged 55, is a non-executive Director. He was appointed as a Director in April 2015 and re-designated as a non-executive Director in April 2018. He is responsible for providing professional opinion and judgement to our Board.

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

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

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

Mr. ZHAO Guibin (趙貴賓), aged 52, was appointed as a non-executive Director on 24 April 2020. Mr. ZHAO joined Suzhou Cowin Zhengde Investment Management Co., Ltd. (蘇州凱風正德投資管理有限公司) ("**Suzhou Cowin**") in June 2010 and currently serves as a Director and General Manager.

Mr. ZHAO has also served as a Director of Nanjing Sanchao Advanced Materials Co., Ltd. (南京三超新材料股份有限公司, a company listed on the Shenzhen Stock Exchange ChiNext market (stock code: 300554)) from May 2018 to April 2021.

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

Board of Directors and Senior Management

Mr. XIAO Yang (肖陽), aged 43, was appointed as a non-executive Director of the Company on 23 June 2022. He worked for Baidu, Inc. (a company listed on the NASDAQ stock market and the Hong Kong Stock Exchange (NASDAQ: BIDU; HKEX: 9888)) since 2004 and held various positions at Baidu, Inc. In 2004, he was responsible for the fundamental relevance of web search engine, anti-spam, link analysis, indexing, etc, built up and developed the core technology team of Baidu search. As a senior manager, he took charge of Japanese product technology & operation team in 2007. In 2010, he served as director and senior director of International Business Unit, and was responsible for formulating and implementing international strategy, building and cultivating product, R&D, operation, and local teams, advancing international business on all fronts. In 2019, he served as Vice President of Baidu and head of User Product Architecture Platform and Quality Assurance & Efficiency Platform of Mobile Ecosystem Group (“**MEG Group**”). Mr. Xiao currently serves as Vice President of Baidu Group and is the head of search platform of MEG Group. He graduated from Tsinghua University (清華大學) with a Master’s degree in Computer Science and Technology.

Ms. PING Xiaoli (平曉黎), aged 37, was appointed as a non-executive Director of the Company on 29 October 2019 and resigned on 23 June 2022. She has been working at Baidu, Inc. (a company listed on the NASDAQ Stock Market and the Hong Kong Stock Exchange (NASDAQ: BIDU; HKEX: 9888)) since 2007 and held various positions at Baidu, Inc. She was responsible for wireless network alliance business, online financial platform business, information flow business of Baidu, Inc. and as a General Manager of Baidu APP.

Ms. PING currently serves as Vice President of Baidu Group and General Manager of Baidu E-commerce business. She obtained her bachelor’s degree from Beihang University (北京航空航天大學) in 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHANG Lihong (張禮洪), aged 51, is the independent non-executive Director since June 2018 and is responsible for providing independent advice and judgment to the Board. He also serves a member of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee. Mr. Zhang has been teaching civil and commercial law at East China University of Political Science and Law since December 2003, and is currently a professor in the same university. Mr. Zhang has extensive knowledge and background in civil and commercial law will contribute to the internal control, compliance and corporate governance aspects of our Company’s operations.

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

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

Mr. CAO Zhiguang (曹志廣), aged 49, is an independent non-executive Director since June 2018 and is responsible for providing independent advice and judgment to the Board. He also serves as a member of our Audit and Risk Management Committee and Nomination Committee and the chairman of our Remuneration Committee. Mr. Cao has been teaching applied finance in Shanghai University of Finance and Economics since 2003.

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

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

Board of Directors and Senior Management

Mr. WONG Man Chung Francis (黃文宗), aged 58, is the independent non-executive Director since June 2018 and is responsible for providing independent advice and judgment to our Board. He also serves as the chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee.

Mr. Wong has been serving as an independent non-executive director of the following companies listed on the Stock Exchange: Shanghai Dongzheng Automotive Finance Co., Ltd. (HKSE: 2718) since 24 February 2020; IntelliCentrics Global Holdings Ltd. (HKSE: 6819) since 23 January 2020; Hilong Holding Limited (HKSE: 1623) since 24 March 2017; China New Higher Education Group Limited (HKSE: 2001) since 20 March 2017 and resigned on 6 December 2019; Kunming Dianchi Water Treatment Co., Ltd (HKSE: 3768) since 23 June 2016 and resigned on 17 August 2018; GCL-Poly Energy Holdings Limited (HKSE: 3800) since 1 April 2016 and resigned on 31 May 2022; Greenheart Group Limited (HKSE: 094) since 2 July 2015; Integrated Waste Solutions Group Holdings Limited (HKSE: 923) since 10 October 2013; ZHONGZHENG INTERNATIONAL COMPANY LIMITED (HKSE: 943) since 12 November 2009 and resigned on 19 April 2013; Digital China Holdings Limited (HKSE: 861) since 23 August 2006; Wai Kee Holdings Limited (HKSE: 610) since 9 August 2004; and China Oriental Group Company Limited (HKSE: 581) since 25 August 2004.

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

OUR SENIOR MANAGEMENT

See disclosure in “Board of Directors and Senior Management – Our Directors” for the biographies of Mr. Deng, Mr. Tian and Mr. Gao.

Mr. KANG Liang (康梁), aged 38, was appointed as chief financial officer of the Company from 24 June 2021 and resigned on 25 March 2022. He is mainly responsible for corporate finance, investor relations, investments and acquisitions and strategy matters.

Mr. Kang obtained his master of business administration from China Europe International Business School (中歐國際工商學院) in March 2012 and his bachelor degree in automation from Shanghai Jiao Tong University (上海交通大學) in July 2007.

JOINT COMPANY SECRETARIES

Mr. TIAN Yuan (田原), an executive Director, was the joint company secretary and the authorised representative of the Company since August 2019.

Biographies of Mr. Tian was disclosed in “Board of Directors and Senior Management – Our Directors”.

Ms. LEUNG Kwan Wai (梁君慧) was our joint company secretary since June 2021. Ms. Leung is currently a senior manager of Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services.

Ms. Leung has over 15 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (CGI) (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year of 2022.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

THE BOARD

Responsibilities

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

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

Delegation of Management Functions

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

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

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

Corporate Governance Report

Composition of the Board

The Board currently comprises nine Directors:

Executive Directors

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

Non-executive Directors

Mr. LI Gabriel
Mr. XIAO Yang¹
Ms. PING Xiaoli²
Mr. ZHAO Guibin

Independent non-executive Directors

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

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

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

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

Chairman and Chief Executive Officer

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

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

Independent non-executive Directors

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

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

Appointment and Re-election of Directors

Code provision B.2.2 of the CG Code states that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

¹ Mr. XIAO Yang was appointed on 23 June 2022.

² Ms. PING Xiaoli resigned on 23 June 2022.

Corporate Governance Report

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

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

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

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

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

In accordance with Article 108(a) of the Memorandum and Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall

retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Board Independence

The Company has implementable and effective mechanisms to ensure independent views and input are available to the Board. All Directors have timely access to all relevant information as well as the advice and services of the joint company secretaries and senior management of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Any Director may seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board. During the year ended 31 December 2022, the Board has reviewed the board independence mechanisms and considered that the implementation of the mechanisms was effective.

Model Code for Securities Transactions

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

Training and Continuous Professional Development of Directors

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

Corporate Governance Report

According to records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2022 is as follows:

Name of Director	Training*
Mr. DENG Huajin	√
Mr. TIAN Yuan	√
Mr. GAO Wei	√
Mr. LI Gabriel	√
Mr. XIAO Yang	√
Mr. ZHAO Guibin	√
Mr. ZHANG Lihong	√
Mr. CAO Zhiguang	√
Mr. WONG Man Chung Francis	√
Ms. PING Xiaoli ¹	N/A

¹ Ms. PING Xiaoli resigned as a non-executive Director on 23 June 2022.

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

Liability Insurance of Directors and Senior Management

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

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

Directors' Responsibility on Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the financial year ended 31 December 2022.

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

Board Meetings and General Meeting

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

Corporate Governance Report

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

Name of Directors	Attended/ No. of Eligible Meetings	
	Board Meeting	Annual General Meeting
Mr. DENG Huajin	4/4	1/1
Mr. TIAN Yuan	4/4	1/1
Mr. GAO Wei	4/4	1/1
Mr. LI Gabriel	4/4	1/1
Mr. XIAO Yang ¹	3/3	1/1
Mr. ZHAO Guibin	4/4	1/1
Mr. ZHANG Lihong	4/4	1/1
Mr. CAO Zhiguang	4/4	1/1
Mr. WONG Man Chung Francis	4/4	1/1
Ms. PING Xiaoli ²	1/1	1/1

Notes:

1. Mr. XIAO Yang was appointed on 23 June 2022.
2. Ms. PING Xiaoli resigned as a non-executive Director on 23 June 2022.

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

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

BOARD COMMITTEES

Audit and Risk Management Committee

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

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

- to propose the appointment or dismissal of the external auditor of the Company, and approve the remuneration and terms of engagement of the external auditor;
- to discuss with the external auditor the nature and scope of the audit and relevant reporting obligations and to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;

Corporate Governance Report

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

During the year ended 31 December 2022, the Audit and Risk Management Committee held two meetings, at which the Company's interim results for 2022 and the annual results for 2021 and the relevant accounting principles and practices adopted by the Group were reviewed and discussed with the external auditors.

Code provision D.3.3(e)(i) of the CG Code provides that the terms of reference of the audit committee shall have the terms that the members of the audit committee should liaise with the Board and senior management and the audit committee must meet at least twice a year with the auditor. The Company has included such terms in relevant terms of reference, and thus complied with the Code provision D.3.3(e)(i) of the CG Code during the Relevant Period.

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

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

Remuneration Committee

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

The primary duties of the Remuneration Committee are:

- to make recommendations to the Board on the Company's remuneration policy and structure for the Directors and senior management and on the establishment of formal and transparent procedures for developing remuneration policy;
- to make recommendation to the Board on the remuneration proposals of individual executive Directors and senior management;
- to review the Company's policy on expense reimbursements for the Directors and senior management;
- to review and/or approve the relevant share plans as set out in Chapter 17 of the Listing Rules; and
- to review other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Memorandum and Articles of Association, and as authorized by the Board.

One Remuneration Committee meetings were held during the year ended 31 December 2022.

Corporate Governance Report

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

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

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs.

Pursuant to the code E.1.5 of the CG Code, the following table sets forth the remuneration of the Directors and members of senior management categorized by remuneration group for the year ended 31 December 2022:

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

Notes:

Group 1 includes 1 senior management of the Company.

Group 2 includes 2 Directors of the Company.

Group 3 includes 1 Director of the Company.

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

Nomination Committee

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

The primary duties of the Nomination Committee are:

- to formulate procedures and standards for the election of Directors and senior management, and make recommendations to the Board on the proposed procedures and standards;
- to make recommendations to the Board on the appointment or re-appointment of directors and succession plans for directors, in particular the chairman and the chief executive officer;

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

One Nomination Committee meeting was held during the year ended 31 December 2022, at which the Nomination Policy of the Company and the Board Diversity Policy were reviewed and recommendations was made to the Board.

Corporate Governance Report

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

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

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

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

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

Such policy and objectives will be reviewed from time to time and at least on an annual basis to ensure their appropriateness in determining the optimum composition of the Board. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and achieving sustainable and development for the Group. It also sets out the Board's commitment to gender diversity and other diversity aspects, with the ultimate goal of achieving gender parity on the Board. In particular, the Board will take opportunities to appoint at least 1 female director as and when suitable candidates are identified and no later than the end of 2024.

As of 31 December 2022, there is no female representation in the Board of the Group. As of 31 December 2022, the number of senior management is 3, consists of 3 male (100%) and nil female (0%). As of 31 December 2022, the Group had a total of 320 female staff out of 755 employees, representing 42.4% of the employees of the Group. The Group will continue to take opportunities to increase the proportion of female board members and workforce overtime as and when suitable candidates are identified.

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

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

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

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Listing Rules and disclosure in the Corporate Governance Report.

EXTERNAL AUDITORS

PricewaterhouseCoopers are appointed as the external auditors of the Company. In addition, PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd. (a member firm of PricewaterhouseCoopers) has provided other non-audit service to the Group in 2022.

For the year ended 31 December 2022, the external auditors received the following remuneration for audit and non-audit services provided to the Group in respect of the following:

Service rendered	Fees Payable (RMB'000)
Audit service	3,500
Non-audit services	162
Total	3,662

The statement of the external auditor of the Company about its reporting responsibilities for the Consolidated Financial Statements is set out in the "Independent Auditor's Report" on pages 79 to 85.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

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

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

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

Internal Control

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

In 2022, the Company conducted a review of its risk management and internal control system. The method, findings, analysis and results of the evaluation have been reported to the risk management committee and the Board.

The Board discussed and considered the risk management and internal control system of the Company and was of

the opinion that the risk management and internal control system of the Company was adequate and effective.

Whistleblowing Policy

The Company has formulated a whistle-blowing policy to provide a safe and confidential reporting mechanism and to ensure that employees and those who deal with the Company to raise, in confidential, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

Anti-Corruption Policy

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal anti-corruption department, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

INVESTOR RELATIONS

General Meetings and Shareholders' Rights

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

Corporate Governance Report

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

Communication with Shareholders and Investors

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

The Company has in place a Shareholders' Communication Policy. The Board had reviewed the policy and considered that the implementation of the policy was effective.

The Company has used the following methods to communicate with its shareholders:

- publication of announcements, interim reports and annual reports;
- publication of key corporate governance policies on the Company's website; and
- holding of annual general meeting and other general meetings of the Company.

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

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

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

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

Mailing address:
Building 1, No. 1926, Cao An Highway,
Jiading District, Shanghai, PRC
Telephone number: 021-61747108
E-mail address: ir@qeeka.com

AMENDMENTS TO CONSTITUTIONAL DOCUMENT

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

Environmental, Social and Governance Report

ABOUT THE REPORT

Reporting Scope

The reporting period of this report covers from 1 January 2022 to 31 December 2022 (the “Reporting Period”). Unless otherwise stated, this ESG report covers the Company and its subsidiaries, including the Group’s primary businesses: (i) SaaS and Marketing Service; (ii) Supply Chain Service; (iii) Interior Design and Construction; and (iv) Innovation and others. There is no significant adjustment to the reporting scope as compared to the Environmental, Social and Governance (“ESG”) Report included in the Qeeka Home (Cayman) Inc. Annual Report 2021.

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

Reference and Principles

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and describes the environmental and social impacts of the Group’s businesses and operating activities according to the ESG Reporting Guide. The report is prepared in accordance with the following reporting principles:

- “Materiality”: The Group determines material ESG issues through stakeholder engagement and materiality assessment, which have been disclosed in the report;
- “Quantitative”: Information on the standards and methodologies used in reporting emission and energy data, as well as the sources of the emission factors used have been disclosed;
- “Consistency”: Statistical methods and key performance indicators (“KPIs”) of the report are consistent with those of previous years.

RESPONSIBLE GOVERNANCE

ESG Strategy and Governance

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

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

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

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

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



Organization structure for ESG management

Environmental, Social and Governance Report

Stakeholder Engagement

We firmly believe that the effective engagement of stakeholders has an important significance in our long-term development. The Group has identified major stakeholders and adopted various communication mechanisms to engage with stakeholders and actively respond to their expectations.

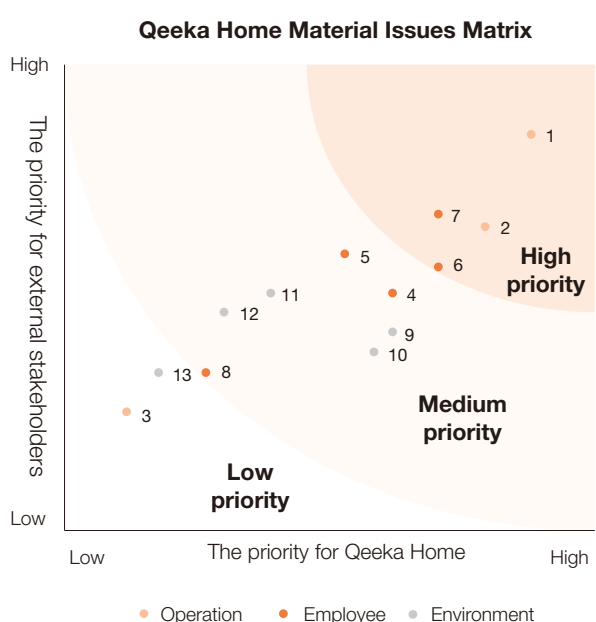
Stakeholders	Communication mechanisms	Stakeholders' expectations
Governments and regulators	<ul style="list-style-type: none"> • Daily management • Meetings • Monitoring and inspections • Policy consultation • Reporting 	<ul style="list-style-type: none"> • Compliance with laws • Pay taxes according to laws • Support local development
Shareholders	<ul style="list-style-type: none"> • Shareholders' general meetings • Information disclosure • Activities promoting investor relations 	<ul style="list-style-type: none"> • Sustainable development and return to shareholders • Information disclosure and investor relations • Corporate governance and risk control
Customers	<ul style="list-style-type: none"> • Contract signing • Transactions 	<ul style="list-style-type: none"> • High-quality products • Top-class pre-sale and after-sale services
Employees	<ul style="list-style-type: none"> • Employee trainings • Employee activities and employee care • Performance management 	<ul style="list-style-type: none"> • Remuneration and benefits • Good work environment and development platforms • Equal opportunities for promotion and development • Smooth communication
Media	<ul style="list-style-type: none"> • Interviews about business operation • Corporate culture publicity • Thematic activities 	<ul style="list-style-type: none"> • Fulfilment of corporate social responsibilities • Measures to learn about the Company's important events and activities
Cooperating parties	<ul style="list-style-type: none"> • Negotiation and communication • Supplier investigation and evaluation • Open bidding and tendering • Communications and exchange visits 	<ul style="list-style-type: none"> • Keep promise • Equal, open and fair procurement • Win-win development
Community and society	<ul style="list-style-type: none"> • Promote urban and rural development 	<ul style="list-style-type: none"> • Promote common prosperity

Environmental, Social and Governance Report

Materiality Assessment

We identified 13 ESG issues in accordance with the ESG Reporting Guide and classified them into three aspects, i.e., Operation, Employee and Environment. After communicating with internal and external stakeholders and considering the Group's businesses, we conducted assessment and screening accordingly. Finally, the following ESG issues were identified and were highlighted for disclosure and response in the report.

For 2022, upon a comprehensive assessment based on a review of the previous materiality assessment, we decide that the topics and their materiality are still applicable to the Group during the Reporting Period. So, we continue to use the results for this report.



SEQUENCE	ISSUES NAME
1	product responsibility
2	supply chain management
3	community charity
4	development and training
5	anti-corruption and upholding integrity
6	employee rights and interests
7	health and safety
8	labor code
9	energy management
10	water resource management
11	emissions
12	waste management
13	climate change

Environmental, Social and Governance Report

SUSTAINABLE OPERATION

The Group understands the importance of operations management for the sustainable development. Therefore, we are committed to optimizing the use of natural resources and minimizing the impact of construction and business activities on the environment. We strictly manage the supply chain and our product quality. At the same time, as a leading marketing solution provider in Interior Design & Construction (IDC) industry in China, we actively participate in the formulation of industrial standards and strive to promote sustainable industry cooperation. In strict compliance with relevant laws and regulations including but not limited to the Telecommunications Regulations of the PRC, the Administrative Measures on Internet Information Services, the Provisions on the Administration of Mobile Internet Application Information Services, etc., the Group committed to promoting digital upgrading of the IDC industry by providing a series of solutions for service providers in the IDC industry to meet their diverse needs. Our goal is to provide users and service providers with mutually beneficial ecosystem based on SaaS, attracting more users by empowering service providers, thereby achieving a win-win situation for both parties.

To support industry standard development, we participated in the formulation of the General Rules for the Evaluation of Healthy Whole House Customized Decoration in 2022 and were awarded “AAAAA-rated Honest Enterprise in Furniture & Furnishing Industry”.



AAAAA-rated Honest Enterprise in Furniture & Furnishing Industry

To promote industrial cooperation for sustainable development, we have joined the Professional Committee for Green and Low-carbon Development under the China International Association for Promotion of Science and Technology and serve as a director of the committee. We actively promote the digital transformation and upgrade of the household decoration industry. For instance, Mr. Deng Huajin, the Chairman and CEO of the Group, made suggestions for the Fifth Session of the Thirteenth National People’s Congress (NPC) and the Fifth Session of the Thirteenth National Committee of the Chinese People’s Political Consultative Conference (CPPCC) in 2022. He proposed to advance the development of the industry in a more regulated, standardized and digitized manner, and strengthen the process supervision in the industry based on its digitization. The proposal suggests to make household decoration projects “Sunshine Projects”, so as to effectively upgrade the overall service quality of the industry. In addition, the Group attaches great importance to enhancing the living experience of people with disabilities and the elderly. In 2022, we participated in the Seminar on the Development of Elderly-friendly and Barrier-free Services in Shanghai. The seminar encourages information and communication enterprises in Shanghai to further promote the in-scope and in-depth development of services for the elderly and people with disabilities and bridge the “digital divide” for those groups to the greatest extent possible. We were awarded the “2022 Top 50 Enterprises in Shanghai for Overall Internet Capacity” during the seminar.



2022 Top 50 Enterprises in Shanghai for Overall Internet Capacity

Environmental, Social and Governance Report

In 2022, the Group received the following awards in appreciation of our efforts and achievements in sustainable operation.

Awards and Honours in 2022	Issuers
Best SaaS Enterprise	Zhitong Finance
Best Investor Relations Management Award	Tonghuashun Finance
2021 Pioneer of Social Responsibility Award	The organizing committee of the 11th Philanthropy PF2021 Festival
2022 Consumer Choice of Home Furnishing Brand	Sina Home Furnishing
Excellent Quality Award	The organizing committee of the Brand Innovation Development Conference (BIDC)
Shanghai Enterprise with Good Credit in Honouring Contracts	Shanghai Municipal Association for Promotion of Honouring Contract
2022 Top 50 Online New Economies (Shanghai)	Shanghai Limited Media Group and Jiemian News
2021 Outstanding Internet Company for Consumers	Shanghai E-Commerce Association
2022 China's Household Decoration Industry Top 100 Enterprises	China Furniture & Decoration Chamber of Commerce
2022 Top 50 Enterprises in Shanghai for Overall Internet Capacity	Internet Society of Shanghai
Annual Industry Influence Award	Stockstar
2022 Most Leading Person	The (5th) Social Responsibility Conference
2022 Most Influential Brand	The (5th) Social Responsibility Conference

Environmental, Social and Governance Report

Sound Product Quality

The Group believes that the quality and reputation of its projects are critical to customer satisfaction, company reputation and access to subsequent business opportunities. Therefore, the Group has a strong focus on project quality control to ensure that raw materials and work delivered are at or beyond specified standards. As one of the leading marketing solution providers in IDC industry in China, the Group provides high quality construction materials and efficient, transparent one-stop interior design and construction solutions to users by virtue of our diversified businesses.

In respect of material selection, we use furniture, auxiliary materials and accessories meeting European environmental protection standards, including those certified by DVGW, WRAS, Nordic Swan Ecolable and IAC-GOLD, so as to safeguard the health of our customers and achieve environmental-friendly goals.



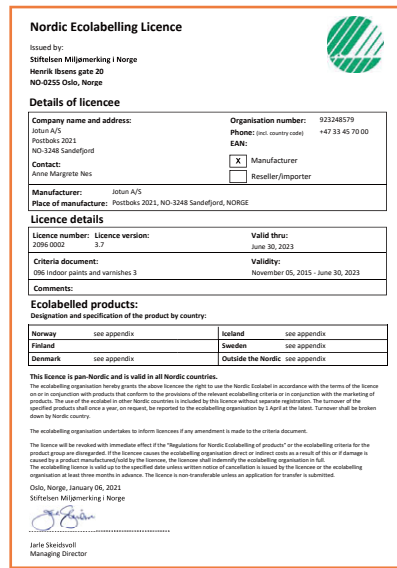
WRAS, UK



DVGW, Germany



IAC-GOLD



Nordic Swan Ecolable

Environmental, Social and Governance Report

Secondly, we strictly control the quality of the products. The Group not only requires our suppliers to inspect the goods strictly and issue test reports, but also conducts on-site inspections of finished and semi-finished products and analyses the issues found for improvement. Taking Nola, our brand of light fashion and stylish furniture for instance, we require all Nola suppliers to perform whole-scale tests, including fire-retardant performance, high temperature resistance, pollution resistance, formaldehyde content etc. in accordance with national standards such as GB/T 10125 Corrosion Tests in Artificial Atmospheres – Salt spray tests, GB/T 8624 Classification of Combustion Performance of Building Materials and Products. The suppliers are allowed to supply products to Nola only after obtaining the qualified inspection report issued by us. We strictly practice quality inspection on Nola's finished and semi-finished products in accordance with guidances on craft operation and quality standards. The problems detected will be publicised and assessed, and classified analysis and improvement will be carried out at the same time.

Finally, we pay close attention on site construction and acceptance check. We carefully select the construction teams for Qeeka and, from them, select quality construction teams via training and assessment. We strictly control the project quality. Specifically, we not only inspect the project before delivery, but also include customer feedback in the assessment mechanism for assessing the quality construction teams. We require the quality construction teams to participate in the training for construction team leaders organised by Qeeka Home, and only after assessment can they maintain the certification of qualification. In any month, if three owners are dissatisfied with the same quality construction team, the qualification shall be cancelled to ensure the excellence of construction. In accordance with the requirements of the GB 50210 Code for Construction Quality Acceptance of Building Decoration and GB 50327 Code for Construction of Decoration of Housings, we have formulated acceptance criteria for water, electricity, mud, wood, paint, etc., to strictly control the quality of delivery.

During the reporting period, the Group did not have any products recalled for reasons of safety and health.

Optimizing Service

The Group is committed to meet or even exceed customer expectations for the Group's services. SaaS service platform accurately matches users' needs, and attached importance to the needs of users, resolving problems from users' perspective, continuously optimising service standards, improving service quality, and gradually developing into a one-stop service platform for digital interior decoration. Through efforts on construction, lay-out and planning for digital ecosystem, we also help improve overall industry efficiency.

➤ SaaS Services Platform

In 2022, we promoted the SaaS service platform strategy, offering IDC service providers with comprehensive business solutions covering marketing, supply chain services etc., so as to precisely serve targeted users. The SaaS service platform comprehensively ensures the intelligent management of each sector such as construction, operation and branding of IDC service providers. The platform empowers the enterprises with digital technology, which directly enhances enterprises' ability in user operation management, enterprise management and interior decoration process management, thus ensuring the improvement of overall operational efficiency of the industry. At the same time, through digital technology, we standardise the service processes of platform upon IDC service providers, and encourage business partners to refine service level, thus promoting the standardisation of industry services.

➤ High Quality Design and Decoration

Continuously updated design ideas and high-quality home decoration quality are the foundation for providing excellent service to our customers. We are committed to excavating more design talents and shortlisting projects with outstanding designs to present our clients with a variety of excellent and tailored schemes.

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Designer Contest

In August 2022, we held the fifth Qeeka Home & Carpoly designer competition. After the competition in the regional preliminary, semi-final and national final, many top interior designers from different provinces and cities competed various styles of “homes” with different home sizes and provide new ideas for the industry development.



We have also formulated strict standards and requirements for selecting and managing decoration companies, safeguarding the rights and interests of customers and improving their satisfaction:

- We have formulated the Eighteen Safety Hazard Checks of Qeeka Home to strengthen the awareness of construction personnel on safety and civilised construction, so as to safeguard the interests of customers;
- Our quality inspection team regularly follows up with users' evaluations of our services and their satisfaction with the home decoration process through a complete quality inspection process and a special scoring system, ensuring the rights and interests of users.
- We conducted the phased acceptance through “Qijia Bao Service” and increased the number of the phased inspections from 3 to 4. We provide facilities like payment after acceptance by Qeeka platform and supervisor inspection and employer confirmation to enable users to supervise the engineering quality easier and mitigate the risks of “absconding with the money” by renovation companies, unethical order stealing/bypassing and construction accidents.

- We have launched the “Qijia Safety Insurance Service” to indemnify our users – based on the contract – for decoration damage, third party injury and property damage caused by fire, explosion, burst water pipes and electricity leakage during home decoration, as well as the cost loss incurred by changing decoration company due to accidental interruption of the decoration, so as to mitigate the loss for the employers in time.

In 2022, some complaints were escalated due to the failure of our co-operators in some cities to offer the “Qijia Bao Service” and their prolonged delay in handling the employers' complaints. We penalized those co-operators for unethical bypassing of “Qijia Bao Service” orders. Then we updated the list of cities with the “Qijia Bao Service” and the list of cities for checking unethical order stealing/bypassing to effectively protect users' rights and interests in time.

➤ Life-cycle Service and Complaint Management

We devote to the principle of protect customer interests and improve customer experience and strictly abide by relevant laws and regulations, including, but not limited to, the Consumer Rights and Interests Protection Law of the PRC, etc. We carry out decoration life-cycle services. We understand the needs of users in a timely manner through telephone and online service. We also provide customers with whole-process decoration butler service, which offers the recommendation in the first stage, follows up construction in the medium term, inspects construction quality in the latter stage, addresses after-sales issues, etc., to satisfy the demands for rapid intervention, constant following up, and coordination of customers services both online and offline, thus providing integrated and quality service to customers.

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We attach great importance to customer feedback and suggestions, and have formulated a series of rules and regulations including Policy for Handling of Customer Complaints, the Administrative Measures for Complaint Handling, the Procedures for Daily Complaint Handling by Personnel, the Process of Customers' Complaint Management, the Process of After-decoration Services, etc. In addition, the Group has provided 400 customer service hotline and online customer service, direct access via app, 12315 complaint hotline, third-party media complaint channel, WeChat and Weibo complaint channel, etc., in order to receive and handle customers' information and demands. We assigned corresponding customer complaint staff in different business segments to specifically address the customer's problems and needs. The customer complaint staff strictly complies with the 3.1.5 Service Commitment and handles the customer's complaints according to the criteria of response in 3 hours, preliminary plan in 1 day, and processing finished in 5 days. We implement a "Pre-compensation" policy for customers to ensure that their reasonable demands are met. In addition, we have also set key performance indicators for customer complaint specialists based on the Group's Customer Complaint Assessment System, including complaint settlement rate, process optimization rate, and customer call back rate, to continuously improve efficiency and quality of customer service. In this way, we maintain 24-hour customer service and improve the efficiency of consumer dispute settlement.

We have strict regulations on the after-sales service of suppliers. The supplier is required to come to the customer at the time agreed with the customer and complete the installation and delivery within the specified time. In case of product shortage, the customer must be informed one week in advance and be provided with corresponding solutions. Before product delivery, the quality, size, quantity, etc. of the product should be inspected, and defective products should be repaired or returned in a timely manner. According to our Goods Acceptance Criteria and Return and Replacement Rules, if it is confirmed that the return criteria are met, we will return and replace the goods for the customer free of charge. If a supplier is complained of violating delivery specifications, it will be punished or cancelled in accordance with the Youzi Supplementary Agreement. At the same time, we have also made time regulations on handling of customer

complaints from suppliers, requiring a response within 2 hours, a solution within 24 hours, and closure of customer complaints within 7 days to ensure that customer issues are promptly and effectively resolved. Our Supervisor Management Policy stipulates our overall control requirements for construction quality. If there are projects requiring rework for failure to complete the acceptance, the customer can demand a re-inspection after the rework. If the constructor may reach an agreement with the customer on how to amend the failure, the customer will decide whether the obligations agreed have been fulfilled in all.

In 2022, we received a total of 168 complaints from the China Consumer Association and the media, with a handling rate of 96.4%.

Compliance Procurement

We actively seek to improve sustainability performance with our partners, joining forces for win-win cooperation. Therefore, we conduct quarterly reviews of our suppliers' performance and pay great attention to the quality of all interior decoration and building materials from co-operators who accommodated the platform and branch stations.

We strictly review business qualifications and franchisee reputation prior to partner confirmation and brand franchising to ensure that their daily operations are legitimate and compliant to the greatest extent possible. For partners, we have formulated the Regulation for Review of Partner Qualification and the Criteria for Assessment of Partner Qualification, etc., to strictly review business partners in terms of partner qualification, shareholder qualification, related enterprise qualification, litigation information, etc. For brand franchising, we have formulated standards such as the Franchising and Accommodation Standards and the Confirmation Letter of Franchising Information. We have optimised the franchising process through online contracting, video retention, and email follow-up to shorten the cycle, while strengthening risk control and raising the guarantee awareness of co-operators. We also require Nola to select legitimate distributors who own good business reputation and have no speculative behaviour or bad credit record as business partners, so as to expand brand recognition and comprehensive influence, and to create a favourable market environment together.

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We strictly implement supplier introduction, information maintenance and evaluation, launch a life-cycle management process, and make requirements on suppliers in accordance with relevant policies such as the Supplier Management Procedure and the Supplier Access and Rating Management System.

- We require suppliers to provide qualification documents including a copy of business license, trademark certification, product testing report, bank account information, etc., so as to screen qualified suppliers;
- Apart from indicators such as pricing, financial and credit status, delivery and installation, we also include social risk indicators such as firefighting facilities at suppliers' factories, R&D team, information regarding social insurance for production technicians, so as to require suppliers to fulfil social responsibilities and pass on the concept of sustainable development;
- We perform quarterly evaluations on suppliers and eliminate unqualified suppliers in a timely manner, thus maintaining the quality of the supplier chain.

We continuously improve the efficiency by insisting one-stop delivery to users through the Qi Qi Li Auxiliary Materials Platform (hereinafter "Qi Qi Li"). We have formulated the Safety and Environmental Protection Site Management System to ensure that all products ordered from the "Qi Qi Li" meet higher requirements for safety and environmental protection. At the same time, we implement more stringent site acceptance standards to guarantee the safety and greenness of auxiliary materials for interior decoration, and enhance user satisfaction of cooperative decoration enterprises, so as to promote the sustainability of cooperation.

In 2022, we strengthened our communication with partners, heightened integration capabilities of our platform, and advanced the development of the industry by the activities such as industry ecosystem convention and training for distributors. Through training sessions, we delivered more knowledge to partners and thus enhance their service and technical capabilities. For example, our Nola Business School is designed for distributors, and provides training sessions covering marketing, design, installation, after sale services, etc. to empower distributors for better design teams, stronger marketing teams, and more accurate sources of flow. In addition,

we seek strategic cooperation with our partners to jointly develop and update our products to create a better, more convenient and more intelligent product system to meet the diverse needs of our users.

At the same time, we have also carried out a number of training programs for merchants, such as empowerment of merchants and plans to improve platform business. This plan divides merchants into blue ocean regions and red ocean regions. Qeeka Home helps merchants in the blue ocean region establish their own knowledge system. Then the merchants could use Qeeka Home tools to establish a growth type inspection mechanism. Finally, merchants could use tools from Qeeka Home platform to facilitate contracts under Qeeka Home brand endorsement. They could also diagnose problems and improve team capabilities with regular assistance from us. The training content for the merchants in the Red ocean region includes the construction of an operation system which place user service experience and the transformation of merchants ahead. Then, the system can operate conferences aimed at efficient awareness sharing. In addition, to cultivate more outstanding core merchants, we have established our Ivy League Program. To enhance user recognition of the business and establish reputation, we strictly control the service quality of merchants, and divide them into Ivy League qualified merchants, Ivy League high-quality merchants, and Ivy League star merchants based on their different performances.

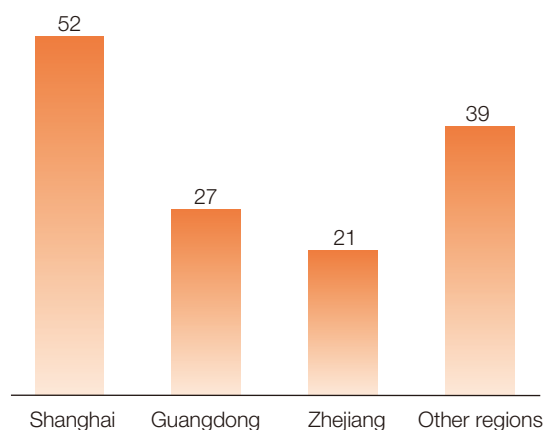
2022 Nola Training Sessions for Distributors

In July 2022, the Company organized offline one-on-one training for distributors in core regions of East China. After the practice of real programs and resolving terminal challenges one after another, we helped the distributors in solving difficulties as well as improving the overall competitiveness of their store terminals.



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As at the end of the reporting period, we had a total of 139 suppliers by geographical regions as follows:



Compliance with Rules and Laws

We scrupulously abide by the concept of honesty, trustworthiness and compliant operation, and strictly comply with relevant requirements such as the Contract Law of the PRC, the Consumer Rights and Interests Protection Law of the PRC, the Product Quality Law of the PRC, the Electronic Commerce Law of the PRC, and the Trademark Law of the PRC. In accordance with the Group's regulations, the Legal Compliance Guidelines are formulated to specify requirements related to contracts, product quality, consumer rights, network security, advertising, trademarks and price fraud for key positions such as market operation posts and decoration management posts, and to provide advice and penalties.

➤ Privacy Protection

We respect customers' privacy and attach great importance to protecting customers' privacy data so that our customers' interests are not compromised. In strictly compliance with laws and regulations, including but not limited to the Cybersecurity Law of the People's Republic of China, the Decision on Strengthening Network Information Protection, the Provisions on Protection of Personal Information of Telecommunications and Internet Users, etc.,

the Group develops a well-established privacy protection system composed of various regulations including the Regulations for Users' Information Security Management, the Provisions on the Establishment and Administration of Information Security Organisation, the Regulations for Personal Information Security Protection, the Administration Regulations for Complaint Handling Events Regarding Personal Information Protection, the Regulations for Emergency Processing of Network Security Events, the Information Security Policies, etc. We have formulated the Privacy Policy to specify the scope, purpose, sharing, transfer and disclosure of customer data, so as to ensure the security and control of the customer's personal information.

We have formulated the Employee Work Rules and Guidelines, which requires strict confidentiality of trade secrets such as user information and customer lists. If an employee divulges relevant information, the Company will terminate employment relationship with the employee without compensation. We do not collect or use user information without permission, nor do we disclose, falsify, damage, sell or illegally provide the user information collected to others. In addition, we adopt such measures as encryption and decryption and virtual numbers to protect user information in WEB ports, Qeeka Home database management platform, CRM system, background operation system, order receiving Apps, etc., and require merchants to communicate with users by our proprietary App. We also regularly review security to protect user privacy properly.

Data Security Protection Drill

In November 2022, we conducted a database master-slave switchover drill and collected feedback on the effects of the switchover on the operating system. We made a drill plan, assigned designated persons in charge, developed a contingency plan for emergencies, published a feedback channel, and finally completed the drill smoothly as planned.

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> Intellectual Property

We attach great importance to the intellectual property protection, strictly abiding by laws and regulations related to intellectual property rights, including but not limited to the Trademark Law of the PRC etc., we actively conduct intellectual property protection, and formulate regulations such as the Management Standards for Intangible Assets to ensure the security and value of intangible assets.

We have added policies such as the Management System for Genuine Design Software and the Qeeka Home Patent Incentive Plan to encourage development and innovation, standardize copyright management and protection, and promote content for training to employees in March and October of this year.

We comprehensively regulate the use of the VI image through policies such as the Application Rules of Qeeka Home Model Image, the VI Image Recognition Manual, the Application Rules of IP Image “Qi Qi Li” usage specification, and the Provisions on the Operation and Management of Decoration Business Partners.

We strictly follow laws and regulations, including but not limited to the Advertisements Law of the People’s Republic of China etc., and we have developed various regulations including the Specifications on Management of Advertisements and Copywriting, under which the Legal Department reviews the Company’s promotion copywriting, publicity materials and advertisements, to ensure the legality and authenticity of the information and materials used for promotion and marketing, and safeguard rights and interests of the Group and consumers. We conduct regular trainings on the business promotion, operation and copywriting release, and communicate with employees weekly by email on existing problems, legal updates and hot spots. In 2022, we conducted numerous training sessions on compliance and self-inspection of advertising. The training included selection of illegal advertising cases and notes on the use of image and fonts, etc., with the aim of enhancing the professionalism of advertising staff, timely avoiding risks associated with non-compliance in the advertising process, ensuring the legality of promotional information, and avoiding exaggeration or false advertising, so as to protect customer interests. As of the end of the Reporting Period, the Group had 268 registered trademarks, 90 soft copyrights and 10 copyrights of works.

Corporate Citizenship

The Group actively takes the obligations of social citizenship, practices corporate social responsibility while providing high-quality customer service, raising investors’ income and promoting industry development. Through such actions, the Group contribute efforts to social stability and common prosperity.

Computer Donation

In 2022, we continued to assist rural education construction through the “Passing love, the renewable computer classroom” project that organised by Shanghai Zhonggu Charity, and endeavour modestly to promote rural education. We reassembled and repaired 109 electronic equipment, including computers, monitors, and projectors, etc. distributed to students in remote mountain areas to provide them a more convenient learning environment and enriching the learning resources.



TALENT CULTIVATION

The Group is committed to developing an integrity work environment and a sound employee training and development system. We value the nurturing and retention of talents and regard our employees as critical assets of the Group. We have established a strict integrity policy and create a incorruptible business environment. We attach importance to the professional growth of employees, and provide them with thorough promotion channel and training system. We continuously rectify the talent management system and establish an integrated human resources management system. We safeguard the legitimate rights and interests of employees, and care for the physical and mental health of employees, so as to create a good working environment.

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Righteousness and Integrity

The Group strictly complies with relevant laws and regulations, including but not limited to the Companies Law of the PRC, the Tenders and Bids Law of the PRC, the Anti-Unfair Competition Law of the PRC, and the Interim Provisions on Banning Commercial Bribery. We formulate and implement the Procedure for Tender and Price Parity among Multiple Parties, the Internal Control System for Procurement and Payments, the Code for Integrity Management, the Code of Ethics and Conduct, thus regulating the Group's operating activities and extinguish bribery, extortion, fraud and money laundering.

We adopt a "zero tolerance" approach to corruption, fraud, bribery and other illegal activities. For those violating laws and rules, we adhere to principles of "rigorous investigation and strict accountability system". We also encourage employees and partners to be an integral part of our integrity management system, providing open hotlines and e-mails for all parties to complain and report any breach of integrity policies or leads (including non-compliance by external partners):

- Compliance hotline: 021-69108705
- Compliance email: fwjc@qeeka.com
- Compliance boxes are set up at headquarters: Building 1, No. 1926, Cao An Highway, Jiading District, Shanghai (Legal Supervision Department)

In addition, we have set up a Legal Supervision Department to proactively monitor violations of the laws and regulations:

- We obtain information about personnel with major violation of laws and regulations that have been identified or handled by the internal control department of an external enterprise;

- We keep track of the list of people who have lost their credibility or restricted consumption as notified by the national judicial authorities or the financial industry, and assist the Human Resource Department in conducting screening during the new employee onboarding process;
- We conduct investigation for senior-level employees during their onboarding process, including but not limited to the existence of a judicial decision, the concealment of external employment or investment, etc., and determine whether to hire them thereon.

In 2022, the company conducted frequent internal and external integrity and anti-fraud campaigns. They included special training on integrity and honesty for new recruits, in-service personnel in all departments and board members. Additionally, the procedural defects identified during surveys and inspections were reviewed and improved properly. We have adopted measures such as termination of employment contracts and deduction of bonuses for offenders.

In 2022, the Group addressed 3 major corruption cases during internal investigations and we terminated the employment contracts with the employees involved.

We require all employees to abide by the Company's rules and regulations and relevant laws and regulations of China, and severely punish those who make false facts in the course of the investigation and do not cooperate in the investigation; and persons who are purposely withholding information and do not cooperate with the inquiry will also be held accountable for violations. And we spread, through continuous publicity and trainings, the Group's anti-corruption management requirements, promote a culture of integrity and honesty, and deepen employees' anti-corruption awareness, thus promoting healthy development within the Company.

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Online Anti-Fraud Training

In 2022, the Group conducted several anti-fraud training sessions in cooperation with the Enterprise Anti-Fraud Alliance and the auditcn.com to train employees on a number of topics, including key points of anti-fraud, pre-audit and conversation, norms and techniques of evidence collection, and the mindset of fraud investigation and evidence acquisition. We are committed to creating a clean and honest company environment.



During the Reporting Period, there was 1 corruption prosecution filed and concluded against an employee of the Group, and the offender was sentenced to a 6-month detention on a 6-month probation after the court trial.

Career Development

The Group lies emphasis on improving internal management and training system. We have built an all-around, multi-level talent training system that enables employees to conduct self-study based on their needs. Departments have, in accordance with the specific conditions in practice and in a regular manner, organised employees to learn professional knowledge and skills necessary for their position, thus enhancing the core competitiveness of employees, and providing them with more possibilities for career development, so as to better meet their career goals.

In 2022, we conducted several employee trainings to help them improving their business capabilities. This includes training on designer merchandising skills on August 12 and training on order promotion and conversion skills for order takers on October 13.

Our Business School makes full use of internal and external knowledge resources to set up training programmes such as “new recruits training”, “leadership training and senior management training” to help employees quickly integrate into the Company and understand the culture of the Company, and also help them improve their overall quality, providing them with broad opportunities for career growth and a learning platform. The Business School covers courses such as group business, system, job skills and corporate culture.

Through the Management System for Staff Coaching and the Management System for Internal Trainers, we have tapped internal training resources, and promoted the accumulation, sharing and spreading of internal knowledge through coaches and internal trainers, thus raising the overall quality of the workforce.

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We regularly conduct talent reviews, regularly evaluate the quantity and quality of the cadre team, score from the dimensions of customer orientation, self-driven, determination and tenacity, and corporate cultural values, urge cadres to improve themselves, expand recruitment channels through the Internal Recommendation System, encourage all employees to recommend excellent talents to join the company, and provide corresponding rewards. During the reporting period, the percentage of employees who received training by gender and type of employment and the average hours of training per employee are as follows:

		Percentage of employees receiving training	The average hours of training per employee
By gender	Male	57.6%	31.0
	Female	42.4%	27.2
By type	Senior management	1.5%	45.8
	Middle management	17.1%	70.5
	Junior staff	81.4%	20.4

Protection of Human Rights

We are in strict compliance with relevant laws and regulations, including but not limited to the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Employment Promotion Law of the People's Republic of China. We have prepared internal system processes such as the Recruitment Management Process and the Internal 180 Management System to standardise staff management and safeguard their rights and interests.

➤ Recruitment and Employment

Pursuant to the Recruitment Management Process, we adhere to principles of "fair recruitment, open recruitment, equal competition, merit-based recruitment" during our recruitment. And we abide by the laws and regulations of the state and local governments. We prohibit discrimination against any employee due to personal characteristics such as

race, gender, colour, age, family background, national tradition, religion, physical attribute and original nationality, ensuring that employees are fairly treated and have equal opportunities in terms of remuneration and dismissal, recruitment and promotion, working hours, holidays, and other treatment and benefits. We also help new recruits to better understand the culture of the Company in various ways, so that they can quickly take on the new job.

New Employee On-boarding

In 2022, by launching "Talent Development Action Plan – Intensive Training Courses" for the new recruits, we help new employees quickly integrate into the team. These courses include onboarding information of Qeeka, history of Qeeka, role transition, and front-line practice. We also prepared monthly feedback forms for follow-ups to help new employees to review their work, collect feedback and seek timely communication and guidance.

The incentive and punishment, the termination of labour contracts and the separation process have been specified in the Staff Manual, the Staff Award and Punishment System and the Employee Relations Management Process, and firing staff without reasonable grounds is not allowed.

As at the end of the reporting period, we had 755 Chinese employees, all of them are full-time employees. The number of employees categorised by age and gender and the employee turnover ratio in the reporting period are as follows:

		Total Headcount	Employee turnover ratio
By gender	Male	435	35%
	Female	320	35%
By age	Under 30 years old	194	46%
	30-50 years old	537	31%
	Above 50 years old	24	23%

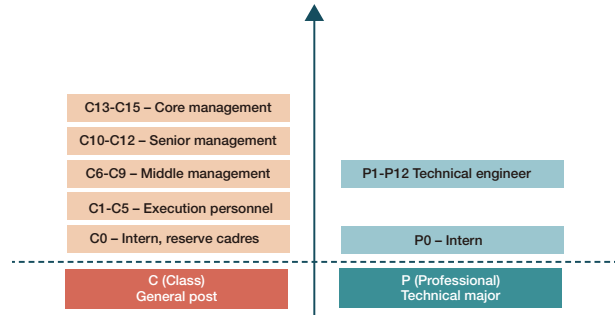
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➤ Emoluments and Benefits

The Group strictly obey local laws and regulations and provide each employee with salary higher than the minimum wage. We have established a competitive compensation and benefits system and will provide fair and reasonable compensation to employees after assessing both internal and external situations and the different circumstances of employees. Employee compensation comprises of basic salary, job salary/performance bonus, post allowance, confidential salary or competition restriction compensation. We sign the Labour Contract with regular employees in accordance with the laws and pay various social insurances contributions for employees in accordance with local regulations. Employees can also enjoy welfare benefits including meal allowance, transportation subsidy, business communication fee and blessing fee. At the end of each year, we assess the performance of employees, and will offer outstanding employees a job promotion or a pay raise according to their business capability and the nature of their position.

➤ Promotion and Development

In accordance with the Internal Competition Management Regulations, we advance recruitment through mechanism of “open selection, competition for positions, and internal priority”. In the Measures for the Administration of Remuneration and Job Grade, we provide guidance for employee benefits and salary standards by two main posts, i.e. the general posts and the technical professional posts, thus creating a transparent and fair path for promotion to maximise employees’ potential.



➤ Care and Communication

In order to maintain a smooth communication with employees and to understand their needs in a timely manner, we have set up various channels to collect employees’ opinions, such as the OA internal communication system, internal WeChat Official Account, Executive Horn, and questionnaire. We have carried out daily interactive exchanges with employees to ensure that employees’ requests are received and resolved on the same day if possible. We have also established a trade union chaired by the Chief Operating Officer to guarantee that there will be no wage reduction or redundancy during the infectious diseases control period through the Collective Wage Negotiation System, and to safeguard the legitimate rights and interests of employees. We provide support and assistance to employees with special needs, including providing nursing rooms and appropriate care for lactating employees. We have set up the Company’s internal electronic magazine “Qeeka Life” covering messages from senior management, company dynamics, team style, and new recruits’ performance to enhance employees’ sense of inclusion and honour.

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We hold various festivals and cultural events every year, including Dragon Boat Festival Activity, Mid-autumn Festival Activity, the anniversary of the listing, and the 15th anniversary of establishment aiming at enriching the employees' lives, providing care to employees, and creating a good corporate culture.

In 2022, we carried out team building activities for many times to help new recruits quickly integrate into the team, and to improve team cohesion and enhance enthusiasm for work.



Dragon Boat Festival Activity



The 15th Anniversary of Establishment

➤ Labour Standards

The Group respect the legitimate rights and interests of employees and comply with relevant laws and regulations, including but not limited to the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Provisions on the Prohibition of Using Child Labour. We eliminate child labour by checking employees' identity cards when they join us. If the illegal employment of a minor is found, we will promptly notify his/her guardian and terminate the employment relationship immediately and investigate on the procedure and relevant personal to prevent it from happening again.

We have prepared the Staff Attendance Management System in strict compliance with relevant laws and regulations of China, and we adopt fixed working hour system (8-hour workday and 7-hour workday), comprehensive working hour system, and flexible working hour system. We strictly abide by the statutory working hours to control overtime work. If working overtime is a must, employees should apply and get approved in advance, and employers should offer them compensatory time off or overtime pay in accordance with the law, with overtime meal allowance and transportation subsidy provided. Forced labour is strictly prohibited.

Our employees can enjoy statutory holidays in accordance with state regulations, and have the right to leave, including personal leave, sick leave, marriage leave, bereavement leave, maternity leave, paternity leave, nursing leave, rest at work, annual leave and work injury leave.

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Safety First

We keep paying attention to the health and safety of employees, and strictly abide by relevant laws and regulations, including but not limited to the Work Safety Law of the People's Republic of China, etc. By optimising the safety management system, we provide employees with a safe working environment to safeguard their health and safety, striving to build an intrinsically safe enterprise.

We carry out monthly inspections and maintenance on firefighting equipment, invite suppliers with fire qualifications to conduct pressure checks and dry powder refills on a yearly basis, and to install emergency lights and exit signs in the office areas and the aisles, making sure that our firefighting equipment is sufficient to deal with all contingencies and eliminate potential safety hazards.

In view of the potential safety hazards at the decoration site, we have conducted the comprehensive check on construction, electricity, fire protection and tools and equipment, etc. as part of the check of potential safety hazards in accordance with the Eighteen Safety Hazard Checks of Qeeka Home. And we have arranged, when necessary, a supervisor to guide the check and investigate potential hazards to supervise construction specifications, thus nipping potential safety hazards in the bud, and protecting customers' decoration safety and the safety of construction personnel on site.

In order to respond positively to the state's request to get prepared for the normalisation of the infectious diseases control and safeguard the health of our employees, we take the initiative to cooperate with the prevention and control departments at all levels and have prepared the Infectious Disease Prevention and Control Plan. The Plan specifies the control responsibilities of departments, makes clear of the information transfer process, details the level of prevention and control, stipulates the criteria for screening close contact personnel, and prepares the prevention and control measures and contingency plans. The Plan also sets the corresponding detailed regulations and standardised procedures from three aspects including medical treatment, staying in office buildings and working from home, thus achieving scientific prevention of infectious diseases.

In 2022, we organized booster shots for our employees to increase their body immunity and arranged group nucleic acid tests.



Vaccination for employees in 2022



Nucleic acid testing for staff in 2022

During the infectious diseases control period in 2022, we introduced a work-from-home policy. With the policy, most employees in infectious diseases control areas worked remotely from home, with a few employees living and working in the office to maintain the daily operations of the Company. During the infectious diseases control period, the company paid salaries as usual and provided sufficient food and comfortable accommodation for employees stationed in the office. In mid-April, the company applied for special passes to deliver supplies and offer support for the Company's employees and platform businesses.

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The company delivered supplies and offered support during the infectious diseases control period



Accommodation and catering for employees stationed in the office during the infectious diseases control period

During the reporting period, the number of lost days due to work injury was 127 days, caused from work-related injuries of 3 employees. No work-related fatalities occurred in each of the past three years including the reporting year.

ENVIRONMENTAL PROTECTION

With the UN COP26 closing, a new global climate agreement was reached, and many countries signed on the Glasgow Climate Pact. Countries worldwide have reinforced their climate consensus and agreed to take more measures, without delay, to control the global warming process. The “Carbon Peaking” and “Carbon Neutrality” targets of China are also significant initiatives to control global warming. As a responsible Chinese enterprise, we are committed to creating a healthy and sustainable green ecology, and we have set the following environmental objectives and targets to enhance the corporate environmental management.

- **Emissions:** All wastewater shall be discharged in compliance after its disposal is up to the standard.
- **Non-hazardous waste:** All non-hazardous waste shall be entrusted to qualified institutions for disposal.
- **Energy:** Energy consumption intensity shall be gradually reduced.
- **Water resources:** Water consumption intensity shall be gradually reduced.
- **Climate change:** Greenhouse gas emissions shall be effectively managed and reduced.

Based on the business characteristics, our emissions mainly come from nitrogen oxides (NOx), sulfur dioxide (SO₂), particulate matter and greenhouse gas released from petrol used in our own vehicles, greenhouse gas emissions from electricity used in the workplace, and non-hazardous waste emissions from the workplace; the resources used in the office are mainly electricity and water. Our water used is mainly sourced from municipal water system, which is sufficient for water supply in day-to-day operation.

As an enterprise with the eco-friendly concept, we attach great importance to the role of environmental protection in the development of enterprises. We strictly abide by relevant laws and regulations, including but not limited to the Environmental Protection Law of the People’s Republic of China and the Energy Conservation Law of the People’s Republic of China, and we have prepared systems such as the Measures for the Management of Air Conditioner Use to achieve an eco-friendly office. We actively take steps to achieve our five environmental targets. We adopt various energy-conservation, water-conservation and emissions-reduction measures to save resources and lower the carbon emissions, thus reducing negative impacts on the environment and achieving eco-friendly development:

Environmental, Social and Governance Report

- ✓ We prefer energy-efficient and environmentally friendly equipment, and install LED lamps in the customer service centres, warehouses and headquarters offices to reduce energy consumption;
- ✓ In our daily work, we encourage our employees to conserve electricity and implement the principles of saving electricity, reducing energy consumption, and using as needed;
- ✓ Daily maintenance is carried out for water equipment to avoid dripping and leakage;
- ✓ Paperless office is encouraged to minimise copy and printing. And double-sided printing and reuse of waste paper are supported to avoid unnecessary waste of paper and reduce the amount of non-hazardous waste;
- ✓ Waste sorting is implemented, and all non-hazardous waste is collected, transported and disposed of in unification by municipal health departments.

Actively addressing climate change is one of the key elements of the United Nations Sustainable Development Goals. Extreme weather is identified as the significant climate-related issue for the Company. As a responsible company, we have developed a series of measures for responding positively to extreme weather arising from global climate change. During the typhoon period, all employees of the Company worked from home, and we actively responded to climate change, and assumed environmental and social responsibility of the Company under the premise of ensuring normal internal operation and continuous service to consumers.

Taking the initiative to follow the eco-friendly development trend, we carry out research and development of eco-friendly processes and launched more eco-friendly products to meet the growing need of users for green and environmentally friendly products.

We also organise “low-carbon environmental protection” activities and projects to take the lead in standardising the eco-friendly construction of the industry and encourage platform users and cooperative IDC service providers to jointly fulfil their environmental protection responsibilities.

We are not a heavy user of non-renewable energy and forest resources, and our operations will not affect the biodiversity. Therefore, A3. The Environment and Natural Resources are not applicable to the Group.

Environmental Key Performance Indicators

The environmental KPIs disclosed in the report cover the offices of our headquarters in Shanghai and its subsidiary companies Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd., and Brausen (Fujian) Decoration Engineering Co., Ltd., etc. Due to the relatively extreme high temperature weather in Shanghai and surrounding areas in 2022, power consumption of office air conditioning systems increased, leading to an increase in energy consumption and GHG emissions this year.

Environmental, Social and Governance Report

Emissions	2022	2021	2020	Resource utilisation²	2022	2021	2020
NOx emissions (kg) ¹	82.31	112.41	110.70	Total direct energy consumption (MWh)	93.94	164.33	156.33
Sulfur dioxide emissions (kg) ¹	0.16	0.28	0.26	Total indirect energy consumption (MWh)	809.09	683.69	535.73
Particulate emissions (kg) ¹	7.89	10.77	10.61	Total energy consumption (MWh) ¹	903.03	848.02	692.06
Scope 1: Direct greenhouse gas emissions (tCO ₂ e)	22.97	40.18	38.22	Energy consumption intensity (MWh per capita)	1.20	1.08	0.80
Scope 2: Energy indirect greenhouse gas emissions (tCO ₂ e)	569.20	480.97	376.89	Total water consumption (tonnes)	4,916	5,277	2,701
Total greenhouse gas emissions (tCO ₂ e) ²	592.16	521.15	415.11	Total water consumption intensity (tonnes per capita)	6.51	6.70	3.14
Intensity of greenhouse gas emission (tCO ₂ e per capita)	0.78	0.66	0.48				
Total non-hazardous waste emission (tonne) ³	51.56	109.07	39.56				
Intensity of non-hazardous waste (tonnes per capita)	0.07	0.14	0.05				

Note:

1. Emissions are accounted for in accordance with How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs of the Hong Kong Stock Exchange.
2. Greenhouse gas emissions are presented as tCO₂e and accounted for according to the Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Public Building Operators issued by the National Development and Reform Commission (NDRC).
3. The hazardous waste generated in our operation consists of a small amount of waste toner cartridges, waste ink cartridges, etc., all of which are recycled by qualified recyclers. Therefore, limited impact is exerted on the environment and the KPI A1.3 (Total hazardous wastes produced) is not disclosed in the Report.

Note:

1. Total energy consumption is calculated based on the consumptions of electricity and fuel and the default parameter values related to fossil fuel as shown in Attached Table 1 to the Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Public Building Operators issued by the NDRC.
2. As the operation of the Group does not use packaging materials, the KPI A2.5 (total packaging material used for finished products) is not applicable.

Report of the Directors

The Board is pleased to present this annual report and the audited financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL BUSINESSES AND ACTIVITIES

The Group is one of the leading providers of SaaS solution in Interior design and construction industry in China. The principal activities of the Group are (i) the provision of SaaS based total marketing solution, targeted marketing services, inspection service and others (“**SaaS and Marketing Service**”); (ii) the provision of building and home decoration materials supply chain services (“**Supply Chain Service**”); (iii) the provision of interior design and construction service (“**Interior Design and Construction**”); and (iv) the provision of other initiative services (“**Innovation and others**”).

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 is set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” from pages 5 to 9 and pages 10 to 21 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the sections headed “Report of the Directors – Risks Relating to the Contractual Arrangements” on page 75 of this annual report. An account of the Company’s key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the “Environmental, Social and Governance Report” on pages 37 to 57 of this annual report.

PROSPECT

A review of the business of the Group during the year and a discussion on the Group’s future business development, particulars of important events affecting the Group that have occurred since the end of the financial year are set out in the “Chairman’s Statement” on pages 5 to 9 of this annual report. An analysis of the Group’s performance during the year using financial key performance indicators is set out in the “Key Financial and Operation Data” on page 4 of this annual report.

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

RESULTS

The consolidated results of the Group for the year ended 31 December 2022 are set out in the Consolidated Statement of Comprehensive Income on pages 86 to 87 of this annual report. The financial condition of the Group as at 31 December 2022 is set out in the Consolidated Balance Sheet on pages 88 to 89 of this annual report. The consolidated cash flows of the Group for the year ended 31 December 2022 is set out in the Consolidated Statement of Cash Flows on page 91.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in “Management Discussion and Analysis” of this annual report on pages 10 to 21.

DIVIDEND POLICY

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

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

Report of the Directors

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

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2022.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company will hold the AGM on 22 May 2023.

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.

For the purpose of ascertaining the Shareholders’ entitlement to attend and vote at the AGM, the Registers of Members will be closed from 17 May 2023 to 22 May 2023, 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, 17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 16 May 2023.

SHARE CAPITAL

As at 31 December 2022, the authorised share capital of the Company was US\$200,000, divided into 2,000,000,000 shares of US\$0.0001 each. Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in Note 23 to the consolidated financial statements.

SUBSIDIARIES

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company established the Audit and Risk Management Committee with written terms of reference in compliance with the CG Code. The Audit and Risk Management Committee comprises three members, namely Mr. WONG Man Chung Francis, Mr. ZHANG Lihong and Mr. CAO Zhiguang. Mr. WONG is the chairman of the Audit and Risk Management Committee. The Audit and Risk Management Committee has reviewed the Group’s 2022 annual results announcement, this annual report and the audited financial statements for the year ended 31 December 2022 prepared in accordance with the IFRS.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2022 are set out in the Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the amount of reserves available for distribution of the Company was approximately RMB1,998.4 million (2021: RMB1,851.0 million).

Report of the Directors

DONATIONS

During the year ended 31 December 2022, the Company and its subsidiaries made charitable donations of approximately RMB3,000 (2021: RMB40,000).

BORROWINGS

Borrowings increased by 133.7% from RMB16.3 million as of 31 December 2021 to RMB38.0 million as of 31 December 2022, primarily due to a new borrowing of RMB20.0 million to Shanghai Qiyi Information Technology Co., Ltd.

As at 31 December 2022, we had total borrowings principal of RMB38.0 million and the interest rate of the borrowings was from 3.25% to 4.53% per annum, RMB10.0 million of which was pledged by the property owned by Mr. Yang Weihan, who is the non-controlling shareholder of Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd., RMB8.0 million of which was guaranteed by Shanghai Qiyi Information Technology Co., Ltd., Mr. Yang Weihan and Mrs. Zhang Fan, who is the wife of Mr. Yang Weihan, and RMB20.0 million of which was guaranteed by Shanghai Qiyi Information Technology Co., Ltd. and Qijia (Shanghai) Network Technology Co., Ltd.

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 net proceeds had been used up during the Reporting Period. As a result, the balance of unutilized net proceeds was Nil as at 31 December 2022.

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 2022:

Use of proceeds	Revised allocation of usage of net proceeds (RMB million)	Revised percentage of total net proceeds	Actual usage up to 31 December 2022 (RMB million)	Unutilized net proceeds as at 31 December 2022 (RMB million)
Marketing expense	379.9	40.0%	379.9	-
Development of supply chain management business	135.0	14.2%	135.0	-
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%	50.0	-
Investment in our technology infrastructure and system	162.5	17.1%	162.5	-
Additional strategic investments and acquisitions	95.0	10.0%	95.0	-
Development of our new business	40.0	4.2%	40.0	-
General working capital	67.4	7.1%	67.4	-
Total	949.8	100.0%	949.8	-

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, purchases from the Group's five largest suppliers accounted for 29.3% of the Group's total purchases. In addition, purchases from the Group's single largest supplier accounted for 7.5% of the Group's total purchases during the same period.

For the year ended 31 December 2022, the Group's five largest customers accounted for 14.5% of the Group's total revenue. In addition, revenue from the Group's single largest customer accounted for 5.2% of the Group's total revenue during the same period.

During the year ended 31 December 2022, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. LI Gabriel
Mr. ZHAO Guibin
Mr. XIAO Yang (appointed on 23 June 2022)
Ms. PING Xiaoli (resigned on 23 June 2022)

Independent Non-executive Directors

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

BIOGRAPHICAL DETAILS OF DIRECTORS

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SERVICE CONTRACTS OF DIRECTORS

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

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

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

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

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

Report of the Directors

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(i) Interest in Shares of the Company

Name of Director	Nature of interest	Number of ordinary Shares	Number of underlying Shares	Total number of Shares	Approximate percentage of the issued voting Shares of the Company
Mr. Deng ⁽¹⁾	Interest in controlled corporation and interest of spouse	308,377,140	–	308,377,140	26.93%
Mr. Gao Wei ⁽²⁾	Interest in controlled corporation	2,492,970	2,993,797	5,486,767	0.48%
Mr. Tian Yuan ⁽³⁾	Interest in controlled corporation	4,578,876	–	4,578,876	0.40%
Mr. Gabriel Li ⁽⁴⁾	Interest of spouse	100,000,000	–	100,000,000	8.73%

Notes:

- (1) Mr. Deng holds 100% equity interests of Qeeka Holding, which in turn directly holds 294,789,530 Shares. Accordingly, Mr. Deng is deemed to be interested in the 294,789,530 Shares held by Qeeka Holding. Mr. Deng is the spouse of Ms. Sun Jie (“**Ms. Sun**”), and is deemed to be interested in the 13,587,610 Shares of Ms. Sun held through Qeeka Sunjie Home Holding, representing approximately 1.19% interest in the Company.
- (2) Mr. Gao Wei holds 100% equity interests in Josephine Holding, which in turn directly holds 2,492,970 Shares. Accordingly, Mr. Gao Wei is deemed to be interested in the 2,492,970 Shares held by Josephine Holding. In addition, Mr. Gao Wei was granted a total of 2,993,797 restricted share units (“**RSUs**”) under the post-IPO Restricted Share Unit Scheme on 14 December 2021.
- (3) Mr. Tian Yuan holds 100% equity interests of Tianyuan Home, which in turn directly holds 4,578,876 Shares. Accordingly, Mr. Tian Yuan is deemed to be interested in the 4,578,876 Shares held by Tianyuan Home.
- (4) Mr. Gabriel Li is the spouse of Ms. Lam, and is deemed to be interested in the Shares held by Ms. Lam in Clinton Global Limited. Clinton Global Limited directly holds 100,000,000 Shares and is owned as to 95% by Orchid Asia VI, L.P. and as to 5% by Orchid Asia V Co-Investment Limited. The general partner of Orchid Asia VI, L.P. is OAVI Holdings, L.P. and the general partner of OAVI Holdings, L.P. is Orchid Asia VI GP, Limited, a company which is indirectly wholly-owned by Ms. Lam. Orchid Asia V Co-Investment Limited is wholly controlled by Ms. Lam.

Report of the Directors

Save as disclosed above, as of 31 December 2022, none of the Directors and chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

(ii) Interest in associated corporations

Save as disclosed above, so far as the Directors are aware, as at 31 December 2022, none of the Directors or chief executive of the Company and their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2022, the following persons had interest or short positions in the shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company:

Name of Shareholders	Nature of interest	Number of shares ⁽¹⁾	Approximate percentage of shareholding in the Company
Mr. Deng ⁽²⁾	Interest in a controlled corporation and interest of spouse	308,377,140(L)	26.93%
Ms. Sun ⁽³⁾	Interest in a controlled corporation and interest of spouse	308,377,140(L)	26.93%
Qeeka Holding ⁽²⁾	Beneficial owner	294,789,530(L)	25.75%
Suzhou Oriza Holdings Co., Ltd. ⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation	185,246,080(L)	16.18%
Suzhou Industrial Park State-owned Assets Holding Development Co., Ltd. ⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation	185,246,080(L)	16.18%
Suzhou Industrial Park Economic Development Co., Ltd. ⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation	185,246,080(L)	16.18%
Suzhou Industrial Park Administrative Committee ⁽⁹⁾	Interest in a controlled corporation	185,246,080(L)	16.18%
Baidu HK ⁽⁶⁾	Beneficial owner	124,981,861(L)	10.92%
Baidu Holdings Limited ⁽⁶⁾	Interest in a controlled corporation	124,981,861(L)	10.92%
Baidu, Inc. ⁽⁶⁾	Interest in a controlled corporation	124,981,861(L)	10.92%
Teng Yue Partners GP, LLC ⁽⁷⁾	Interest in a controlled corporation	105,186,500(L)	9.19%
Teng Yue Partners Holdings GP, LLC ⁽⁷⁾	Interest in a controlled corporation	105,186,500(L)	9.19%
Teng Yue Partners Holdings, LLC ⁽⁷⁾	Interest in a controlled corporation	105,186,500(L)	9.19%

Report of the Directors

Name of Shareholders	Nature of interest	Number of shares ⁽¹⁾	Approximate percentage of shareholding in the Company
Teng Yue Partners Master Fund, L.P. ⁽⁷⁾	Beneficial owner	105,186,500(L)	9.19%
Teng Yue Partners, L.P. ⁽⁷⁾	Investment manager	105,186,500(L)	9.19%
Mr. Li Tao ⁽⁷⁾	Interest in a controlled corporation	105,186,500(L)	9.19%
Hua Yuan International ⁽⁴⁾	Beneficial owner	101,912,750(L)	8.90%
China-Singapore Suzhou Industrial Park Ventures Co., Ltd. ⁽⁴⁾	Interest in a controlled corporation	101,912,750(L)	8.90%
Clinton Global Limited ⁽⁸⁾	Beneficial owner	100,000,000(L)	8.73%
Areo Holdings Limited ⁽⁸⁾	Interested in a controlled corporation	100,000,000(L)	8.73%
Mr. Gabriel Li ⁽⁸⁾	Interest of spouse	100,000,000(L)	8.73%
Ms. Lam Lai Ming ⁽⁸⁾	Interest in a controlled corporation	100,000,000(L)	8.73%
OAVI Holdings, L.P. ⁽⁸⁾	Interest in a controlled corporation	100,000,000(L)	8.73%
Orchid Asia V Group Management, Limited ⁽⁸⁾	Interested in a controlled corporation	100,000,000(L)	8.73%
Orchid Asia V Group, Limited ⁽⁸⁾	Interested in a controlled corporation	100,000,000(L)	8.73%
Orchid Asia VI GP, Limited ⁽⁸⁾	Interest in a controlled corporation	100,000,000(L)	8.73%
Orchid Asia VI, L.P. ⁽⁸⁾	Interest in a controlled corporation	100,000,000(L)	8.73%
SIP Oriza ⁽⁵⁾	Beneficial owner	83,333,330(L)	7.28%
Mr. Yao Hua ⁽⁵⁾	Interest in a controlled corporation	83,333,330(L)	7.28%
SIP Oriza PE Fund Management Co., Ltd. ⁽⁵⁾	Interest in a controlled corporation	83,333,330(L)	7.28%
SIP Oriza Jingfeng Equity Investment Management Co., Ltd. ⁽⁵⁾	Interest in a controlled corporation	83,333,330(L)	7.28%
Suzhou Oriza Holdings Co., Ltd. ⁽⁵⁾	Interest in a controlled corporation	83,333,330(L)	7.28%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Qeeka Holding is wholly-owned by Mr. Deng, therefore Mr. Deng is deemed to be interested in the 294,789,530 Shares held by Qeeka Holding under the SFO. In addition, Mr. Deng is the spouse of Ms. Sun and therefore is deemed to be interested in the 13,587,610 Shares which Ms. Sun is interested in under the SFO.
- (3) Qeeka Sunjie Home Holding Limited is wholly-owned by Ms. Sun, therefore Ms. Sun is deemed to be interested in the 13,587,610 Shares held by Sunjie Home under the SFO. In addition, Ms. Sun is the spouse of Mr. Deng and is therefore deemed to be interested in the 294,789,530 Shares which are interested by Mr. Deng under the SFO.

- (4) Hua Yuan International Limited is wholly-owned by China-Singapore Suzhou Industrial Park Ventures Co., Ltd., which is wholly-owned by Suzhou Oriza Holdings Co., Ltd., which is owned as to 60% by Suzhou Industrial Park Economic Development Co., Ltd., as to 20% by Suzhou Industrial Park State-owned Assets Holding Development Co., Ltd. and as to 20% by Jiangsu Investment Management Co., Ltd., the first two of which are majority-owned by Suzhou Industrial Park Administrative Committee, the latter is wholly-owned by Jiangsu Guoxin Group Co., Ltd. Under the SFO, China-Singapore Suzhou Industrial Park Ventures Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., Suzhou Industrial Park State-owned Assets Holding Development Co., Ltd., Jiangsu Investment Co., Ltd., Suzhou Industrial Park Administrative Committee and Jiangsu Guoxin Group Co., Ltd. are deemed to be interested in the Shares held by Hua Yuan International Limited.

Report of the Directors

- (5) The general partner of SIP Oriza is SIP Oriza PE Fund Management Co., Ltd., which is owned as to 51% by SIP Oriza Jingfeng Equity Investment Management Co., Ltd. and as to 49% by Suzhou Oriza Holdings Co., Ltd. SIP Oriza Jingfeng Equity Investment Management Co., Ltd. is owned as to 44.19% by Yao Hua. Suzhou Oriza Holdings Co., Ltd. is owned as to 60% by Suzhou Industrial Park Economic Development Co., Ltd., as to 20% by Suzhou Industrial Park State-owned Assets Holding Development Co., Ltd. and as to 20% by Jiangsu Investment Management Co., Ltd., the first two of which are majority owned by Suzhou Industrial Park Administrative Committee, the latter is wholly-owned by Jiangsu Guoxin Group Co., Ltd. Under the SFO, SIP Oriza PE Fund Management Co., Ltd., SIP Oriza Jingfeng Equity Investment Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Yao Hua, Suzhou Industrial Park Economic Development Co., Ltd., Suzhou Industrial Park State-owned Assets Holding Development Co., Ltd., Jiangsu Investment Management Co., Ltd., Suzhou Industrial Park Administrative Committee and Jiangsu Guoxin Group Co., Ltd. are deemed to be interested in the Shares held by SIP Oriza.
- (6) Baidu (Hong Kong) Limited is an investment holding company wholly-owned by Baidu Holdings Limited, which is wholly-owned by Baidu, Inc., a company listed on the Nasdaq Stock Market and Hong Kong Stock Market (NASDAQ: BIDU; HKEX: 9888). Under the SFO, Baidu, Inc. and Baidu Holdings Limited are deemed to be interested in the Shares held by Baidu (Hong Kong) Limited.
- (7) Teng Yue Partners Master Fund, L.P., holds 105,186,500 Shares, which is wholly owned by Teng Yue Partners GP, LLC. Teng Yue Partners GP, LLC. is wholly owned by Teng Yue Partners Holdings GP, LLC, a company which is owned as to 99% by Mr. Li Tao. Teng Yue Partners, L.P. is wholly owned by Teng Yue Partners Holdings, LLC, a company which is owned as to 99% by Mr. Li Tao. Accordingly, based on the above disclosure, Teng Yue Partners Master Fund, L.P., Teng Yue Partners GP, LLC, Teng Yue Partners Holdings GP, LLC, Teng Yue Partners Holdings, LLC, Teng Yue Partners, L.P. and Mr. Li Tao are deemed to be interested in the Shares held by Teng Yue Partners Master Fund, L.P.
- (8) Clinton Global Limited (previously known as Orchid Asia) is owned as to 95% by Orchid Asia VI, L.P., and as to 5% by Orchid Asia V Co-Investment Limited. The general partner of Orchid Asia VI, L.P. is OAVI Holdings, L.P., and the general partner of OAVI Holdings, L.P. is Orchid Asia VI GP, Limited. Orchid Asia VI GP, Limited is wholly owned by Orchid Asia V Group Management, Limited, which is wholly owned by Orchid Asia V Group, Limited. Orchid Asia V Group, Limited is wholly owned by Areo Holdings Limited, a company which is wholly owned by Ms. Lam. Under the SFO, Orchid Asia VI, L.P., OAVI Holdings, L.P., Orchid Asia VI GP, Limited, Orchid Asia V Group Management, Limited, Orchid Asia V Group, Limited, Areo Holdings Limited and Ms. Lam are deemed to be interested in the Shares held by Clinton Global Limited.
- Mr. Gabriel Li is the spouse of Ms. Lam, and is deemed to be interested in the Shares held by Ms. Lam in Clinton Global Limited.
- (9) Suzhou Industrial Park Administrative Committee: formerly named "Suzhou Industrial Zone Management Committee"

DEBENTURE ISSUED

The Company has not issued any debentures during the year ended 31 December 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company did not enter into any equity-linked agreement during the year ended 31 December 2022.

PERMITTED INDEMNITY PROVISION

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

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

Report of the Directors

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE COMPANY

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

PRE-IPO SHARE OPTION SCHEME

A Pre-IPO Share Option Scheme (the “**Scheme**”) was approved and adopted by the Company in 2011 which was formalised in 2018. The purposes of the Scheme are to reward the participants defined thereunder for their past contribution to the success of the Group and to provide incentives to them to further contribute to the Group.

The principal terms of the Scheme are summarised in the section headed “Statutory and General Information – 11. Pre-IPO Share Option Scheme” in Appendix IV to the Company’s Prospectus dated 21 June 2018. The terms of the Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as this Scheme will not involve the grant of options by the Company to subscribe for Shares subsequent to the Listing of the Company.

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

As at 31 December 2022, no outstanding options were exercisable and no further options shall be granted under the Scheme.

2021 RSU SCHEME

Restricted Share Unit Scheme

The post-IPO Restricted Share Unit Scheme (the “**2021 RSU Scheme**”) was approved and adopted by the Board on 15 January 2021 (the “**Adoption Date**”). The RSU Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. The purposes of the 2021 RSU Scheme are to attract, and retain and incentivize the best personnel and senior management of the Group, and to promote the value of the Company by offering these individuals an opportunity to acquire Shares and a proprietary interest in the success of the Company, thereby linking their interests with the Company’s performance.

Persons eligible to receive RSUs under the 2021 RSU Scheme are existing employees, directors or officers of the Company (the “**RSU Eligible Persons**”). Our Board selects the RSU Eligible Persons to receive RSUs under the 2021 RSU Scheme at its discretion.

Subject to any termination as may be determined by the Board pursuant to the terms of the rules of the 2021 RSU Scheme (the “**Rules**”), the 2021 RSU Scheme shall be valid and effective for a period of ten (10) years commencing on the Adoption Date.

No Shares shall be subscribed for and/or purchased pursuant to the 2021 RSU Scheme, nor any amounts paid to the trustee for the administration of the 2021 RSU Scheme (the “**RSU Trustee**”) for the purpose of making such a subscription and/or purchase, if as a result of such subscription and/or purchase, the number of Shares administered under the 2021 RSU Scheme and the Pre-IPO Share Option Scheme shall exceed in total 7.5% of the number of the Company’s shares in issue from time to time (the “**Scheme Limit**”).

A Selected Participant shall not have any contingent interest in the Shares which are referable to him until such RSUs have been vested as Shares in accordance with the Rules. The RSU Trustee shall hold the Shares awarded until they are vested to the relevant Selected Participants in accordance with the terms of the RSUs.

Report of the Directors

The vesting criteria of the RSUs is based on the satisfaction of specified criteria relating generally to the Company and the Selected Participant. The Board may from time to time while the 2021 RSU Scheme is in force determine any other vesting criteria or conditions for the RSUs to be vested or credited.

Details of movements in the RSUs granted under the 2021 RSU Scheme during the year ended 31 December 2022 are as follows:

Grantee	Date of grant	Balance as at 01/01/2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Balance as at 31/12/2022	Vesting period of RSUs
Employee								
Employee (in aggregate) ⁽¹⁾	19/03/2021	20,722,500		358,086	-	13,558,039	6,806,375	by 2026 ⁽¹⁾
Employee (in aggregate) ⁽²⁾	14/12/2021	4,243,424		4,243,424	-	-	-	
Director								
GAO Wei ⁽²⁾	14/12/2021	2,993,797		2,993,797	-	-	-	
Total		27,959,721		7,595,307	-	13,558,039	6,806,375	

Notes:

(1) The details as disclosed in announcement issued by the Company dated 22 March 2021.

(2) The details as disclosed in announcement issued by the Company dated 14 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

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

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

During the year ended 31 December 2022, the Company repurchased a total of 8,827,000 shares on the Stock Exchange at an aggregate consideration (excluding transaction cost) of approximately HKD6.1 million. The highest price paid was HKD0.79, and the lowest price paid was HKD0.40.

Particulars of the repurchases made by the Company during the year ended 31 December 2022 are as follows:

Trading Month	Number of Shares Repurchased	Highest Price Paid HK\$	Lowest Price Paid HK\$	Total Paid HK\$
January 2022	8,167,000	0.79	0.62	5,873,324
April 2022	660,000	0.42	0.40	276,480
Total	8,827,000			6,149,804

Notes:

1. The total of shares repurchased is paid without transaction fee.

Report of the Directors

The 222,500 Shares repurchased in 2021 and 8,827,000 Shares repurchased in 2022 were cancelled on 28 June 2022.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities during the Reporting Period and up to the date of this announcement.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

EMPLOYEES, REMUNERATION AND PENSION SCHEME

As at 31 December 2022, the Group had 910 full-time employees¹ (2021: 917) in China. The Group remunerates the employees based on their performance, work experience and market rates. In addition, performance bonus is granted on a discretionary basis. Other employees benefits include provision fund, insurance and medical coverage. The Company has adopted the Pre-IPO Share Option Scheme, see the section headed "Pre-IPO Share Option Scheme" for details.

Pursuant to the 2021 RSU Scheme which was adopted on 15 January 2021 and the grant of restricted share units ("**RSUs**") as disclosed in the announcement dated 22 March 2021, Tricor Trust (Hong Kong) Limited was appointed as the RSU Trustee. Until the year ended 31 December 2022, the RSU Trustee purchased an aggregate of 31,642,000 shares at a total cash consideration of approximately HK\$63.2 million on-market to hold on trust for the benefit of the participants of the 2021 RSU Scheme (the "**RSU Participants**"). Such shares will be used as awards for relevant RSU Participants upon the grant and vesting of RSUs. As of 31 December 2022, RSUs in respect of an aggregate of 6,806,375 shares (representing

Note:

1. The number of employees is based on the average number for the whole year of 2022.

approximately 0.6% of the total issued share capital of the Company as at the date of this announcement) granted by the Company under the 2021 RSU Scheme remained outstanding. Further details of the 2021 RSU Scheme, together with, among others, the RSUs granted under the 2021 RSU Scheme, are set out in the section headed "2021 RSU SCHEME" above.

Remuneration of the Directors is determined based on their roles and duties and with reference to the Company's remuneration policy and the prevailing market conditions. Details of remuneration of Directors and the five highest paid individuals of the Company for the year ended 31 December 2022 are set out in note 35 to the consolidated financial statements.

The Company participates in the national pension plans as defined by the laws of the PRC in which it has operations. Subsidiaries within the Group which are established and operate in China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC (the "**PRC Pension Plan**"), whereby the Company is required to make contributions to the PRC Pension Plan based on certain percentages of the eligible employees' salaries. The Company's contributions to the PRC Pension Plan are vested fully with the employees upon the contributions are made and hence no forfeited contributions arise when the employees leave the respective plan. Accordingly, no forfeited contribution was utilised during the year ended 31 December 2022, and as at 31 December 2022, there was no forfeited contribution available which may be used to reduce the Group's existing level of contributions to the retirement benefit plans (2021: nil).

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current period's presentation. The new classification of the accounting items are considered to provide a more appropriate presentation of the state of affairs of the Group and provide more relevant information to reflect the Group's nature of assets, liabilities, income and expenses.

Report of the Directors

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the principles and code provisions of the CG Code as set out in part 2 of Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices during the Reporting Period.

Save for code provision C.2.1, the Company has complied with all the code provisions as set out in the CG Code during the Reporting Period.

Pursuant to code provision C.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 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 THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the conclusion of the forthcoming AGM.

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

CONTINUING CONNECTED TRANSACTIONS

Connected Person

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

CONNECTED TRANSACTION

During the year ended 31 December 2022, save as disclosed in this annual report, no related party transaction disclosed in Note 31 to the consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules for which disclosure is required.

Report of the Directors

Continuing Connected Transactions

Referral Services Agreement

On 31 December 2021, Beijing Brausen, a wholly owned subsidiary of the Company, entered into the Existing Brausen Referral Services Agreement with Shanghai Qijia E-Commerce, pursuant to which Shanghai Qijia E-Commerce will work with certain construction materials and household products suppliers, to sell customized construction materials and furniture packages to end-clients introduced by Beijing Brausen. In return for the referral services provided by Beijing Brausen, Shanghai Qijia E-Commerce will pay commission to Beijing Brausen. The Brausen Referral Services Agreement was initially effective from 1 January 2021 to 31 December 2022. On 4 January 2023, Shanghai Brausen, a wholly owned subsidiary of the Company, entered into the Renewed Brausen Referral Services Agreement with Shanghai Qijia, in order to continue with the transactions between Beijing Brausen and Shanghai Qijia under the Existing Brausen Referral Services Agreement after its expiry on 31 December 2022.

Amounts receivable by Beijing Brausen under the Brausen Referral Services Agreement for the year ending 31 December 2022 is subject to a cap of RMB4,000,000. The actual commission received by Beijing Brausen under the Brausen Referral Services Agreement was RMB1.5 million for the year ended 31 December 2022. The commissions receivable by Shanghai Brausen under the Renewed Brausen Referral Services Agreement for the year ending 31 December 2023 is subject to a cap of RMB3,000,000.

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

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

Non-Exempt Continuing Connected Transactions – Contractual Arrangements

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

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

We do not hold any equity interests in Shanghai Qijia. Rather, through the Contractual Arrangements, we effectively control Shanghai Qijia and its subsidiary, Shanghai Qiyi, and are able to derive all of their economic benefits, and expect to continue to do so. The aggregate revenue and net assets value of the Shanghai Qijia and its subsidiary, Shanghai Qiyi that are subject to the Contractual Arrangements amounted to approximately RMB474.5 million for the year ended 31 December 2022 and approximately RMB309.0 million as at 31 December 2022 respectively.

Report of the Directors

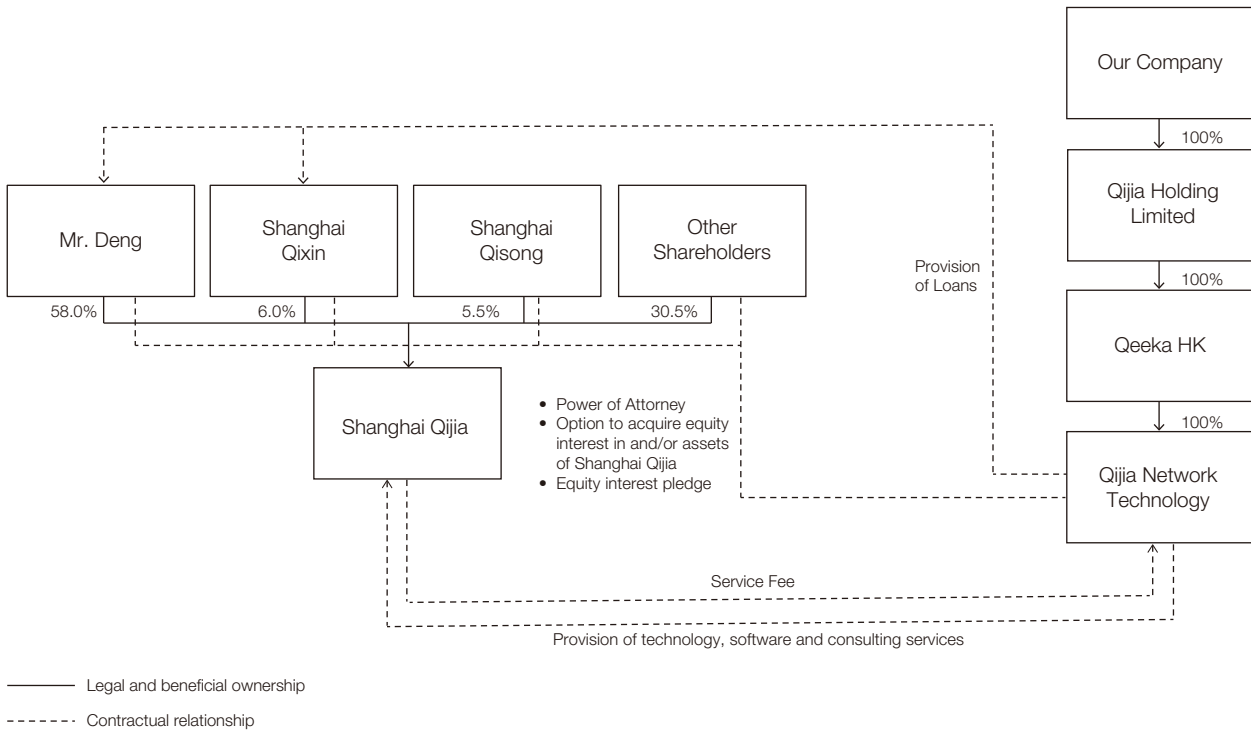
To comply with PRC laws and regulations, the Group conduct substantially all of the online interior design and construction platform business and provision of internet information services in China through of the Contractual Arrangements, which enable the Group to (i) have the power to direct the activities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

On 27 December 2019, pursuant to an equity transfer agreement entered into between Suzhou Kunrong Venture Capital Co., Ltd. ("**Suzhou Kunrong**") and Suzhou Dingrong Investment Management Co., Ltd. ("**Suzhou Dingrong**"), Suzhou Kunrong transferred its 0.88% equity interest in Shanghai Qijia to Suzhou Dingrong. Pursuant to a succession agreement entered into on the same day amongst Shanghai Qijia, Qijia Network Technology, Suzhou Kunrong, Suzhou Dingrong, Mr. Deng, Shanghai Qisong Investment Management Co., Ltd., Shanghai Qixin Venture Capital Center (Limited Partnership), Cowin Venture Capital Co., Ltd., Horgo Kaifeng Jinqu Venture Capital Co., Ltd. (previously named as Suzhou Kaifeng Jinqu Venture Capital Co., Ltd.), GF Xinde Investment Management Co., Ltd. ("**GF Xinde**") and Beijing Baidu Netcom Science Technology Co., Ltd., Suzhou Dingrong assumed all the rights and obligations of Suzhou Kunrong under the Contractual Arrangements while Suzhou Kunrong remained jointly liable for such obligations arising from the Contractual Arrangements. Suzhou Kunrong is an indirect wholly-owned subsidiary of Suzhou Dingrong, and therefore the Directors (including the independent non-executive Directors) are of the view that the transfer of equity between Suzhou Kunrong and Suzhou Dingrong does not constitute any material change to the Contractual Arrangements.

On 30 August 2021, pursuant to an equity transfer agreement entered into between GF Xinde and Mr. Deng, GF Xinde transferred its 3.51% equity interest in Shanghai Qijia to Mr. Deng. Pursuant to a succession agreement (the "**Succession Agreement**") entered into on the same day amongst Shanghai Qijia, Qijia Network Technology and each of the shareholders of Shanghai Qijia, namely Mr. Deng, Shanghai Qixin Venture Capital Center (Limited Partnership), Shanghai Qisong Investment Management Co., Ltd., Beijing Baidu Netcom Science Technology Co., Ltd., Cowin Venture Capital Co., Ltd., Tibet Cowin Jinqu Venture Capital Co., Ltd. (previously named as Horgo Kaifeng Jinqu Venture Capital Co., Ltd.), Suzhou Dingrong Investment Co., Ltd. and GF Xinde, Mr. Deng assumed all the rights and obligations of GF Xinde under the Contractual Arrangements. As Mr. Deng, an existing controlling shareholder of Shanghai Qijia, has assumed all the rights and obligations of GF Xinde pursuant to the Succession Agreement and the rights and obligations of all shareholders of Shanghai Qijia remain unchanged, the Directors (including the independent non-executive Directors) are of the view that the transfer of equity between GF Xinde and Mr. Deng does not constitute any material change to the Contractual Arrangements. As of 31 December 2022, GF Xinde has completed release of the equity pledge, and Mr. Deng has completed registration of the new part of the equity pledge.

Report of the Directors

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



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

Exclusive Technological Services Agreement

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

Under the Exclusive Technological Services Agreement, the service fee shall consist of (a) an amount to be determined by Qijia Network Technology and Shanghai Qijia in writing through negotiation, considering factors such as: (i) the complexity of the services; (ii) the seniority of and the time spent by employees of Qijia Network Technology on providing the services; (iii) the content and value of the services; (iv) the market price of similar types of services; (v) the operating conditions of Shanghai Qijia;

and (vi) necessary costs, expenses, taxes and statutory reserves or retaining funds and (b) an amount equivalent to the depreciation costs of the equipments actually used by Shanghai Qijia to be calculated based on the value of the equipments and the depreciable life.

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

Exclusive Option Agreement

Shanghai Qijia and each of the Relevant Shareholders entered into an exclusive option agreement with Qijia Network Technology on 26 February 2018 (the “**Exclusive Option Agreement**”), pursuant to which the Relevant Shareholders granted Qijia Network Technology an irrevocable and exclusive right to purchase, or designate one or more persons or entities (each, a “**designee**”)

Report of the Directors

to purchase the equity interests in Shanghai Qijia (the “**Optioned Interest**”) then held by the Relevant Shareholders once or at multiple times at any time in part or in whole at Qijia Network Technology’s sole and absolute discretion to the extent permitted under the applicable PRC laws. Where Qijia Network Technology chooses to purchase the Optioned Interest, the Relevant Shareholders shall cause Shanghai Qijia to promptly convene a shareholders’ meeting, at which a resolution shall be adopted approving the Relevant Shareholder’s transfer of the Optioned Interests to Qijia Network Technology and/or its designee.

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

Equity Pledge Agreements

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

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

Powers of Attorney

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

Report of the Directors

Loans Agreement

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

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

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

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

Reasons for adopting the Contractual Arrangements

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

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to the Group’s legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of the PRC Operating Entities and any member of the Group (the “**New Intergroup Agreements**” and each of them, a “**New Intergroup Agreement**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that the Group is placed in a special position in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the reporting, annual review, announcement and the independent

Report of the Directors

Shareholders' approval requirements. In view of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, and (ii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject to the conditions as set out in the Prospectus.

Risks Relating to the Contractual Arrangements

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

- If the PRC government finds that the agreements establishing the structure for operating the businesses of the Group in China do not comply with applicable PRC laws and regulations, or should these regulations or the interpretations change, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of its interests in the Operating Entities.
- The Group relies on Contractual Arrangements for its business operations in China, which may not be as effective in providing operational control or enabling the Group to derive economic benefits as through direct ownership of controlling equity interest. The Operating Entities or the Registered Shareholders may fail to perform their obligations under the Contractual Arrangements, which could adversely affect the results of operations and financial condition of the Group.
- The Group may cease to benefit from assets and licenses held by the Operating Entities that are critical to the operation of its business if the Operating Entities were to declare bankruptcy or become subject to a dissolution or liquidation proceeding.
- The Registered Shareholders may potentially have a conflict of interest with the Group, and they may breach or attempt to amend their contracts with the Group in a manner contrary to the interests of the Group.
- The Contractual Arrangements with the PRC Operating Entities may result in adverse tax consequences to the Group.
- Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the Draft PRC Foreign Investment Law and how it may impact the viability of the current corporate structure, corporate governance and business operations of the Group.
- If the Group exercises the option to acquire the equity ownership and assets of the PRC Operating Entities, the ownership or asset transfer may subject the Group to certain limitations and substantial costs.

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

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

- major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- the Company will disclose the overall performance and compliance with the Contractual Arrangements in annual reports; and
- the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board with reviewing the implementation of the Contractual Arrangements, and review the legal compliance of the WFOE and the Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Report of the Directors

Listing Rules Implications and Waivers from the Stock Exchange

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

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

- (a) No change to the Contractual Arrangements (including with respect to any fees payable to the Shanghai Qijia) will be made without the approval of the independent non-executive Directors.
- (b) Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval.
- (c) The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the PRC Operating Entities through (i) the Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets at a consideration which shall be the higher of (A) a nominal price or (B) the lowest price as permitted and applicable under PRC laws, (ii) the business structure under which the profit generated by the PRC Operating Entities is retained by the Group (after deduction of any accumulated deficit of the Operating Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions), such that no annual cap shall be set on the amount of service fees payable to the WFOE by the Operating Entities under the Exclusive Business Cooperation Agreement, and (iii) the Group's right to control the management and operation of, as well as the substance of, all of the voting rights of the Operating Entities.

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

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

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

- (a) the transactions carried out during the Reporting Period had been entered into accordance with the relevant provisions of the Contractual Arrangements;
- (b) no dividends or other distributions had been made by the Operating Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group;
- (c) other than the Succession Agreement described before, no new contracts had been entered into, renewed and/or reproduced between the Group and the Operating Entities during the Reporting Period; and
- (d) the Contractual Arrangements had been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable in the interest of the Group and the Shareholders as a whole.

Report of the Directors

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

SIGNIFICANT LEGAL PROCEEDINGS

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

TAX ALLOWANCES

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, the Company has not made any changes to Memorandum and Articles of Association of the Company.

SUBSEQUENT EVENTS

Except for the event described in Note 20(a) to the consolidated financial statements, there were no other material subsequent events during the period from 31 December 2022 to the approval date of these financial statements by the Board of Directors on 27 March 2023.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has allocated system and staff resources to ensure ongoing compliance with rules and regulations and to maintain well relationships with regulators effectively through effective communications. During the year ended 31 December 2022, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of principal risks and uncertainties that the Group may be facing can be found in the sections headed “Report of Directors – Risks relating to the Contractual Arrangement” on page 75 of this annual report.

RELATIONSHIP WITH STAKEHOLDERS

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

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

Report of the Directors

For details of the Group's relationship with stakeholders, please refer to the annual environmental, social and governance report of the Group, which is set out in the "Environmental, Social and Governance Report" on pages 37 to 57 of this annual report.

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

DENG Huajin
Chairman and Chief Executive Officer

Shanghai, the PRC
27 March 2023

Independent Auditor's Report



羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Qeeka Home (Cayman) Inc. (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 86 to 172, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanation information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

*PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Independent Auditor's Report

KEY AUDIT MATTERS

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

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

- Expected credit losses of trade receivables and contract assets
- Impairment assessment of investments accounted for using the equity method

Key Audit Matter

How our audit addressed the Key Audit Matter

Expected credit losses of trade receivables and contract assets

Refer to Note 3.1.2(a), Note 4(b), Note 20 to the consolidated financial statements. As at 31 December 2022, the carrying amounts of trade receivables and contract assets amounted to RMB93,124,000 and RMB191,556,000, respectively, with loss allowances amounted to RMB16,725,000 and RMB13,991,000, respectively.

Provision for credit loss allowance of trade receivables and contract assets was made based on an assessment of the lifetime expected credit losses. For trade receivables and contract assets which have impaired, the Group assessed individually and provided for credit losses allowance. For the remaining balance, the trade receivables and contract assets were grouped based on shared credit risk characteristics and the days past due, and assessed collectively for credit losses allowance. When measuring expected credit loss, the Group considers its own credit loss incurred in past history, existing market conditions as well as forward looking estimates at the end of each reporting period. In assessing forward-looking information, the Group considers factors including economic policies, macroeconomic indicators and industry risks.

Our procedures in relation to the expected credit losses of trade receivables and contract assets included:

- We obtained an understanding of management's internal control and assessment process of expected credit losses of trade receivables and contract assets, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- We evaluated and tested the relevant controls in place on management's assessment on the expected credit losses of trade receivables and contract assets;
- For trade receivables and contract assets assessed individually, on a sample basis, we reviewed management's assessment of financial position and creditworthiness of customers, historical payment and settlement records and forecasted future economic conditions;

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Expected credit losses of trade receivables and contract assets (continued)</i></p> <p>Based on the impairment assessment, provision of impairment of trade receivables and contract assets amounting to RMB8,438,000 and RMB5,168,000 were charged to consolidated income statement for the year ended 31 December 2022 respectively.</p> <p>We focused on auditing the expected credit losses of trade receivables and contract assets because the judgement and estimation of expected credit losses is subject to high degree of estimation uncertainty. The inherent risk in relation to the expected credit losses of trade receivables and contract assets is considered significant due to the subjectivity of significant assumptions and estimates used. Therefore, we identified the expected credit losses of trade receivables and contract assets as a key audit matter.</p>	<ul style="list-style-type: none"> <li data-bbox="829 646 1447 840">– We also corroborated management's assessment against available evidence, including searching for customers' background, historical transactions with the Group, respective collection and settlement pattern, to assess the reasonableness of expected credit loss allowance provided by management; and <li data-bbox="829 862 1447 1358">– For trade receivables and contract assets collectively assessed based on shared credit risk characteristics and the days past due, we assessed the reasonableness of the grouping and the respective expected credit loss based on the historical credit loss incurred including the historical payment and settlement pattern of debtors, age profile of trade receivables and contract assets, current conditions and forward looking factors. We recalculated the historical default rate, evaluated the basis of determining forward-looking adjustment, and tested the accuracy of the age of the trade receivables and contract assets on a sample basis, and assessed the mathematical accuracy of calculation of the expected credit loss allowance. <p>Based on our work, we considered that the significant judgements and estimates made by management in relation to the expected credit losses of trade receivables and contract assets were supportable by the evidence obtained and procedures performed.</p>

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment of investments accounted for using the equity method

Refer to Notes 4(a) and 16 to the consolidated financial statements relating to estimation of impairment provision for investments accounted for using the equity method. As at 31 December 2022, the costs of investments accounted for using the equity method amounted to RMB293,431,000 and the provision of impairment losses amounted to RMB60,329,000.

Investments accounted for using the equity method are tested for impairment at each reporting date if impairment indicators are noted. In carrying out the impairment tests, significant judgements and estimates were adopted by the Group's management in estimating the recoverable amount of these investments based on value-in-use model. Management reviewed and ensured the reasonableness of these key assumptions such as revenue growth rates, long-term growth rates and the discount rates. The management also engaged independent valuer to assist in the impairment test for Group's significant investments.

Based on the results of impairment test, provision of impairment losses amounting to RMB49,151,000 were charged to consolidated income statement for the year ended 31 December 2022.

Our procedures in relation to the impairment assessment of investments accounted for using the equity method included:

- We obtained an understanding of the management's internal control and process of impairment assessment and evaluated the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- We evaluated and tested the key controls over the impairment assessment for investments accounted for using the equity method conducted by management;
- We understood, evaluated and validated the Group management's assessments on the reasonableness of the future cash flow projections;
- We evaluated the outcome of prior period's impairment assessment of investments accounted for using the equity method to assess the effectiveness of management's estimation process;
- We evaluated the external valuer's competence, capabilities and objectivity;
- We involved our internal valuation expert to assess the appropriateness of valuation model adopted;
- We tested the data inputs used in the impairment assessments to respective supporting evidence such as business plan and other sources;

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessment of investments accounted for using the equity method (continued)</i></p> <p>We focused on auditing the impairment assessment of investments accounted for using the equity method because the investment balances are significant and the estimation of recoverable amounts are subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment is considered significant due to the model adopted, inputs and assumptions used involved significant management judgements and estimations, which could give a material impact to the outcome.</p>	<ul style="list-style-type: none"> – We assessed the reasonableness of those key assumptions adopted in determining the recoverable amounts such as revenue growth rates and long-term growth rates by comparing them to historical results of the investees and market available economic and industry forecasts. We also involved our internal valuation expert in assessing the discount rates adopted in the assessments by making reference to relevant market data of capital of comparable companies; and – We reviewed the sensitivity analyses performed by the independent valuer on the key assumptions to ascertain that the selected adverse changes of key assumptions would not cause significant impairment losses. <p>Based on the procedures performed, we considered that the risk assessment of impairment assessments remained appropriate and the valuation model adopted and the assumptions used by management in relation to these impairment assessments to be supportable by the available evidence we obtained.</p>

OTHER INFORMATION

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2023

Consolidated Income Statement

For the year ended 31 December 2022

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	5	875,735	1,106,540
Cost of sales	6	(401,804)	(513,117)
Gross profit		473,931	593,423
Selling and marketing expenses	6	(434,243)	(492,898)
Administrative expenses	6	(87,683)	(96,367)
Research and development expenses	6	(43,557)	(43,140)
Net impairment losses on financial assets	20(d)	(15,743)	(14,279)
Other (losses)/gains – net	8	(51,396)	117,086
Operating (loss)/profit		(158,691)	63,825
Finance income	9	21,133	13,062
Finance costs	9	(2,609)	(2,758)
Finance income – net	9	18,524	10,304
Share of results of investments accounted for using the equity method	16	3,694	6,820
(Loss)/profit before income tax		(136,473)	80,949
Income tax expenses	10	(3,793)	(9,658)
(Loss)/profit for the year		(140,266)	71,291
(Loss)/profit attributable to:			
Equity holders of the Company		(126,044)	74,054
Non-controlling interests		(14,222)	(2,763)
		(140,266)	71,291
(Losses)/earnings per share for profit attributable to equity holders of the Company			
Basic (losses)/earnings per share (RMB)	11	(0.1125)	0.0648
Diluted (losses)/earnings per share (RMB)	11	(0.1125)	0.0641

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
(Loss)/profit for the year		(140,266)	71,291
Other comprehensive income/(loss) 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	16,24	(1,060)	(731)
Exchange differences on translation of foreign operations		74	(12,659)
		(986)	(13,390)
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		41,528	–
Changes in the fair value of equity investments at fair value through other comprehensive income	17,24	(16,108)	(15,270)
		25,420	(15,270)
Total other comprehensive income/(loss) for the year, net of tax		24,434	(28,660)
Total comprehensive (loss)/income for the year		(115,832)	42,631
Total comprehensive (loss)/income for the year is attributable to:			
Equity holders of the Company		(101,610)	45,394
Non-controlling interests		(14,222)	(2,763)
		(115,832)	42,631

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

Consolidated Balance Sheet

As at 31 December 2022

		As at 31 December	
	Note	2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12(a)	23,472	27,828
Right-of-use assets	12(b)	27,731	36,156
Intangible assets	13	2,862	4,416
Goodwill	14	7,796	7,796
Deferred tax assets	15	6,768	10,786
Investments accounted for using the equity method	16	233,102	280,069
Financial assets at fair value through other comprehensive income ("FVOCI")	17	34,926	48,388
Other receivables	20	–	5,000
Financial assets at fair value through profit or loss ("FVPL")	21	4,451	5,000
Term deposits	22	103,493	–
Total non-current assets		444,601	425,439
Current assets			
Inventories	18	2,635	2,996
Trade and other receivables and prepayments to suppliers	20	184,528	331,644
Amounts due from related parties	31(c)	1,339	1,069
Contract assets	20	177,565	159,472
Financial assets at fair value through profit or loss ("FVPL")	21	66,761	634,343
Term deposits	22	466,030	–
Restricted cash	22	23,474	21,734
Cash and cash equivalents	22	445,429	548,017
Total current assets		1,367,761	1,699,275
Total assets		1,812,362	2,124,714
EQUITY			
Share capital	23	761	767
Share premium	23	2,254,288	2,262,955
Other reserves	24	(241,275)	(252,209)
Treasury shares	23(a)	(35,987)	(46,420)
Accumulated losses		(794,012)	(667,969)
Equity attributable to equity holders of the Company		1,183,775	1,297,124
Non-controlling interests		(13,242)	(11,681)
Total equity		1,170,533	1,285,443

Consolidated Balance Sheet

As at 31 December 2022

	Note	As at 31 December	
		2022	2021
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	15	–	457
Lease liabilities	12(b)	15,438	21,501
Total non-current liabilities		15,438	21,958
Current liabilities			
Short-term borrowings	27	38,044	16,280
Trade and other payables	28	429,751	608,841
Contract liabilities	28	89,597	126,856
Amounts due to related parties	31(c)	56	–
Lease liabilities	12(b)	21,597	18,174
Income tax liabilities		47,346	47,162
Total current liabilities		626,391	817,313
Total liabilities		641,829	839,271
Total equity and liabilities		1,812,362	2,124,714

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

The consolidated financial statements on pages 86 to 172 were approved by the Board of Directors on 27 March 2023 and were signed on its behalf.

Deng Huajin
Director

Tian Yuan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Attributable to the equity holders of the Company					Non-controlling interests	Total
		Share capital	Share Premium	Other reserves	Treasury shares	Accumulated losses		
		RMB'000	RMB'000	(Note 24) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021		781	2,300,250	(217,608)	(28,468)	(742,458)	(18,262)	1,294,235
Profit/(loss) for the year		-	-	-	-	74,054	(2,763)	71,291
Other comprehensive loss		-	-	(28,660)	-	-	-	(28,660)
Total comprehensive income		-	-	(28,660)	-	74,054	(2,763)	42,631
Transaction with owners:								
- Repurchase and cancellation of shares		(14)	(37,647)	-	(24,269)	-	-	(61,930)
- Share-based compensation under Employee Stock Ownership Plans (ESOP)		-	-	1,571	-	-	-	1,571
- Share-based compensation under Restricted Stock Units (RSUs)	25	-	-	10,853	-	-	-	10,853
- Issue of shares under RSU scheme		-	352	(6,669)	6,317	-	-	-
- Capital contribution from non-controlling shareholders		-	-	-	-	-	3,971	3,971
- Liquidation of subsidiaries with minority interests and transaction with non-controlling interests	36(a)(ii)	-	-	(11,261)	-	-	4,261	(7,000)
- Disposal of subsidiaries		-	-	(435)	-	435	1,112	1,112
At 31 December 2021		767	2,262,955	(252,209)	(46,420)	(667,969)	(11,681)	1,285,443

	Note	Attributable to the equity holders of the Company					Non-controlling interests	Total
		Share capital	Share Premium	Other reserves	Treasury shares	Accumulated losses		
		(Note 23) RMB'000	(Note 23) RMB'000	(Note 24) RMB'000	(Note 23(a)) RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022		767	2,262,955	(252,209)	(46,420)	(667,969)	(11,681)	1,285,443
Loss for the year		-	-	-	-	(126,044)	(14,222)	(140,266)
Other comprehensive income		-	-	24,434	-	-	-	24,434
Total comprehensive loss		-	-	24,434	-	(126,044)	(14,222)	(115,832)
Transaction with owners:								
- Repurchase and cancellation of shares	23	(6)	(5,249)	-	185	-	-	(5,070)
- Share-based compensation under Restricted Stock Units (RSUs)	25	-	-	3,945	-	-	-	3,945
- Issue of shares under RSU scheme	23,24	-	(3,418)	(7,713)	10,248	-	-	(883)
- Capital contribution from non-controlling shareholders	36(a)(i)	-	-	-	-	-	3,235	3,235
- Liquidation of subsidiaries with minority interests and transaction with non-controlling interests	36(a)(ii)	-	-	(9,732)	-	1	9,426	(305)
At 31 December 2022		761	2,254,288	(241,275)	(35,987)	(794,012)	(13,242)	1,170,533

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash used in operations	29(a)	(232,806)	(202,048)
Interest received		7,145	12,067
Income tax paid		(48)	(589)
Net cash used in operating activities		(225,709)	(190,570)
Cash flows from investing activities			
Purchase of property, plant and equipment	12(a)	(4,815)	(19,470)
Proceeds from disposal of property, plant and equipment	29(b)	150	580
Disposal of right-of-use assets	12(b)	–	(353)
Purchase of intangible assets	13	(1,272)	(1,120)
Net (increase)/decrease in term deposits		(554,844)	9,787
Interest received on term deposits		3,382	995
Purchase of financial assets at FVPL		(606,701)	(1,137,485)
Dividends received from financial assets at FVPL	8	108	181
Proceeds from disposal of financial assets at FVPL		1,165,156	763,923
Disposal of investment in an associate	16(a)	139	–
Disposal of subsidiaries, net of cash disposed	29(c)	137,184	300,751
Liquidation of subsidiaries with minority interests and transaction with non-controlling interests	36(a)(ii)	(305)	(7,000)
Loans provided to a third party	20(a)	(50,000)	–
Interest received from loans		4,849	–
Loan guarantee deposits received from a third party	20(a)	4,000	–
Repayments of loans from third parties		650	–
Loans provided to a related party	31(b)	(250)	(10)
Repayments of amounts from a related party	31(b)	–	3,273
Net decrease in amounts held for securities trading purposes		–	3,574
Net cash generated from/(used in) investing activities		97,431	(82,374)
Cash flows from financing activities			
Proceeds from borrowings	27(a)	38,000	79,280
Interest paid for borrowings		(974)	(1,399)
Repayments of borrowings	27(a)	(15,000)	(70,000)
Cash paid for repurchase of treasury shares	23(a)	(5,070)	(61,930)
Cash paid for issue of shares under RSU scheme		(883)	–
Payment for lease liabilities (including interest component)	29(e)	(11,105)	(15,324)
Cash received from capital contributions in subsidiaries from non-controlling shareholders	36(a)(i)	3,235	3,971
Loans from a related party	31(b)	249	–
Repayment of loans from a related party	31(b)	(249)	–
Net cash generated from/(used in) financing activities		8,203	(65,402)
Net decrease in cash and cash equivalents		(120,075)	(338,346)
Effect on exchange rate difference	29(e)	17,487	(10,991)
Cash and cash equivalents at the beginning of the year	22	548,017	897,354
Cash and cash equivalents at the end of the year	22	445,429	548,017

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 2022

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 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, 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 SaaS based total marketing solution, targeted marketing services, inspection service and others (“SaaS and marketing service”); (ii) the provision of building and home decoration materials supply chain services (“Supply chain service”); (iii) the provision of interior design and construction service (“Interior design and construction”); and (iv) the provision of other initiative services (“Innovation and others”). 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 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(iii) Amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

- Reference to the Conceptual Framework – Amendments to IFRS 3,
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37,
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16,
- Annual Improvements to IFRS Standards 2018-2020, and
- Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16 (March 2021) (the “IFRS 16 Amendment (March 2021)”)

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2022 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Leases on sale and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the related impact of the above standards and amendments to standards which are relevant to the Group’s operation. There are no other standards that are not yet effective and that are expected to have a material impact on the Group’s financial performance and position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated income statements.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associates

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

2.4 Equity method

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

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

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

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

2.5 Changes in ownership interests

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Segment reporting

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

2.7 Foreign currency translation

2.7.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is US Dollar ("USD"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB.

2.7.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

2.7.3 Group companies

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statements are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income/(loss).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

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

2.9 Intangible assets

2.9.1 Goodwill

Goodwill is measured as described in Note 2.2.1(b). Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Intangible assets (continued)

2.9.2 Trademarks and licenses

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

2.9.3 Domain names

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

2.9.4 Software

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

2.9.5 Amortisation methods and periods

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

Trademarks and licenses	5 to 10 years
Domain names	10 years
Software	3 to 5 years

2.10 Research and development

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

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of non-financial assets

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

2.12 Investments and other financial assets

2.12.1 Classification

The Group classifies its financial assets in the following measurement categories:

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

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

2.12.2 Recognition and derecognition

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Investments and other financial assets (continued)

2.12.3 Measurement

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

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

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains-net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains-net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains-net and impairment expenses are presented as separate line item in the consolidated income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains-net in the period in which it arises.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Investments and other financial assets (continued)

2.12.3 Measurement (continued)

Equity instruments

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

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

2.12.4 Impairment

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

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

2.13 Inventories

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

2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods and services sold in the ordinary course of business.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Cash and cash equivalents

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

2.16 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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

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

2.17 Trade and other payables

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

2.18 Borrowings

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

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

2.19 Borrowing costs

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Current and deferred income tax

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

2.20.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2.20.2 Deferred income tax

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits

2.21.1 Pension obligations

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

The Group also participates in a pension scheme under the rules and regulations of Mandatory Provident Fund Scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the MPF Scheme vest immediately.

There were no forfeited contributions (by employers on behalf of employees who leave the defined contribution retirement benefit plans prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

2.21.2 Housing funds, medical insurances and other social insurances

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

2.21.3 Short-term obligations

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

2.21.4 Employee leave entitlement

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits (continued)

2.21.5 Bonus plan

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

2.22 Share-based payment

Share-based compensation benefits are provided to employees via the 2021 RSU Scheme. Information relating to this scheme is set out in Note 25. The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions,
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the Group over a specified time period), and
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

2.23 Provisions

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Revenue recognition

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

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

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

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

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

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Revenue recognition (continued)

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

(a) SaaS and marketing service

The Group provides SaaS and targeted marketing services, mainly including SaaS, targeted marketing services and inspection service to the merchants.

(i) SaaS

Software as a service ("SaaS") allows users to connect to and use cloud-based apps over the Internet. The Group provides SaaS based total marketing solution to merchants. The solution includes budget planning and executing, online market place, sales leads process management, customer engagement and feedback, and performance monitoring and analytics tools. The Group charges the merchants a basic subscription fee for using the total marketing solution. Marketing solution service revenues are recognised based on straight-line method during the service period as specified in the contracts.

(ii) Targeted marketing service

The Group provide Internet Data Center ("IDC") service providers with professional marketing solution to address each IDC service provider's demand of customer acquisition, the Group charges the IDC service provider for a fixed fee for each order recommended, which is the result of the Group accurate matching by targeted marketing solution. Revenue from targeted marketing service is recognised upon completion of the acceptance of the order recommendation by the IDC service provider.

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

(iii) Inspection service

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

(b) Supply chain service

Supply chain service mainly include the sales of building materials. Sales of building materials are recognised when the customers have accepted the products. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Revenue recognition (continued)

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

(c) Interior design and construction

The Group provides interior design and construction services, mainly including decoration services. For revenue from decoration contracts, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, and the Group has an enforceable right to payment from the customers for performance completed to date, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract as a percentage of total decoration services to be provided for each contract.

2.24.2 Practical expedients and exemptions

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

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

2.25 Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

2.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Leases (continued)

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Leases (continued)

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

2.27 Dividend distribution

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

2.28 Government grants

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

2.29 Interest income

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3.1.1 Market risk

(a) Foreign exchange risk

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

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

(b) Cash flow and fair value interest rate risk

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

3.1.2 Credit risk

Risk Management

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

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

The Group has policies in place to ensure that trade receivables and contract assets with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. For other receivables and amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Group believe that there is no material credit risk inherent in the Group's outstanding balance of amounts due from related parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

Impairment

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

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

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

(a) *Trade receivables and contract assets*

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates of trade receivables and contract assets are based on the payment profiles of sales over a period of 36 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

Impairment (continued)

(a) Trade receivables and contract assets (continued)

On that basis, the loss allowance as at 31 December 2022 and 2021 was determined as follows for both trade receivables and contract assets:

	Current RMB'000	Overdue			Total RMB'000
		Within 1 year RMB'000	Over 1 year and within 2 years RMB'000	Over 2 years RMB'000	
31 December 2022					
Collectively assessed					
Expected loss rate	1.43%	2.32%	30.77%	85.73%	3.51%
Gross carrying amount					
– trade receivables	15,168	52,657	3,575	4,206	75,606
Gross carrying amount					
– contract assets	167,251	–	–	–	167,251
Loss allowance	2,608	1,220	1,100	3,606	8,534
Individually assessed					
Expected loss rate					53.04%
Gross carrying amount					
– trade receivables					17,518
Gross carrying amount					
– contract assets					24,305
Loss allowance					22,182
Total loss allowance					30,716

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

Impairment (continued)

(a) Trade receivables and contract assets (continued)

	Current RMB'000	Overdue			Total RMB'000
		Within 1 year RMB'000	Over 1 year and within 2 years RMB'000	Over 2 years RMB'000	
31 December 2021					
Collectively assessed					
Expected loss rate	0.98%	1.52%	7.14%	18.86%	1.35%
Gross carrying amount					
– trade receivables	54,038	59,777	6,775	1,373	121,963
Gross carrying amount					
– contract assets	139,929	–	–	–	139,929
Loss allowance	1,895	909	484	259	3,547
Individually assessed					
Expected loss rate					29.32%
Gross carrying amount					
– trade receivables					17,892
Gross carrying amount					
– contract assets					28,366
Loss allowance					13,563
Total loss allowance					17,110

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

Impairment (continued)

(b) Other receivables

Other receivables mainly include loans due from third parties, deposits, receivables from disposal of subsidiaries and others.

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

	Performing 12-month ECL RMB'000	Under- performing lifetime ECL RMB'000	Non-performing lifetime ECL RMB'000	Total RMB'000
Loss allowance as at				
31 December 2021	(637)	–	(10,940)	(11,577)
Increase in impairment	(102)	–	(2,035)	(2,137)
Write-off	–	–	5,175	5,175
Loss allowance as at				
31 December 2022	(739)	–	(7,800)	(8,539)

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

	31 December 2022 RMB'000
Performing	80,694
Non-performing	7,800
Total gross other receivables	88,494
Less: loss allowance	(8,539)
Total net other receivables	79,955

- (c) Contract assets, trade receivables and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2022					
Financial liabilities included in trade and other payables (excluding staff salaries and welfare payables and tax payables)	336,575	-	-	-	336,575
Borrowings (principal and interest)	38,555	-	-	-	38,555
Lease liabilities	22,600	6,939	9,425	-	38,964
Amount due to related parties	56	-	-	-	56
	397,786	6,939	9,425	-	414,150
As at 31 December 2021					
Financial liabilities included in trade and other payables (excluding staff salaries and welfare payables and tax payables)	529,565	-	-	-	529,565
Borrowings (principal and interest)	16,393	-	-	-	16,393
Lease liabilities	19,459	11,832	9,385	850	41,526
	565,417	11,832	9,385	850	587,484

3.2 Capital management

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

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

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group does not have heightened capital risk.

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For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

Fair value hierarchy

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2022				
– Financial assets at FVPL (Note 21)	17,358	–	53,854	71,212
– Financial assets at FVOCI (Note 17)	–	–	34,926	34,926
	17,358	–	88,780	106,138
As at 31 December 2021				
– Financial assets at FVPL (Note 21)	18,980	–	620,363	639,343
– Financial assets at FVOCI (Note 17)	–	–	48,388	48,388
	18,980	–	668,751	687,731

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Fair value hierarchy (continued)

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2022 (2021: nil).

(i) Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques during the year ended 31 December 2022 (2021: nil).

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

The following table presents the changes in level 3 items for the year ended 31 December 2022 and 2021:

	Financial assets at FVPL				Total RMB'000
	Financial assets at FVOCI RMB'000	Wealth management products RMB'000	Private equity funds RMB'000	Financial assets related to redemption rights RMB'000	
As at 1 January 2021	64,565	229,070	–	11,056	304,691
Acquisitions	–	1,125,194	5,000	5,000	1,135,194
Changes in fair value	(15,270)	12,137	–	(3,706)	(6,839)
Currency translation differences	(907)	(753)	–	–	(1,660)
Disposals	–	(762,635)	–	–	(762,635)
As at 31 December 2021	48,388	603,013	5,000	12,350	668,751
Net unrealised (losses)/gains	(15,270)	5,622	–	(3,706)	(13,354)
As at 1 January 2022	48,388	603,013	5,000	12,350	668,751
Acquisitions	–	577,024	–	–	577,024
Changes in fair value	(16,108)	5,209	(549)	(6,850)	(18,298)
Currency translation differences	2,646	12,077	–	–	14,723
Disposals	–	(1,147,920)	–	(5,500)	(1,153,420)
As at 31 December 2022	34,926	49,403	4,451	–	88,780
Net unrealised (losses)/gains	(16,108)	435	(549)	(2,000)	(18,222)

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

Notes to the Consolidated Financial Statements

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4 CRITICAL ESTIMATES AND JUDGEMENTS

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

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

(a) Expected credit loss for receivables and contract assets

The impairment provision for trade receivables, other receivables and contract assets are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 2.12.4 and Note 3.1.2. Changes in these assumptions and estimates could materially affect the result of the assessment and to may be necessary to make additional impairment charge to the consolidated income statement.

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

In respect of the Group's investments accounted for using the equity method, the Group tested them for impairment by estimating the value-in-use of these investments as at 31 December 2022 if any impairment indicator noted. Based on the result of the test, impairment losses of RMB60,329,000 were provided as at 31 December 2022. Key assumptions adopted in the test include revenue growth rate. If the revenue growth rate had increased/decreased by 1% with all other variables held constant, the value-in-use calculated would have been increased/decreased by approximately RMB969,000 as at 31 December 2022.

(c) Revenue from decoration contracts

For most of the Group's decoration contracts, the Group completes satisfaction of the relevant performance obligations over time and the revenue is recognised during the contract period based on the performance progress, which is determined by input method. The Group's management makes reasonable estimates on the expected total contract revenue and total contract costs based on the budgets prepared for construction operations to determine the performance progress. Due to the nature of activities associated with decoration contracts, the Group has to continuously review and revise budget prepared for each decoration contracts throughout the contract period. Revision may have effect on revenue, profit and other items related to decoration contracts during the period when the revision incurred.

(d) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. For the year ended 31 December 2022 and 2021, the recoverable amount of cash-generating units (CGUs) was determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 14. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 14.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4 CRITICAL ESTIMATES AND JUDGEMENTS (continued)

(e) Current and deferred income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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 2022, the Group has reorganized its business segments to better allocate resources and assess performance of the operating segments. The segment information for the year ended 31 December 2021 has been restated accordingly.

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

- SaaS and marketing service;
- Supply chain service;
- Interior design and construction; and
- Innovation and others.

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 consistent 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5 SEGMENT INFORMATION (continued)

Segment	Year ended 31 December 2022				Total RMB'000
	SaaS and marketing service RMB'000	Supply chain service RMB'000	Interior design and construction RMB'000	Innovation and others RMB'000	
Revenue					
Segment revenue	483,899	54,885	345,508	68,105	952,397
Inter-segment sales	(6,014)	(15,144)	(310)	(55,194)	(76,662)
Revenue from external customers	477,885	39,741	345,198	12,911	875,735
Timing of revenue recognition					
At a point in time	423,010	39,741	2,929	7,859	473,539
Over time	54,875	–	342,269	5,052	402,196
	477,885	39,741	345,198	12,911	875,735
Results					
Segment gross profit/(loss)	455,980	3,250	17,502	(2,801)	473,931
Selling and marketing expenses					(434,243)
Administrative expenses					(87,683)
Research and development expenses					(43,557)
Other losses – net					(51,396)
Finance income – net					18,524
Net impairment losses on financial assets					(15,743)
Share of results of investments accounted for using the equity method					3,694
Loss before income tax					(136,473)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5 SEGMENT INFORMATION (continued)

Segment	Year ended 31 December 2021 (restated)				Total RMB'000
	SaaS and marketing service RMB'000	Supply chain service RMB'000	Interior design and construction RMB'000	Innovation and others RMB'000	
Revenue					
Segment revenue	573,130	78,631	460,688	60,634	1,173,083
Inter-segment sales	(5,816)	(11,655)	(5,126)	(43,946)	(66,543)
Revenue from external customers	567,314	66,976	455,562	16,688	1,106,540
Timing of revenue recognition					
At a point in time	506,868	66,976	4,510	877	579,231
Over time	60,446	–	451,052	15,811	527,309
	567,314	66,976	455,562	16,688	1,106,540
Results					
Segment gross profit/(loss)	542,095	5,591	47,551	(1,814)	593,423
Selling and marketing expenses					(492,898)
Administrative expenses					(96,367)
Research and development expenses					(43,140)
Other gains – net					117,086
Finance income – net					10,304
Net impairment losses on financial assets					(14,279)
Share of results of investments accounted for using the equity method					6,820
Profit before income tax					80,949

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5 SEGMENT INFORMATION (continued)

(a) Revenue

The revenue for the years ended 31 December 2022 and 2021 are set out as follows:

	Year ended 31 December	
	2022	2021 (restated)
	RMB'000	RMB'000
SaaS and marketing service	477,885	567,314
Supply chain service	39,741	66,976
Interior design and construction	345,198	455,562
Innovation and others	12,911	16,688
	875,735	1,106,540

(b) Revenue by geographical markets

All the revenue of the Group was generated in the PRC during the years ended 31 December 2022 and 2021.

(c) Information about major customers

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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	
	2022	2021
	RMB'000	RMB'000
Advertising and promotion expenses	257,065	304,458
Outsourced labour costs	251,462	327,612
Employee benefit expenses (Note 7)	203,064	190,409
Materials and other consumables used (Note 18(b))	175,310	225,422
Depreciation of right-of-use assets (Note 12(b))	15,315	14,554
Travelling, entertainment and communication expenses	13,805	17,569
Short-term leases and leases of low-valued assets (Note 12(b))	9,168	12,162
Depreciation of property, plant and equipment (Note 12(a))	6,478	6,374
Professional fee	5,530	8,170
Bank charges and payment platform processing fees	4,137	6,069
Auditors' remuneration		
– Audit service	3,500	3,500
– Non-audit service	162	140
Amortisation of intangible assets (Note 13)	2,599	3,395
Taxes and levies	2,205	1,336
Impairment loss on slow moving inventories (Note 18(a))	1,160	–
Utilities and electricity expenses	1,135	1,233
Miscellaneous	15,192	23,119
	967,287	1,145,522

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are analysed as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries, wages and bonuses	155,935	148,116
Pension costs – defined contribution plans (a)	31,915	20,386
Pension costs – defined benefit plans	11	12
Share-based compensation expenses (Note 25(c))	3,945	12,424
Other social security costs, housing benefits and other employee benefits	11,258	9,471
	203,064	190,409

(a) Pension costs – defined contribution plans

During the year ended 31 December 2022, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2021: nil).

8 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Impairment loss on investments accounted for using the equity method (Note 16(d))	(49,151)	(11,584)
Fair value changes of financial assets at FVPL (Note 21(f))	(3,548)	2,927
Net loss on disposal of property, plant and equipment (Note 12(a)(i))	(2,543)	(391)
Net loss on disposal of intangible assets (Note 13)	(227)	(627)
Net foreign exchange (losses)/gains	(51)	184
Gains on disposals of subsidiaries	–	112,958
Net gain/(loss) on termination of lease contracts (Note 12(b)(i))	7	(218)
Dividends received from financial assets at FVPL	108	181
Government grants (a)	4,037	11,525
Others	(28)	2,131
	(51,396)	117,086

(a) Governments grants received during the year primarily comprised the financial subsidies received from local government authorities. There are no unfulfilled conditions or contingencies relating to these incomes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

9 FINANCE INCOME – NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Finance income:		
Interest income	21,133	13,062
Finance costs:		
Interest expense on borrowings	(1,018)	(1,399)
Interest expense on lease liabilities (Note 12(b)(ii))	(1,591)	(1,359)
	(2,609)	(2,758)
Finance income – net	18,524	10,304

10 INCOME TAX EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current tax:		
Current tax for the year	232	7,839
Deferred income tax:		
Decrease in deferred tax assets	4,018	1,944
Decrease in deferred tax liabilities	(457)	(125)
Total deferred tax	3,561	1,819
Income tax expenses	3,793	9,658

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10 INCOME TAX EXPENSES (continued)

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

(i) Cayman Islands

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

(ii) British Virgin Islands

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

(iii) Hong Kong

Hong Kong profits tax rate is 8.25% for assessable profits on the first HKD2 million and 16.5% for any assessable profits in excess. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 31 December 2022 and 2021.

(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 2022 (2021: 25%).

A subsidiary of the Group in the PRC was qualified 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 2022 (2021: 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 2022, the Group does not have any profit distribution plan (2021: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10 INCOME TAX EXPENSES (continued)

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(Loss)/profit before income tax	(136,473)	80,949
Tax calculated at PRC statutory income tax rate of 25%	(34,118)	20,237
<i>Tax effects of:</i>		
Differential income tax rates applicable to certain entities comprising the Group	160	1,110
Income not subject to tax	(997)	(23,481)
Non-deductible expenses	2,251	4,383
Tax effect of preferential tax treatment	(4,390)	(3,838)
Research and development tax credit	(2,412)	(4,581)
Utilisation of previously unrecognised tax losses and other temporary differences	(1,478)	(8,145)
Unrecognised deferred income tax assets	44,777	23,973
Income tax expenses	3,793	9,658

The unrecognised deferred tax assets are analysed as follows:

Tax losses carried forward

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognised	371,648	238,342
Unrecognised deferred tax assets relating to tax losses carried forward	81,186	47,860

The unused tax losses can be carried forward and will be expired in 5 years from 2023 to 2027.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

11 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the (loss)/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.

	Year ended 31 December	
	2022	2021
(Losses)/earnings attributable to equity holders of the Company (RMB'000)	(126,044)	74,054
Weighted average number of ordinary shares in issue (thousand)	1,120,728	1,143,622
(Losses)/earnings per share	(0.1125)	0.0648

(b) Diluted (losses)/earnings per share

Diluted (losses)/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 years ended 31 December 2022 and 2021, the Company had one category of dilutive potential ordinary shares: Restricted Stock Units. For the Restricted Stock Units, 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 rights attached to outstanding shares under RSU Scheme. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the vesting of outstanding shares under RSU Scheme.

As the Group incurred losses for the year ended 31 December 2022, the potential ordinary shares were not included in the calculation of diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the year ended 31 December 2022 were the same as basic losses per share.

The calculation of the diluted earnings per share for the year ended 31 December 2021 was shown as follows:

	Year ended 31 December 2021
Earnings attributable to equity holders of the Company (RMB'000)	74,054
Weighted average number of ordinary shares in issue (thousand)	1,143,622
Adjustments for RSUs (thousands of shares)	11,002
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	1,154,624
Earnings per share	0.0641

Notes to the Consolidated Financial Statements

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12 PROPERTY, PLANT AND EQUIPMENT AND LEASES

(a) Property, plant and equipment

	Leasehold improvements RMB'000	Buildings RMB'000	Transportation equipment RMB'000	Office furniture and equipment RMB'000	Computer and electric equipment RMB'000	Display and exhibition equipment RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2021								
Cost	54,360	13,600	4,146	1,230	8,248	14,217	10,606	106,407
Accumulated depreciation	(51,352)	(1,624)	(3,475)	(1,079)	(6,711)	(12,986)	-	(77,227)
Net book amount	3,008	11,976	671	151	1,537	1,231	10,606	29,180
Year ended 31 December 2021:								
Opening net book amount	3,008	11,976	671	151	1,537	1,231	10,606	29,180
Additions	8,588	4,325	-	682	2,342	662	7,658	24,257
Disposals	-	-	(15)	(175)	(409)	(372)	-	(971)
Disposal of subsidiaries	-	-	-	-	-	-	(18,264)	(18,264)
Depreciation	(3,623)	(1,001)	(138)	(125)	(1,133)	(354)	-	(6,374)
Net book amount	7,973	15,300	518	533	2,337	1,167	-	27,828
As at 31 December 2021:								
Cost	62,948	17,925	3,655	1,594	9,429	14,246	-	109,797
Accumulated depreciation	(54,975)	(2,625)	(3,137)	(1,061)	(7,092)	(13,079)	-	(81,969)
Net book amount	7,973	15,300	518	533	2,337	1,167	-	27,828
As at 1 January 2022								
Cost	62,948	17,925	3,655	1,594	9,429	14,246	-	109,797
Accumulated depreciation	(54,975)	(2,625)	(3,137)	(1,061)	(7,092)	(13,079)	-	(81,969)
Net book amount	7,973	15,300	518	533	2,337	1,167	-	27,828
Year ended 31 December 2022:								
Opening net book amount	7,973	15,300	518	533	2,337	1,167	-	27,828
Additions	2,106	-	867	631	982	229	-	4,815
Disposals (i)	(2,349)	-	(24)	(34)	(79)	(207)	-	(2,693)
Depreciation	(3,634)	(1,040)	(177)	(373)	(1,053)	(201)	-	(6,478)
Net book amount	4,096	14,260	1,184	757	2,187	988	-	23,472
As at 31 December 2022:								
Cost	12,083	17,925	3,733	1,747	8,208	7,616	-	51,312
Accumulated depreciation	(7,987)	(3,665)	(2,549)	(990)	(6,021)	(6,628)	-	(27,840)
Net book amount	4,096	14,260	1,184	757	2,187	988	-	23,472

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12 PROPERTY, PLANT AND EQUIPMENT AND LEASES (continued)

(a) Property, plant and equipment (continued)

- (i) During the year ended 31 December 2022, the Group disposed certain property, plant and equipment of RMB2,693,000 for RMB150,000, with a net loss of RMB2,543,000 recorded in other (losses)/gains – net (Note 8).
- (ii) Depreciation of the Group's property, plant and equipment has been recognised in the consolidated income statement as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Selling and marketing expenses	2,464	2,283
Administrative expenses	3,718	3,603
Research and development expenses	296	488
	6,478	6,374

(b) Leases

(i) Amounts recognised in the consolidated balance sheet

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

	31 December	31 December
	2022	2021
	RMB'000	RMB'000
Right-of-use assets		
Buildings	27,731	36,156
Lease liabilities		
Current	21,597	18,174
Non-current	15,438	21,501
	37,035	39,675

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12 PROPERTY, PLANT AND EQUIPMENT AND LEASES (continued)

(b) Leases (continued)

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

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

	Buildings RMB'000	Land use rights RMB'000	Total RMB'000
Balance at 1 January 2021			
Cost	53,236	321,288	374,524
Accumulated depreciation	(28,208)	(9,347)	(37,555)
Net book amount	25,028	311,941	336,969
Year ended 31 December 2021:			
Opening net book amount	25,028	311,941	336,969
Transfer to construction in-process	–	(4,787)	(4,787)
Additions	28,269	–	28,269
Amendment	(1,363)	–	(1,363)
Termination of lease contracts	(1,224)	–	(1,224)
Disposals of subsidiaries	–	(307,154)	(307,154)
Depreciation charge	(14,554)	–	(14,554)
Net book amount	36,156	–	36,156
As at 31 December 2021:			
Cost	58,585	–	58,585
Accumulated depreciation	(22,429)	–	(22,429)
Net book amount	36,156	–	36,156
Year ended 31 December 2022:			
Opening net book amount	36,156	–	36,156
Additions	9,294	–	9,294
Amendment	(2,325)	–	(2,325)
Termination of lease contracts (1)	(79)	–	(79)
Depreciation charge	(15,315)	–	(15,315)
Net book amount	27,731	–	27,731
As at 31 December 2022:			
Cost	65,406	–	65,406
Accumulated depreciation	(37,675)	–	(37,675)
Net book amount	27,731	–	27,731

- (1) During the year ended 31 December 2022, certain lease contracts were terminated. Right-of-use assets and lease liabilities decreased by RMB79,000 and RMB86,000 respectively with a gain of RMB7,000 recorded in other (losses)/gains – net (Note 8).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12 PROPERTY, PLANT AND EQUIPMENT AND LEASES (continued)

(b) Leases (continued)

(ii) Amounts recognised in the consolidated income statement

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Buildings	15,315	14,554
Interest expense (included in finance cost) (Note 9)	1,591	1,359
Expense relating to short-term leases (included in cost of sales and administrative expenses) (Note 6)	7,761	11,420
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) (Note 6)	1,407	742
	10,759	13,521

The total cash outflow for leases in 2022 was RMB20,273,000 (2021: RMB27,486,000).

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13 INTANGIBLE ASSETS

	Trademarks and licenses RMB'000	Domain names RMB'000	Software RMB'000	Total RMB'000
As at 1 January 2021				
Cost	7,312	2,615	15,396	25,323
Accumulated amortisation	(4,442)	(2,334)	(11,229)	(18,005)
Net book amount	2,870	281	4,167	7,318
Year ended 31 December 2021				
Opening net book amount	2,870	281	4,167	7,318
Additions	–	–	1,120	1,120
Disposals	–	–	(627)	(627)
Amortisation	(982)	(235)	(2,178)	(3,395)
Net book amount	1,888	46	2,482	4,416
As at 31 December 2021				
Cost	7,312	2,615	14,820	24,747
Accumulated amortisation	(5,424)	(2,569)	(12,338)	(20,331)
Net book amount	1,888	46	2,482	4,416
Year ended 31 December 2022				
Opening net book amount	1,888	46	2,482	4,416
Additions	78	–	1,194	1,272
Disposals (a)	–	–	(227)	(227)
Amortisation	(991)	(13)	(1,595)	(2,599)
Net book amount	975	33	1,854	2,862
As at 31 December 2022				
Cost	7,390	2,615	15,569	25,574
Accumulated amortisation	(6,415)	(2,582)	(13,715)	(22,712)
Net book amount	975	33	1,854	2,862

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13 INTANGIBLE ASSETS (continued)

- (a) During the year ended 31 December 2022, the Group disposed certain intangible assets of RMB227,000 as scrapped with no cash consideration, with a net loss of RMB227,000 recorded in other (losses)/gains – net (Note 8).
- (b) Amortisation of the Group's intangible assets has been recognised in the consolidated income statement as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Administrative expenses	1,891	1,535
Research and development expenses	497	939
Selling and marketing expenses	211	253
Cost of sales	–	668
	2,599	3,395

14 GOODWILL

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning and end of the year	7,796	7,796

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

(b) Impairment test of goodwill

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

Notes to the Consolidated Financial Statements

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14 GOODWILL (continued)

(c) The following table sets out the key assumptions used in value-in-use calculations:

	As at 31 December	
	2022	2021
Compound annual revenue growth rate for the 5 year period (%)	24.9%	9.6%
Gross profit rate (%)	36.2%	38.6%
Terminal growth rate (%)	2.0%	2.5%
Discount rate (%)	16.4%	16.4%

The compound annual revenue growth rate for the 5-year period used in the goodwill impairment testing was determined by the management based on past performance and its expectation for market development. As at 31 December 2022, the Group expected a high revenue growth rate due to the newly established market in 2023 and the improvement of operational efficiency. The gross profit rate are following the business plan approved by the Company. The terminal growth rate reflects the expected long-term inflation rate. The discount rate reflects market assessments of the time value and the specific risks relating to the industry.

(d) As at 31 December 2022 and 2021, the directors are of the view that there was no need to provide for impairment of goodwill based on assessment.

15 DEFERRED INCOME TAX

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

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheets:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	3,590	9,279
– to be recovered within 12 months	3,178	1,507
	6,768	10,786
Deferred income tax liabilities (a):		
– to be recovered after more than 12 months	–	(241)
– to be recovered within 12 months	–	(216)
	–	(457)

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For the year ended 31 December 2022

15 DEFERRED INCOME TAX (continued)

	Accruals RMB'000	Tax losses carried forward RMB'000	Cultural construction fee RMB'000	Intangible assets acquired in business combination (a) RMB'000	Total RMB'000
As at 1 January 2021	1,285	10,861	584	(582)	12,148
(Charged)/credited to consolidated income statements	222	(2,018)	(148)	125	(1,819)
As at 31 December 2021	1,507	8,843	436	(457)	10,329
As at 1 January 2022	1,507	8,843	436	(457)	10,329
(Charged)/credited to consolidated income statements	1,671	(5,594)	(95)	457	(3,561)
As at 31 December 2022	3,178	3,249	341	–	6,768

- (a) Deferred income tax liabilities were derived from intangible assets acquired in business combination of Fujian Brausen in 2015. During the year ended 31 December 2022, the intangible assets were transferred from Fujian Brausen to Shanghai Brausen and deferred income tax liabilities were wholly credited to consolidated income statements.
- (b) As at 31 December 2022, the Group did not recognise deferred income tax assets in respect of losses and deductible temporary differences of RMB209,851,000 (31 December 2021: RMB168,945,000). These tax losses will expire from 2023 to 2027 (31 December 2021: from 2022 to 2026).

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Associates	233,102	280,069

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year – carrying amount	307,854	301,765
Share of results of the associates	3,694	6,820
Share of other comprehensive loss of investments accounted for using the equity method	(1,060)	(731)
Disposals (a)	(17,057)	–
At the end of the year – carrying amount	293,431	307,854
Less: provision for impairment (d)	(60,329)	(27,785)
	233,102	280,069

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

- (a) In November 2022, the Group disposed the investment in Beijing Rayion Technology Co., Ltd. (北京銳揚科技有限責任公司, "Beijing Rayion") and the financial asset related to redemption right in it. The carrying amount and provision for impairment of the investment in Beijing Rayion were RMB16,131,000 and RMB16,131,000 on disposal date, among which impairment loss of RMB787,000 was recognised based on the recoverable amount negotiated with Beijing Rayion and the other investors during the year ended 31 December 2022. The consideration of disposal totally attributes to the financial asset related to redemption right described in Note 21(d).

In December 2022, the Group disposed the investment in Ningbo Leqi Decoration and Design Co., Ltd. (寧波樂齊裝飾設計有限公司, "Ningbo Leqi") with a total consideration of RMB450,000, among which RMB139,000 of cash was received. The carrying amount and provision for impairment of the investment in Ningbo Leqi were RMB926,000 and RMB476,000 on disposal date, among which impairment loss of RMB476,000 was recognised based on the recoverable amount negotiated with Ningbo Leqi and the other investors during the year ended 31 December 2022.

- (b) Set out below are the associates of the Group as at 31 December 2022 and 2021, which, in the opinion of the directors, are material to the Group. The places of incorporation or establishment are also their principal places of business operation.

Name	Date of incorporation/ establishment	Paid-up capital (RMB'000)	Place of incorporation/ establishment	Percentage of ownership interest attribute to the Group		Principal activities
				31 December 2022	2021	
Guangzhou Seagull Kitchen and Bath Products Co., Ltd. (廣州海鷗住宅工業股份有限公司, "Seagull") (i)	08 January 1998	664,162	Guangzhou, the PRC	6.15%	6.13%	Development, production and sales of high-grade plumbing equipment and hardware
Beijing Rayion Technology Co., Ltd. (北京銳揚科技有限責任公司, "Beijing Rayion")	10 October 2014	2,500	Beijing, the PRC	N/A	25%	VR engine technology development and application

- (i) The Group invested in Seagull, a company listed in Shenzhen Stock Exchange in 2015. Since the Group appointed a director to the board of Seagull, which demonstrated the Group was able to exercise significant influence over the board, the investment was accounted for by using equity method.

As at 31 December 2022, the quoted market price of the equity interest the Group held in Seagull was RMB176,357,000. The Group tested the investment in Seagull for impairment by estimating its value-in-use as at 31 December 2022. RMB47,888,000 impairment loss provision was provided during the year ended 31 December 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) (continued)

(ii) Summarised financial information of the Group's associates

The tables below provide summarised financial information for the associates that are material to the Group.

Items	As at/for the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Assets	4,492,317	4,625,339
Liabilities	2,353,893	2,476,225
Revenue	3,638,793	3,058,312
Profit for the year	56,692	117,001

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of its interest in the material associates.

Items	Year ended 31 December 2022 RMB'000
Net assets at the beginning of the year	2,038,786
Disposal	(15,049)
Profit for the year	56,692
Other comprehensive loss	(9,641)
Repurchase of shares	(7,593)
Net assets at the end of the year	2,063,195
Net assets attributable to the Group	97,845
Goodwill	92,809
Carrying value	190,654

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For the year ended 31 December 2022

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

- (c) As at 31 December 2022, the aggregate carrying amount of interests in individually immaterial investments that are accounted for using the equity method was approximately RMB5,699,000.
- (d) Movements on the Group's provision for impairment of investments accounted for using the equity method are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	(27,785)	(16,201)
Increase in impairment (i)	(49,151)	(11,584)
Disposals (ii)	16,607	–
At the end of the year	(60,329)	(27,785)

- (i) The increase in impairment were the impairment provision for Seagull of RMB47,888,000, provision for Beijing Rayion of RMB787,000 and provision for Ningbo Leqi of RMB476,000.
- (ii) As the investment in Beijing Rayion and Ningbo Leqi were disposed, the provision balance of RMB16,131,000 and RMB476,000 were written off for the year ended 31 December 2022.
- (e) There are no contingent liabilities relating to the Group's interest in the associates.

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For the year ended 31 December 2022

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current:		
Equity investment measured at FVOCI	34,926	48,388

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	48,388	64,565
Currency translation differences	2,646	(907)
Changes in the fair value (Note 24)	(16,108)	(15,270)
At the end of the year	34,926	48,388

- (b) The financial assets at FVOCI referred to the equity investments which were not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

As all these investments are unlisted securities and are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows method and comparable company ratios method etc., and are then within level 3 of the fair value hierarchy.

Notes to the Consolidated Financial Statements

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18 INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Finished goods	3,795	2,996
Less: allowance for impairment of slow moving inventories (a)	(1,160)	–
	2,635	2,996

(a) Movements on the Group's allowance for impairment of slow moving inventories are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	–	–
Increase in allowance	(1,160)	–
At the end of the year	(1,160)	–

(b) During the year ended 31 December 2022, the cost of inventories recognised as expense and included in “materials and other consumables used” amounted to RMB175,310,000 (2021: RMB225,422,000).

19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortised cost:		
– Trade and other receivables (Note 20)	156,354	309,630
– Amounts due from related parties (Note 31(c))	1,339	1,069
– Term deposits (Note 22)	569,523	–
– Restricted cash (Note 22)	23,474	21,734
– Cash and cash equivalents (Note 22)	445,429	548,017
Financial assets at FVPL (Note 21)	71,212	639,343
Financial assets at FVOCI (Note 17)	34,926	48,388
	1,302,257	1,568,181
Financial liabilities:		
Financial liabilities at amortised cost:		
– Short-term borrowings (Note 27)	38,044	16,280
– Financial liabilities included in trade and other payables (excluding staff salaries and welfare payables and tax payables) (Note 28)	336,575	529,565
– Amounts due to related parties (Note 31(c))	56	–
– Lease liabilities (Note 12(b))	37,035	39,675
	411,710	585,520

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current:		
Other receivables		
Receivables from disposal of subsidiaries (Note 29(c))	–	5,000
Less: provision for impairment of other receivables	–	–
Net other receivables	–	5,000
Current:		
Notes receivables	–	1,280
Trade receivables		
Due from third parties	93,124	139,855
Less: provision for impairment of trade receivables	(16,725)	(8,287)
Net trade receivables	76,399	131,568
Other receivables		
Loans due from third parties (a)	55,681	10,821
Project deposits	11,030	11,104
Receivables from disposal of subsidiaries (Note 29(c))	5,000	147,000
Electronic commercial bill receivables	2,684	–
Rental deposits	2,630	2,208
Staff advances	2,472	3,314
Receivables from disposal of Beijing Rayion (Note 21(d))	250	–
Others	8,747	10,192
Gross other receivables	88,494	184,639
Less: provision for impairment of other receivables	(8,539)	(11,577)
Net other receivables	79,955	173,062
Others		
Prepayments to suppliers	22,712	20,240
Value-added tax recoverable	5,462	5,494
Total current trade and other receivables and prepayments to suppliers	184,528	331,644
Contract assets		
Due from third parties	191,556	168,295
Less: provision for impairment of contract assets	(13,991)	(8,823)
Net contract assets	177,565	159,472

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

20 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS TO SUPPLIERS AND CONTRACT ASSETS (continued)

- (a) In January 2022, the Group granted a one-year loan of RMB50,000,000 to an independent third-party individual, with a fixed interest rate of 10% per annum. The loan is pledged by some restricted shares owned by this individual.

In September 2022, the Group received RMB4,000,000 loan guarantee deposits from the individual due to the decrease of pledged shares' quoted market price.

The Group received interest from the individual on time. No credit default occurred.

In January 2023, the Group received RMB46,000,000 net repayment of loans from the individual, which contains RMB50,000,000 of the principal and RMB4,000,000 loan guarantee deposits deducted.

- (b) As at 31 December 2022, the carrying amounts of trade and other receivables and contract assets are primarily denominated in RMB and approximate their fair values at each of the reporting dates.
- (c) The Group grants credit periods to customers ranging from 30 days to 180 days. As at 31 December 2022 and 2021, the aging analysis of the trade receivables based on invoice date were as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables – gross		
Within 1 month	16,210	55,052
Over 1 month and within 1 year	61,043	64,376
Over 1 year and within 2 years	5,476	17,912
Over 2 years	10,395	2,515
	93,124	139,855

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	(8,287)	(1,589)
Increase in impairment	(8,438)	(6,814)
Write-off	–	116
At the end of the year	(16,725)	(8,287)

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For the year ended 31 December 2022

20 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS TO SUPPLIERS AND CONTRACT ASSETS (continued)

(c) (continued)

Movements on the Group's provision for impairment of contract assets are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	(8,823)	–
Increase in impairment	(5,168)	(8,823)
At the end of the year	(13,991)	(8,823)

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	(11,577)	(14,452)
(Increase)/decrease in impairment	(2,137)	1,358
Write-off	5,175	1,517
At the end of the year	(8,539)	(11,577)

Note 3.1.2 sets out information about the impairment of trade and other receivables and contract assets and the Group's exposure to credit risk. As at 31 December 2022, the Group did not hold any collateral as security of receivables except the pledged shares and guarantee deposits for the loan of RMB50,000,000 described in Note 20(a).

(d) Net impairment losses on financial assets are analysed as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net impairment loss provision		
– Trade receivables	(8,438)	(6,814)
– Contract assets	(5,168)	(8,823)
– Other receivables	(2,137)	1,358
	(15,743)	(14,279)

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21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current:		
Private equity funds (a)	4,451	5,000
Current:		
Wealth management products (b)	49,403	603,013
Investment in listed companies (c)	17,358	18,432
Financial assets related to redemption rights (d)	–	12,350
Mutual funds (e)	–	548
	66,761	634,343

- (a) The fair value of private equity funds is within level 3 of the fair value hierarchy.
- (b) Wealth management products were denominated in RMB and USD with expected rate of return of 2.8% to 3.6% per annum during the year ended 31 December 2022. The return on these wealth management products is not guaranteed, hence the contractual cash flow does not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss.

The fair values were based on cash flow discounted using the expected return based on management judgement and are within level 3 of the fair value hierarchy.

As at 31 December 2022, RMB10,000,000 of wealth management products were pledged as security to issue notes payables.

- (c) The fair values of investment in listed companies were based on quoted prices in active markets and are within level 1 of the fair value hierarchy.

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21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

- (d) The financial assets related to redemption rights arise from the investment in companies where the shareholders' agreements were previously reached that the Group has the right to request the other shareholders (i.e., the founders) of the investee to purchase the equity instrument held by the Group for cash or other financial assets when certain conditions are met.

The fair value of the financial assets related to redemption rights is within level 3 of the fair value hierarchy.

In July 2022, the Group disposed the financial asset related to redemption right in Suzhou Suhongxing Internet Technology Co., Ltd. (蘇州蘇紅星網絡技術有限公司) with a cash consideration of RMB3,000,000.

In November 2022, the Group disposed the investment in Beijing Rayion and the financial asset related to redemption right in it with a cash consideration of RMB2,500,000, among which RMB2,250,000 were received in 2022 and RMB250,000 will be collected in 2023.

- (e) The fair values of mutual funds were based on quoted prices in active markets and are within level 1 of the fair value hierarchy.
- (f) The movements of financial assets at FVPL are listed below:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	639,343	263,615
Additions	588,701	1,137,485
Currency translation difference	12,122	(761)
Disposals	(1,165,406)	(763,923)
	74,760	636,416
Add: fair value change (Note 8)	(3,548)	2,927
At the end of the year	71,212	639,343

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22 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash at bank	1,038,351	569,691
Cash on hand	75	60
	1,038,426	569,751
Less: term deposits with initial term of over three months (a)	(569,523)	–
Less: restricted cash (b)	(23,474)	(21,734)
	445,429	548,017

(a) Term deposits with initial terms of over three months

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current:		
Term deposits – principal	100,000	–
Term deposits – interest receivables	3,493	–
	103,493	–
Current:		
Term deposits – principal	464,191	–
Term deposits – interest receivables	1,839	–
	466,030	–
Total term deposits	569,523	–

Term deposits with initial terms of over three months were neither past due nor impaired and approximated to their fair value.

The Group earned interest on term deposits at rates ranged from 1.2% to 5.2% for the year ended 31 December 2022.

Notes to the Consolidated Financial Statements

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22 CASH AND CASH EQUIVALENTS (continued)

(b) Restricted cash mainly represented temporarily frozen for purchase of wealth management products as at 31 December 2022. The Group considered it with no impairment risk. Therefore, no further provisions were provided.

(c) Cash and cash equivalents, term deposits and restricted cash are denominated in the following currencies:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	520,789	297,818
USD	505,495	253,444
HKD	12,142	18,489
	1,038,426	569,751

(d) Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash at bank	445,354	547,957
Cash on hand	75	60
	445,429	548,017

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23 SHARE CAPITAL AND SHARE PREMIUM

	Ordinary shares			
	Number of ordinary shares	Nominal value of ordinary shares		
		US\$'000		
Authorised:				
As at 31 December 2022 and 2021	2,000,000,000	200		
	Number of ordinary shares	Nominal value of ordinary shares	Equivalent Nominal value of ordinary shares	Share premium
		US\$'000	RMB'000	RMB'000
Issued:				
As at 31 December 2021	1,154,060,590	115	767	2,262,955
Treasury shares (a)	(9,049,500)	(1)	(6)	(5,249)
Issue of shares under RSU scheme	–	–	–	(3,418)
As at 31 December 2022	1,145,011,090	114	761	2,254,288

(a) Treasury shares

	Treasury shares	
	Number of treasury shares	Value of treasury shares
		RMB'000
As at 31 December 2021	28,048,893	46,420
Repurchase of shares (i)	8,827,000	5,070
Cancellation of treasury shares	(9,049,500)	(5,255)
Issue of shares under RSU scheme	(5,856,786)	(10,248)
As at 31 December 2022	21,969,607	35,987

(i) During the year ended 31 December 2022, 8,827,000 shares were repurchased at HKD6,195,969 (equivalent to RMB5,070,000).

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For the year ended 31 December 2022

24 OTHER RESERVES

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Currency translation differences RMB'000	Share option reserve RMB'000	RSUs reserve RMB'000	FVOCI reserve RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	(188,495)	10,277	(5,984)	13,738	-	(32,372)	(14,772)	(217,608)
Liquidation of subsidiaries with minority interests and transaction with non-controlling interests (Note 36(a)(ii))	(11,261)	-	-	-	-	-	-	(11,261)
Disposal of subsidiaries	-	(435)	-	-	-	-	-	(435)
Currency translation differences	-	-	(12,659)	-	-	-	-	(12,659)
Share-based compensation under ESOP	-	-	-	1,571	-	-	-	1,571
Share-based compensation under RSUs (Note 25)	-	-	-	-	10,853	-	-	10,853
Issue of shares under RSU scheme	-	-	-	-	(6,669)	-	-	(6,669)
Fair value change of financial assets at FVOCI (Note 17(a))	-	-	-	-	-	(15,270)	-	(15,270)
Share of other comprehensive loss of investments accounted for using the equity method (Note 16)	-	-	-	-	-	-	(731)	(731)
As at 31 December 2021	(199,756)	9,842	(18,643)	15,309	4,184	(47,642)	(15,503)	(252,209)
At 1 January 2022	(199,756)	9,842	(18,643)	15,309	4,184	(47,642)	(15,503)	(252,209)
Liquidation of subsidiaries with minority interests and transaction with non-controlling interests (Note 36(a)(ii))	(9,731)	(1)	-	-	-	-	-	(9,732)
Currency translation differences	-	-	41,602	-	-	-	-	41,602
Share-based compensation under RSUs (Note 25)	-	-	-	-	3,945	-	-	3,945
Issue of shares under RSU scheme	-	-	-	-	(7,713)	-	-	(7,713)
Fair value change of financial assets at FVOCI (Note 17(a))	-	-	-	-	-	(16,108)	-	(16,108)
Share of other comprehensive loss of investments accounted for using the equity method (Note 16)	-	-	-	-	-	-	(1,060)	(1,060)
As at 31 December 2022	(209,487)	9,841	22,959	15,309	416	(63,750)	(16,563)	(241,275)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

25 RESTRICTED STOCK UNITS (“RSUs”)

- (a) In 2021, the Group adopted the 2021 RSU Scheme. The purposes of the 2021 RSU Scheme are to attract, and retain and incentivize the best personnel and senior management of the Group, and to promote the value of the Company by offering these individuals an opportunity to acquire shares and a proprietary interest in the success of the Company, thereby linking their interests with the Company’s performance.

On 19 March 2021, 114 employees of the Group were granted RSUs in respect of an aggregate of 28,522,540 ordinary shares of par value of USD0.0001 each of the shares, representing approximately 2.46% of the total issued share capital of the Company as at the date of this announcement. The closing price of the shares on the date of grant was HKD2.06 per share. The RSUs granted have the following vesting dates and shares:

Vesting date	Shares
12 August 2021	4,292,040
31 March 2022	3,435,125
1 June 2022	1,350,000
31 March 2023	3,473,625
1 June 2023	1,575,000
31 March 2024	3,417,625
1 June 2024	1,800,000
31 March 2025	3,354,125
1 June 2025	1,800,000
1 June 2026	4,025,000
	28,522,540

On 14 December 2021, the RSUs of the Company representing 7,237,221 ordinary shares with par value of USD0.0001 each of the shares were granted to 8 selected persons under the RSU Scheme. The underlying shares concerned represented 0.63% of the Company as at the date of this announcement. The closing price of the shares on the date of grant was HKD1.2 per share. These RSUs shall vest on 14 January 2022.

The RSUs included certain performance conditions, which required the employees to complete a service period and meet specified performance targets.

The Company has appointed Tricor Trust (Hong Kong) Limited as an independent trustee to assist with the administration and vesting of RSUs. The vesting of the RSUs will be satisfied partially by transfer of shares by certain senior management members of the Company (who are not connected persons of the Company) at nil consideration to the trustee and partially by on-market purchases of shares by the trustee. The Company will provide sufficient funds to the trustee as the Board may in its absolute discretion determine to enable the trustee to satisfy its obligations in connection with the administration and vesting of RSUs granted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

25 RESTRICTED STOCK UNITS (“RSUs”) (continued)

(b) Movements in the number of RSUs outstanding are as follows:

	Number of RSUs	
	Year ended 31 December	
	2022	2021
At the beginning of the year	27,959,721	–
Granted	–	35,759,761
Issue of shares under RSU scheme	(7,595,307)	(3,815,540)
Forfeited	(13,558,039)	(3,984,500)
At the end of the year	6,806,375	27,959,721

(c) The total expenses recognised in the consolidated income statement for RSUs are RMB3,945,000 for the year ended 31 December 2022 (2021: RMB10,853,000).

26 DIVIDENDS

No dividends were paid or declared by the Company during the years ended 31 December 2022 and 2021.

27 SHORT-TERM BORROWINGS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Bank borrowings – principal (a)	38,000	15,000
Bank borrowings – interest payables	44	–
Discounted and undue commercial acceptance bills (b)	–	1,280
	38,044	16,280

(a) As at 31 December 2022, bank borrowings represented: (i) a one-year borrowing amounting to RMB10,000,000 bearing a fixed interest rate of 4.36% per annum, mortgaged by the property owned by Mr. Yang Weihang being the non-controlling shareholder of Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd., (ii) a one-year borrowing amounting to RMB8,000,000 bearing a fixed interest rate of 4.53% per annum, guaranteed by Shanghai Qiyu Information Technology Co., Ltd., Mr. Yang Weihang and Mrs. Zhang Fan, who is the wife of Mr. Yang Weihang and (iii) a one-year borrowing amounting to RMB20,000,000 bearing a fixed interest rate of 3.25% per annum, guaranteed by Shanghai Qiyu Information Technology Co., Ltd. and Qijia (Shanghai) Network Technology Co., Ltd.

The carrying amounts of the bank borrowings approximated their fair values.

(b) As at 31 December 2021, discounted and undue commercial acceptance bills represented two notes receivables, which were discounted by the bank with right of recourse. The maturity dates were in 2022 and no credit default occurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

28 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables (c)	178,623	233,080
Other payables		
Quality and performance guarantee deposits	75,682	75,834
Deposits payables (a)	45,263	182,470
Loan guarantee deposits (Note 20(a))	4,000	–
Decoration payments collected on behalf of merchants	1,075	1,225
Payables for disposal of subsidiaries (Note 29(c))	–	9,816
Other accrued expenses and payables	31,932	27,140
Total other payables	157,952	296,485
Others		
Staff salaries and welfare payables	64,765	51,585
Accrued taxes other than income tax	28,411	27,691
Total trade and other payables	429,751	608,841
Contract liabilities (b)	89,597	126,856

- (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, interior design and construction services and sales of building materials.

During the year ended 31 December 2022, RMB114,093,000 of the revenue recognised relates to carried-forward contract liabilities.

- (c) The aging analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 month	87,561	164,306
Over 1 month and within 3 months	40,272	25,262
Over 3 months and within 1 year	33,507	18,792
Over 1 year	17,283	24,720
	178,623	233,080

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For the year ended 31 December 2022

29 NET CASH USED IN OPERATIONS

(a) Reconciliation from profit before income tax to cash used in operations:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
(Loss)/profit before income tax	(136,473)	80,949
<i>Adjustments for:</i>		
Finance income (Note 9)	(21,133)	(13,062)
Finance costs (Note 9)	2,609	2,758
Depreciation of property, plant and equipment (Note 12(a))	6,478	6,374
Depreciation of right-of-use assets (Note 12(b))	15,315	14,554
Amendment element of lease payments	(9)	3,226
Amortisation of intangible assets (Note 13)	2,599	3,395
Net loss on disposal of property, plant and equipment (Note 8)	2,543	391
Net (gain)/loss on termination of lease contracts (Note 8)	(7)	218
Net loss on disposal of intangible assets (Note 8)	227	627
Net impairment losses on financial assets (Note 20(d))	15,743	14,279
Share of results of investments accounted for using equity method (Note 16)	(3,694)	(6,820)
Impairment loss on investments accounted for using the equity method (Note 8)	49,151	11,584
Impairment loss on slow moving inventories (Note 6)	1,160	–
Dividends received from financial assets at FVPL (Note 8)	(108)	(181)
Fair value changes of financial assets at FVPL (Note 8)	3,548	(2,927)
Share-based compensation (Note 25)	3,945	12,424
Net gain on disposals of subsidiaries (Note 8)	–	(112,958)
<i>Changes in working capital:</i>		
(Increase)/decrease in inventories	(799)	393
Increase in contract assets (Note 20)	(23,261)	(81,280)
Decrease/(increase) in trade and other receivables	43,536	(64,877)
(Increase)/decrease in amounts due from related parties	(270)	4,058
Decrease/(increase) in restricted cash	16,260	(21,734)
Decrease in trade and other payables and contract liabilities	(210,222)	(53,346)
Increase/(decrease) in amounts due to related parties	56	(93)
Cash used in operations	(232,806)	(202,048)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

29 NET CASH USED IN OPERATIONS (continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net book amount	2,693	971
Net loss on disposal of property, plant and equipment (Note 8)	(2,543)	(391)
Proceeds from disposal of property, plant and equipment	150	580

(c) Disposal of subsidiaries

During the year ended 31 December 2021, the Group disposed 100% equity interests in Shanghai Jinjie Furniture and Decorations Co., Ltd., Shanghai Zhengyi Information Technology Co., Ltd., Fujian Qiyi Information Technology Co., Ltd. and Sanming Qijia Network Information Technology Co., Ltd. Receivables of RMB147,000,000 from the disposal were received in January 2022. Payables of RMB9,816,000 for the disposal were paid in January 2022. The remaining receivables of RMB5,000,000 from the disposal will be collected in 2023.

During the year ended 31 December 2022, no subsidiaries were disposed.

(d) Non-cash investing and financing activities

The Group did not have any material non-cash investing and financing activities for the years ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

29 NET CASH USED IN OPERATIONS (continued)

(e) Net cash reconciliation

	Cash and cash equivalents RMB'000	Short-term borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Net cash as at 1 January 2021	897,354	(7,000)	(24,867)	865,487
Cash flows	(338,346)	(9,280)	15,324	(332,302)
Acquisition – leases (Note 12(b)(i))	–	–	(28,269)	(28,269)
Amendment – leases	–	–	(1,863)	(1,863)
Accrued interest for lease liabilities (Note 9)	–	–	(1,359)	(1,359)
Termination of leases contracts (Note 12(b)(i))	–	–	1,359	1,359
Foreign exchange adjustments	(10,991)	–	–	(10,991)
Net cash as at 31 December 2021	548,017	(16,280)	(39,675)	492,062
Cash flows	(120,075)	(23,044)	11,105	(132,014)
Derecognition of commercial acceptance bills (Note 27(b))	–	1,280	–	1,280
Acquisition – leases (Note 12(b)(i))	–	–	(9,294)	(9,294)
Amendment – leases	–	–	2,334	2,334
Accrued interest for lease liabilities (Note 9)	–	–	(1,591)	(1,591)
Termination of leases contracts (Note 12(b)(i))	–	–	86	86
Foreign exchange adjustments	17,487	–	–	17,487
Net cash as at 31 December 2022	445,429	(38,044)	(37,035)	370,350

30 COMMITMENTS

(a) Operating lease commitments

The Group leases various offices and stores under non-cancellable operating leases expiring within 1 year to 6 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group has recognised right-of-use assets for these leases, except for short-term leases and leases of low-value assets, see Note 12(b) for further information.

	As at 31 December 2022 RMB'000	2021 RMB'000
Minimum lease payments under non-cancellable operating leases not recognised in the consolidated financial statements are as follows:		
Within 1 year	937	1,334

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30 COMMITMENTS (continued)

(b) Investment commitments

Significant investment expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets at fair value through profit or loss	–	3,000

31 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or other entities.

- (a) Saved as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group during the year:

Name of related parties	Relationship with the Group
Mr. Deng	Controlling shareholder and executive director of the Company
Mr. Yang Weihao (楊衛涵)	Non-controlling shareholder
Mr. Zou Jianfeng (鄒劍鋒)	Non-controlling shareholder (ceased from October 2022)
Mr. Zhang Huawei (張華巍)	Non-controlling shareholder (started from October 2022)
Suzhou Jiangmen Enterprise Management Consulting Center (Limited Partnership) (蘇州將門企業管理諮詢中心(有限合夥), "Suzhou Jiangmen")	Non-controlling shareholder
Shanghai Qijia E-commerce Co., Ltd. (上海齊家電子商務有限公司, "Shanghai Qijia E-commerce")	Controlled by the controlling shareholder

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
(i) <i>Loans provided to a related party</i>		
Mr. Zhang Huawei	250	–
Mr. Zou Jianfeng	–	10
	250	10
Loans provided by the Group were unsecured, interest-free and repayable on demand.		
(ii) <i>Repayment of amounts from a related party</i>		
Shanghai Qijia E-commerce	–	3,273
(iii) <i>Loans received from a related party</i>		
Suzhou Jiangmen	249	–
Loans provided by the related party were unsecured, interest-free and repayable on demand.		
(iv) <i>Repayment of loans received from a related party</i>		
Suzhou Jiangmen	249	–
(v) <i>Service income from a related party</i>		
Shanghai Qijia E-commerce	1,536	2,202
(vi) <i>Decoration service to a related party</i>		
Shanghai Qijia E-commerce	–	580
(vii) <i>Lease from a related party</i>		
Shanghai Qijia E-commerce	566	491
(viii) <i>Received capital increase from non-controlling shareholders</i>		
Suzhou Jiangmen	1,635	1,571
Mr. Zhang Huawei	1,600	–
	3,235	1,571

In the opinion of the Company's directors, the above related party transactions were carried out in the ordinary course of the business and in accordance with the term of the underlying agreements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31 RELATED PARTY TRANSACTIONS (continued)

(c) Year-end balances with related parties

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
<i>Amounts due from related parties:</i>		
Mr. Yang Weihai	980	980
Mr. Zhang Huawei	250	–
Shanghai Qijia E-commerce	109	19
Mr. Zou Jianfeng	–	70
	1,339	1,069
<i>Amounts due to a related party:</i>		
Shanghai Qijia E-commerce	56	–

Receivables and payables from/(to) the above related parties were unsecured, interest-free and repayable on demand. The amounts due from related parties are neither past due nor impaired. The carrying amounts of the amounts due from/(to) related parties approximate their fair values and are denominated in RMB.

(d) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries	5,665	5,055
Discretionary bonuses	2,429	1,441
Pension cost – defined contribution plans	284	219
Other social security costs, housing benefits and other employee benefits	314	248
Share-based compensation expenses	1,343	1,778
	10,035	8,741

32 CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, the Group did not have any material contingent liabilities.

33 SUBSEQUENT EVENTS

Except for the event described in Note 20(a), no material subsequent events were noted after the balance sheet date of 31 December 2022.

Notes to the Consolidated Financial Statements

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34 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December	
		2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		277,527	273,582
Current assets			
Trade and other receivables		163	124
Amounts due from subsidiaries		1,476,467	1,251,667
Fair value through profit or loss		462	161,841
Term deposits		322,406	–
Cash and cash equivalents		9,430	251,780
Total current assets		1,808,928	1,665,412
Total assets		2,086,455	1,938,994
EQUITY			
Share capital	23	761	767
Share premium	23	2,254,288	2,262,955
Other reserves	(a)	(108,806)	(256,520)
Treasury shares	23(a)	(35,987)	(46,420)
Accumulated losses		(111,134)	(108,996)
Total equity		1,999,122	1,851,786
LIABILITIES			
Current liabilities			
Other payables		1,279	2,058
Amounts due to subsidiaries		86,054	85,150
Total current liabilities		87,333	87,208
Total liabilities		87,333	87,208
Total equity and liabilities		2,086,455	1,938,994

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

34 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY (continued)

Note (a) Reserves movements of the Company

	Capital reserve RMB'000	Currency translation differences RMB'000	Share option reserve RMB'000	RSUs reserve RMB'000	FVOCI reserve RMB'000	Total RMB'000
At 1 January 2021	(188,495)	4,142	13,738	–	(51,174)	(221,789)
Currency translation differences	–	(40,486)	–	–	–	(40,486)
Share-based compensation under RSUs (Note 25)	–	–	–	10,853	–	10,853
Issue of shares under RSU scheme	–	–	–	(6,669)	–	(6,669)
Share-based compensation under ESOP	–	–	1,571	–	–	1,571
As at 31 December 2021	(188,495)	(36,344)	15,309	4,184	(51,174)	(256,520)
At 1 January 2022	(188,495)	(36,344)	15,309	4,184	(51,174)	(256,520)
Currency translation differences	–	151,482	–	–	–	151,482
Share-based compensation under RSUs (Note 25)	–	–	–	3,945	–	3,945
Issue of shares under RSU scheme	–	–	–	(7,713)	–	(7,713)
As at 31 December 2022	(188,495)	115,138	15,309	416	(51,174)	(108,806)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Remuneration of every director is set out below,

	For the year ended 31 December 2022						
	Director's fee RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension cost-defined contribution plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive Directors							
Mr. Deng	-	1,312	529	63	71	-	1,975
Mr. GAO Wei (高巍)	-	970	367	39	39	1,324	2,739
Mr. TIAN Yuan (田原)	-	971	360	63	71	-	1,465
Non-executive Directors							
Mr. LI Gabriel (李基培)	-	-	-	-	-	-	-
Mr. ZHAO Guibin (趙貴賓)	-	-	-	-	-	-	-
Ms. PING Xiaoli (平曉黎)	-	-	-	-	-	-	-
Mr. XIAO Yang (肖陽)	-	-	-	-	-	-	-
Independent non-executive Directors							
Mr. ZHANG Lihong (張禮洪)	82	-	-	-	-	-	82
Mr. CAO Zhiguang (曹志廣)	82	-	-	-	-	-	82
Mr. WONG Man Chung Francis (黃文宗)	250	-	-	-	-	-	250
	414	3,253	1,256	165	181	1,324	6,593

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

35 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

	For the year ended 31 December 2021						
	Director's fee RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension cost-defined contribution plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive Directors							
Mr. Deng	-	1,220	270	47	54	-	1,591
Mr. GAO Wei (高巍)	-	837	253	20	20	1,608	2,738
Mr. TIAN Yuan (田原)	-	812	207	47	54	-	1,120
Non-executive Directors							
Mr. LI Gabriel (李基培)	-	-	-	-	-	-	-
Mr. ZHAO Guibin (趙貴賓)	-	-	-	-	-	-	-
Ms. PING Xiaoli (平曉黎)	-	-	-	-	-	-	-
Independent non-executive Directors							
Mr. ZHANG Lihong (張禮洪)	82	-	-	-	-	-	82
Mr. CAO Zhiguang (曹志廣)	82	-	-	-	-	-	82
Mr. WONG Man Chung Francis (黃文宗)	229	-	-	-	-	-	229
	393	2,869	730	114	128	1,608	5,842

Notes to the Consolidated Financial Statements

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35 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

Mr. LI Gabriel (李基培) was appointed as a non-executive director of the Company on 2 April 2018. Ms. PING Xiaoli (平曉黎) was appointed as a non-executive director of the Company from 29 October 2019 to 23 June 2022. Mr. ZHAO Guibin (趙貴賓) was appointed as a non-executive director of the Company on 24 April 2020. Mr. XIAO Yang (肖陽) was appointed as a non-executive director of the Company on 23 June 2022.

Mr. ZHANG Lihong (張禮洪), Mr. CAO Zhiguang (曹志廣) and Mr. WONG Man Chung Francis (黃文宗) were appointed as independent non-executive directors of the Company on 4 June 2018.

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2022 and 2021, respectively.

Except for the loans due from related parties disclosed in Note 31(c), no loans, quasi-loans or other dealings are entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors for the years ended 31 December 2022 and 2021, respectively.

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2022 and 2021.

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2022 and 2021.

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the year ended 31 December 2022 (2021: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

35 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 include 3 directors whose emoluments are reflected in the analysis presented above (2021: 3). The emoluments payable to the remaining 2 individuals during the year ended 31 December 2022, respectively are as follows (2021: 2):

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries	1,998	1,794
Discretionary bonuses	1,173	712
Pension costs – defined contribution plans	119	105
Other social security costs, housing benefits and other employee benefits	133	120
Share-based compensation expenses	19	170
	3,442	2,901

The emoluments of these individuals are within the following bands:

	Number of individuals	
	Year ended 31 December 2022	2021
HKD		
Nil – 2,000,000	1	2
2,000,001 – 2,500,000	1	–
	2	2

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36 SUBSIDIARIES

- (a) Particulars of the subsidiaries of the Group during the year ended 31 December 2022 as at date of this report are set out below:

Company name	Country/place and date of incorporation/ establishment and kind of legal entity	Issued and paid up capital or registered capital ('000)	Effective interests held by the Group %		Direct or indirect	Principal activities and place of operation
			At 31 December 2022	2021		
Qijia Holding Limited.	BVI, 25 November 2014	USD 50	100%	100%	Direct	Investment holding company in BVI
Jia (Hong Kong) Limited.	HK, 9 December 2014	HKD 10	100%	100%	Indirect	Investment holding company in HK
Qijia (Shanghai) Network Technology Co., Ltd.	PRC, 16 April 2015, LLC	USD 290,000	100%	100%	Indirect	Provision of Platform Service in Mainland China
Qi Home (Shanghai) Information Technology Co., Ltd.	PRC, 5 June 2015, LLC	USD 50,000	100%	100%	Indirect	Provision of Platform Service in Mainland China
Shanghai Qijia Network Information Technology Co., Ltd.	PRC, 9 August 2007, INC.	50,265	100%	100%	Indirect	Provision of Platform Service in Mainland China
Shanghai Qiyi Information Technology Co., Ltd.	PRC, 8 September 2011, LLC	5,000	100%	100%	Indirect	Provision of Platform Service in Mainland China
Shanghai Qiyu Information Technology Co., Ltd.	PRC, 23 September 2015, LLC	325,050	100%	100%	Indirect	Information Technology Service in Mainland China
Shanghai Qijia Qianbao Financial Information Service Co., Ltd.	PRC, 2 December 2013, LLC	6,000	75%	75%	Indirect	Financial Information Service in Mainland China
Shanghai Qixu investment and management Co., Ltd.	PRC, 22 September 2014, LLC	1,000	100%	100%	Indirect	Investment Management in Mainland China
Shanghai Qisheng E-Commerce Co., Ltd.	PRC, 24 March 2010, LLC	5,000	100%	100%	Indirect	Electronic Commerce in Mainland China
Shanghai Qijia Internet Financial Information Service Co., Ltd.	PRC, 10 August 2015, LLC	10,000	N/A (ii)	70%	Indirect	Financial Information Service in Mainland China
Fujian Qijia Network Information Technology Co., Ltd.	PRC, 9 January 2015, LLC	30,000	100%	100%	Indirect	Provision of Supply Chain Service in Mainland China
Brausen (Fujian) Decoration Engineering Co., Ltd.	PRC, 23 June 2006, LLC	50,000	100%	100%	Indirect	Provision of Self-operated interior design and construction services in Mainland China
Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.	PRC, 30 August 2016, LLC	80,000	67.63% (i) (ii)	55%	Indirect	Provision of Self-operated interior design and construction services in Mainland China
Suzhou Qijia Jumei Supply Chain Management Co., Ltd. (Previous name: Suzhou Tea Horse Road Trading Co., Ltd.)	PRC, 22 February 2017, LLC	1,000	67.63%	55%	Indirect	Provision of Self-operated interior design and construction services in Mainland China

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36 SUBSIDIARIES (continued)

(a) (continued)

Company name	Country/place and date of incorporation/ establishment and kind of legal entity	Issued and paid up capital or registered capital ('000)	Effective interests held by the Group %		Direct or indirect	Principal activities and place of operation
			At 31 December 2022	2021		
Henan Qijia Jumei Decoration Design Engineering Co., Ltd.	PRC, 26 May 2017, LLC	2,000	47.34%	38.50%	Indirect	Provision of Self-operated interior design and construction services in Mainland China
Quanzhou Brausen Decoration Engineering Co., Ltd.	PRC, 10 June 2014, LLC	1,520	57.50%	57.50%	Indirect	Provision of Self-operated interior design and construction services in Mainland China
Luoyuan Brausen Decoration Engineering Co., Ltd.	PRC, 21 July 2014, LLC	5,000	N/A (ii)	55%	Indirect	Provision of Self-operated interior design and construction services in Mainland China
Brausen (Xiamen) Decoration Engineering Co., Ltd.	PRC, 10 November 2014, LLC	1,300	51%	51%	Indirect	Provision of Self-operated interior design and construction services in Mainland China
Beijing Brausen Home Furnishing Decoration Co., Ltd.	PRC, 6 September 2017, LLC	5,000	100%	100%	Indirect	Provision of Self-operated interior design and construction services in Mainland China
Fuzhou Changle Brausen Decoration Engineering Co., Ltd.	PRC, 25 April 2017, LLC	800	55%	55%	Indirect	Provision of Self-operated interior design and construction services in Mainland China
Beijing Qisu Information Technology Co., Ltd	PRC, 8 June 2018, LLC	USD 100	100%	100%	Indirect	Provision of Platform Service in Mainland China
Shanghai Qilai Furniture and Decorations Co., Ltd.	PRC, 31 July 2019, LLC	50,000	100%	100%	Indirect	Provision of Supply Chain Service in Mainland China
Shanghai Mingqi investment and management Co., Ltd.	PRC, 5 February 2020, LLC	10,000	100%	100%	Indirect	Investment Management in Mainland China
Fujian Zhixiu Information Technology Co., Ltd.	PRC, 9 March 2020, LLC	10,000	100%	100%	Indirect	Information Technology Service in Mainland China
Shanghai Kangtan Information Technology Co., Ltd.	PRC, 3 September 2020, LLC	10,000	100%	100%	Indirect	Information Technology Service in Mainland China
Shanghai Zhubei Information Technology Co., Ltd.	PRC, 29 September 2018, LLC	25,000	100%	100%	Indirect	Information Technology Service in Mainland China

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36 SUBSIDIARIES (continued)

(a) (continued)

Company name	Country/place and date of incorporation/ establishment and kind of legal entity	Issued and paid up capital or registered capital ('000)	Effective interests held by the Group %		Direct or indirect	Principal activities and place of operation
			At 31 December 2022	2021		
Fujian Zhubei Information Technology Co., Ltd.	PRC, 13 April 2020, LLC	10,000	100%	100%	Indirect	Information Technology Service in Mainland China
Shanghai Qiyuan Intelligent Technology Co., Ltd.	PRC, 16 October 2017, LLC	1,111	100%	100%	Indirect	Information Technology Service in Mainland China
Shanghai Qirong Information Service Co., Ltd.	PRC, 15 May 2020, LLC	10,000	100%	100%	Indirect	Information Technology Service in Mainland China
Shanghai Ashen Information Technology Co., Ltd.	PRC, 11 November 2020, LLC	5,000	100%	100%	Indirect	Information Technology Service in Mainland China
Qijia (Cayman) Limited.	Cayman Islands, 25 February 2021	USD 50	100%	100%	Direct	Investment holding company in Cayman Islands
Shanghai Zhuqi Intelligent Technology Co., Ltd.	PRC, 24 March 2021, LLC	5,000	100%	100%	Indirect	Provision of Self-operated interior design and construction services in Mainland China
Castor Renovation Technology Limited.	HK, 25 March 2021	– (iii)	100%	100%	Indirect	Investment holding company in HK
Ningbo Zhuqi Decoration Engineering Co., Ltd.	PRC, 3 June 2021, LLC	5,000	100%	100%	Indirect	Provision of Self-operated interior design and construction services in Mainland China
Shanghai Qingyun Shuxiang Construction Technology Co., Ltd.	PRC, 25 August 2021, LLC	10,000	100%	100%	Indirect	Provision of Self-operated interior design and construction services in Mainland China
Shanghai Qijiadianshang Technology Co., Ltd.	PRC, 3 September 2021, LLC	1,000	100%	100%	Indirect	Information Technology Service in Mainland China
Shanghai Castor Technology Co., Ltd.	PRC, 13 September 2021, LLC	USD 25,000	100%	100%	Indirect	Information Technology Service in Mainland China
Shanghai Qihong Intelligence Technology Co., Ltd.	PRC, 2 March 2022, LLC	10,000	100%	N/A	Indirect	Provision of Self-operated interior design and construction services in Mainland China
Laokefei (Shanghai) Sanitary Ware Co., Ltd.	PRC, 29 September 2022, LLC	1,000	100%	N/A	Indirect	Provision of Supply Chain Service in Mainland China

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36 SUBSIDIARIES (continued)

(a) (continued)

Company name	Country/place and date of incorporation/ establishment and kind of legal entity	Issued and paid up capital or registered capital ('000)	Effective interests held by the Group %		Direct or indirect	Principal activities and place of operation
			At 31 December 2022	2021		
Shanghai Brausen Decoration Engineering Co., Ltd.	PRC, 18 October 2022, LLC	20,000	100%		N/A Indirect	Provision of Self-operated interior design and construction services in Mainland China
Anhui Qi Home Human Resource Co., Ltd.	PRC, 14 December 2022, LLC	5,000	100%		N/A Indirect	Provision of Platform Service in Mainland China
Sanming Qi Home Human Resource Co., Ltd.	PRC, 19 December 2022, LLC	1,000	100%		N/A Indirect	Provision of Platform Service in Mainland China

- (i) The non-controlling shareholders made a capital contribution of RMB3,235,000 while the Group made a capital contribution of RMB10,100,000 in Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd. in 2022.
- (ii) Liquidation of subsidiaries with minority interests and transaction with non-controlling interests

In January 2022, the Group liquidated Luoyuan Brausen Decoration Engineering Co., Ltd. The Group and non-controlling shareholders succeeded the corresponding assets and liabilities and no cash inflow or outflow was derived from the liquidation. The liquidation procedures were completed in 2022. The excess of RMB33,000 over the carrying amount of the corresponding non-controlling interests were recorded as "other reserves" in equity.

In September 2022, the Group liquidated Shanghai Qijia Network Information Technology Co., Ltd. The Group and non-controlling shareholders succeeded the corresponding assets and liabilities and RMB305,000 cash outflow to non-controlling shareholders was derived from the liquidation, which equals to the carrying amount of the corresponding non-controlling interests. The liquidation procedures were completed in 2022. The statutory surplus reserve of RMB1,000 were transferred from other reserves to accumulated losses.

In October 2022, the Group acquired the 12.625% equity interests in Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd. held by non-controlling shareholders at a consideration of RMB0. The non-controlling shareholders did not make enough capital contribution according to the registered capital before. The excess of RMB9,698,000 over the carrying amount of the corresponding non-controlling interests was recorded as "other reserves" in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36 SUBSIDIARIES (continued)

(a) (continued)

- (ii) Liquidation of subsidiaries with minority interests and transaction with non-controlling interests (continued)

The effect of these liquidation and transactions on other reserves during the years ended 31 December 2022 and 2021 is summarised as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Carrying amount of non-controlling interests acquired	(9,426)	(4,261)
Consideration paid to non-controlling interests	(305)	(7,000)
Excess of consideration paid recognised in the liquidation and transactions	(9,731)	(11,261)
Statutory surplus reserve transferred from other reserves to accumulated losses	(1)	–
Effect on other reserves	(9,732)	(11,261)

- (iii) The registered capital of Castor Renovation Technology Limited. is HKD1.

(b) Material non-controlling interests

Summarised financial information on the subsidiary with material non-controlling interests for the year ended 31 December 2022 is as follows:

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Losses RMB'000	Surplus RMB'000
Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.	302,903	302,787	284,224	(35,380)	116

Summarised financial information on the subsidiary with material non-controlling interests for the year ended 31 December 2021 is as follows:

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Losses RMB'000	Surplus RMB'000
Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.	340,819	318,629	402,371	(9,789)	22,190

Financial Summary

The following table sets out our key financial data for the periods or as of the dates indicated.

The key financial data is extracted from the audited consolidated financial statements disclosed in the Prospectus and the 2022 annual report.

	For the year ended 31 December				
	2018	2019 (restated)	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	645,704	770,985	916,264	1,106,540	875,735
Gross profit	381,558	508,625	520,500	593,423	473,931
Profit/(loss) before income tax	708,306	44,075	48,410	80,949	(136,473)
Income tax credit/(expense)	5,164	5,465	(6,529)	(9,658)	(3,793)
Profit/(loss) for the year from continuing operations	713,470	49,540	41,881	71,291	(140,266)
Profit from discontinued operations	31,987	-	-	-	-
Profit/(loss) for the year	745,457	49,540	41,881	71,291	(140,266)
Profit/(loss) attributable to:					
Equity holders of the Company	757,594	60,655	40,613	74,054	(126,044)
Non-controlling interests	(12,137)	(11,115)	1,268	(2,763)	(14,222)

	As at 31 December				
	2018	2019 (restated)	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	1,899,880	2,043,629	2,149,605	2,124,714	1,812,362
Total liabilities	579,203	688,906	855,370	839,271	641,829
Equity attributable to the equity holders of the Company	1,353,460	1,377,404	1,312,497	1,297,124	1,183,775

Definitions

“AGM”	the forthcoming annual general meeting of the Company to be held on 22 May 2023
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit and Risk Management Committee”	the audit and risk management committee under the Board
“Auditor”	PricewaterhouseCoopers, the independent auditor of the Company
“Beijing Brausen”	Beijing Brausen Home Furnishing Decoration Co., Ltd.* (北京博若森家居裝飾有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company
“Board”	the board of Directors of our Company
“Brausen”, or “Fujian Brausen”	Brausen (Fujian) Decoration & Engineering Co., Ltd.* (博若森(福建)裝飾工程有限公司), company with limited liability incorporated in PRC on 23 June 2006 and a subsidiary of our Company, and its subsidiaries as the context requires, which were acquired by us on 24 August 2015
“Brausen Referral Services Agreement”	the referral services agreement dated 31 December 2020 entered into between Beijing Brausen and Shanghai Qijia E-Commerce pursuant to which Shanghai Qijia E-Commerce will work with certain construction materials and household products suppliers, to sell customized construction materials and furniture packages to end-clients introduced by Beijing Brausen for a commission
“BVI”	the British Virgin Islands
“CEO”	the chief executive officer of our Company
“CG Code”	the Corporate Governance Code as set out in part 2 of Appendix 14 of the Listing Rules
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China, and for the purposes of this annual report for geographical reference only (unless otherwise indicated), excluding Taiwan, Macau and Hong Kong
“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, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1739)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions

“Contractual Arrangements”	the series of contractual arrangements entered into by, among Shanghai Qijia, Qijia Network Technology and the shareholders of Shanghai Qijia, details of which are described in the section headed “Contractual Arrangements” of the Prospectus
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Existing Brausen Referral Services Agreement(s)”	the referral services agreements dated December 31, 2021, entered into between Beijing Brausen and Shanghai Qijia pursuant to which Shanghai Qijia will work with certain construction materials and household products suppliers, to sell customized construction materials and furniture packages to end-clients introduced by Beijing Brausen for a commission, the latest term of which will expire on December 31, 2022
“Group” or “our Group”	the Company (any one or more of, as the context may require) and its subsidiaries and operating entities
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IAS”	the International Accounting Standards
“IASB”	the International Accounting Standards Board
“IDC” or “Interior Design and Construction Business”	the provision of interior design and construction service and licensing it brand partners and others
“IFRS”	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)
“INC.”	company limited by shares
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons (as defined under the Listing Rules)
“Innovation and others”	the provision of other initiative services
“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

Definitions

“Latest Practicable Date”	18 April 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
“Listing Date”	12 July 2018, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“LLC”	limited liability company
“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
“Memorandum and Articles of Association”	the amended and restated memorandum of articles of association and articles of association of our Company, conditionally adopted on 12 July 2018 with effect from the Listing Date, and as amended from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Mr. Deng”	Mr. DENG Huajin, our founder, chairman of our Board, executive Director, CEO and our single largest Shareholder
“Nomination Committee”	the nomination committee under the Board
“PRC” or “China”	the People’s Republic of China, except where the context requires otherwise and only for the purposes of this annual report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Operating Entities”	Shanghai Qijia and its subsidiaries and branches, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of the Company adopted in 2011 and 2016, and was formalized in 2018. The expiry date of pre-IPO share option scheme was in 2021, replaced by another share-based compensation plan.
“Prospectus”	the prospectus of the Company dated 21 June 2018 (as supplemented by the supplemental prospectus dated 3 July 2018) in connection with the IPO of the Company
“Remuneration Committee”	the remuneration committee under the Board

Definitions

“Renewed Brausen Referral Services Agreement”	the referral services agreement dated January 4, 2023 entered into between Shanghai Brausen and Shanghai Qijia pursuant to which Shanghai Qijia will work with certain construction materials and household products suppliers, to sell customized construction materials and furniture packages to end-clients introduced by Shanghai Brausen
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reporting Period”	the year ended 31 December 2022
“RSU(s)”	restricted share unit(s)
“Qeeka Holding”	Qeeka Holding Limited, an exempted company with limited liability incorporated in the BVI on 18 November 2014, which is wholly owned by Mr. Deng
“Qijia Network Technology”	Qijia (Shanghai) Network Technology Co., Ltd.* (齊家網(上海)網絡科技有限公司), a company with limited liability incorporated in the PRC on 16 April 2015 and a subsidiary of the Company
“Qiyi Referral Services Agreement”	the referral services agreement dated 1 April 2018 entered into between Shanghai Qiyi Information Technology Co., Ltd.* (上海齊屹信息科技有限公司) and Shanghai Qijia E-Commerce pursuant to which Shanghai Qijia E-Commerce will work with certain construction materials and household products suppliers, to sell customized construction materials and furniture packages to end-clients introduced by Shanghai Qiyi Information Technology Co., Ltd.* (上海齊屹信息科技有限公司) for a commission
“SaaS and Marketing Service Business”	the provision of SaaS based total marketing solution, targeted marketing services, inspection service and others
“Sales lead”	the data that identifies someone as a potential demand user of Interior Design and Construction
“Series A Investors”	the holders of Series A Preferred Shares, namely Series A-1 Investors, Series A-2 Investors, Series A-3 Investors, and Series A-4 Investors
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Brausen”	Shanghai Brausen Decoration Engineering Co., Ltd.* (上海博若森裝飾工程有限公司), a company incorporated in the PRC with limited liability and a wholly owned 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 incorporated in the PRC with limited liability on 9 August 2007, and is controlled by our Group through the Contractual Arrangements

Definitions

“Shanghai Qijia E-Commerce”	Shanghai Qijia E-Commerce Co., Ltd.* (上海齊家電子商務有限公司), a company with limited liability incorporated in the PRC, which is ultimately controlled by Mr. Deng
“Shanghai Qiyi”	Shanghai Qiyi Information Technology Co., Ltd.* (上海齊屹信息科技有限公司), a company incorporated in the PRC with limited liability on 8 September 2011, which is a directly wholly-owned subsidiary of Shanghai Qijia
“Shanghai 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 with limited liability on 23 September 2015, which is a wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of US\$0.0001 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Supply Chain Service Business”	the provision of building and home decoration materials
“USD”	United States dollar, the lawful currency of the United States
“Youzi”	the partial renovation brand of the Company
“YOY”	year-on-year
“%”	per cent.

* The English names of the PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translation and/or transliteration of their Chinese names and are included for identification purposes only. In the event of inconsistency between the Chinese names and their English translations and/or transliterations, the Chinese names shall prevail.