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Qeeka Home (Cayman) Inc.
齊屹科技（開曼）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1739)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Directors of Qeeka Home (Cayman) Inc. is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2018. These results have been audited by the Auditor in accordance with International Standards on Auditing, and have also been reviewed by the Audit and Risk Management Committee.

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

KEY HIGHLIGHTS

- Total revenues for the year ended 31 December 2018 grew 34.8% year-on-year to RMB645.7 million;

- Revenues from the Online Platform Business were RMB374.9 million for the year ended 31 December 2018, an increase of 97.7% from RMB189.6 million for the year ended 31 December 2017.

- Adjusted net profit from continuing operations attributable to equity holders of the Company for the year ended 31 December 2018 increased significantly to RMB51.6 million, compared to an adjusted net loss of RMB58.2 million for the year ended 31 December 2017, which reflected our solid monetisation from Online Platform Business as well as disciplined cost control with increasing operational leverage.

- For the year ended 31 December 2018, our Group had net operating cash inflow of RMB58.4 million, compared to RMB119.3 million net operating cash outflow for the year ended 31 December 2017, demonstrating our operational capability.

KEY FINANCIAL DATA

Continuing operations	**2018** **(*RMB'000*)**	2017 (*RMB'000*)	Year-on-year Change
Revenue	**645,704**	479,055	34.8%
– Online Platform Business	**374,886**	189,644	97.7%
– Self-operated Interior Design and Construction Business and others	**270,818**	289,411	(6.4%)
Gross Profit	**381,558**	239,830	59.1%
– Online Platform Business	**311,125**	169,503	83.6%
– Self-operated Interior Design and Construction Business and others	**70,433**	70,327	0.2%
Gross Margin	**59.1%**	50.1%	–
– Online Platform Business	**83.0%**	89.4%	–
– Self-operated Interior Design and Construction Business and others	**26.0%**	24.3%	–
Adjusted Net Profit/(Loss) attributable to equity holders of the Company [(1)]	**51,646**	(58,191)	–
Adjusted Net Margin	**8.0%**	(12.1%)	–
Adjusted EPS (expressed in RMB per share)[(2)]			
– Basic	**0.07**	(0.14)	
– Diluted	**0.05**	(0.14)	

Notes:

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

(2) Adjusted earnings/(loss) per share ("**EPS**") is calculated by dividing the adjusted net profit/(loss) from continuing operations attributable to equity holders of the Company by weighted average number of ordinary shares issued during the year ended 31 December 2018, which exclude fair value gain/(loss) of the preferred shares and convertible liabilities, accretion charge related to preferred shares, share-based compensation expenses, impairment loss on investments accounted for using the equity method and listing expenses.

KEY OPERATION METRICS

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

	Year ended 31 December **2018**	2017	Year-on-year change
MUVs (in millions)	**48.6**	37.8	28.6%
Number of recommended users	**324,784**	228,999	41.8%
Number of recommendations made	**766,735**	496,116	54.5%
Average revenue from platform services per recommendation (RMB)	**419**	359	16.7%

During the year, (i) our MUVs grew by 28.6% to approximately 48.6 million from approximately 37.8 million in 2017; (ii) the number of recommended users reached 324,784, representing an increase of 41.8% year-on-year; (iii) the number of recommendations made increased by 54.5% to 766,735 from 496,116 in 2017; and (iv) the average revenue from platform services per recommendation increased by 16.7% to RMB419 from RMB359 in 2017.

BUSINESS REVIEW AND OUTLOOK

Business review

- ***Online Platform Business***

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

  In 2018, we further strengthened our leading position as the largest interior design and construction platform in the PRC. Our core Online Platform Business has continued to demonstrate significant growth momentum. We achieved good performance in terms of our key operating metrics, including MUVs, number of recommended users and number of service providers. Revenues from the Online Platform Business increased by 97.7% year-on-year to RMB374.9 million for the year ended 31 December 2018.

  On the consumer front, we delivered comprehensive, independent and interactive contents to users through our website and mobile applications that are accessible through PCs and mobile devices. As of year ended 31 December 2018, our user data and high-quality home improvement content included over 2.1 million articles and posts, 4.3 million photos and 880,000 real-life case examples. In addition, we have developed and are continuing to improve the precision of our user profiling (人物畫像) technology, which analyzes user browsing behavior and preferences to prioritize contents that users are likely to find relevant and interesting. Our accurate and comprehensive user profiling technology enables us to continuously enhance user experience and improve our ability to attract and retain customers.

  To address poor user experience caused by sub-par construction service and unsecured payment mechanism which was common during the construction, we continued to promote third-party inspection services and payment security (namely "**Qijia Bao Service**") to our users. During the year, the number of construction sites that adopted our Qijia Bao Service increased by 58.1% to 18,924.

On the merchant side, we promoted the business expansion and management mechanism for these service providers on our platform. We expedited the expansion of our offline channel network and recruited over 180 additional sophisticated business development personnel in 2018. We also expanded our offline presence to 79 new third or fourth tier cities and also further increased the density of channel network through attracting more high quality service providers to our platform. The number of interior design and construction service providers on our platform increased by 45.1% from 6,680 as of 31 December 2017 to 9,694 as of 31 December 2018.

In 2018, while maintaining the market leadership of our Online Platform Business, we also seek to further enhance the multi-monetisation capabilities. We stepped up our investment in materials supply chain business, through which we could further integrate materials purchasing and distribution and pass on efficiency gains to our service providers. We launched a program called "Qeeka Alliances of Selected Materials Supply Chain" and deepened partnerships with well-known materials merchants in China to sell customized or exclusive models of selected materials categories to our service providers. In addition, we established a strategic cooperation with Bank of China and Kujiale (酷家樂) in 2018, through which helped us further strengthen business synergies in the sales of SaaS and loan referral service.

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

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

  As we shifted our focus to improve operational efficiencies and strengthen the strategic synergies of Brausen and Jumei with the overall Online Platform Business rather than sales volume growth, revenues from Self-operated Interior Design and Construction Business decreased slightly by 6.4% to RMB270.8 million in 2018.

Company financial highlights

For the year ended 31 December 2018, our total revenues increased by 34.8% year-on-year to RMB645.7 million; revenues from our Online Platform Business and Self-operated Interior Design and Construction Business and others increased by 97.7% and decreased by 6.4% year-on-year, respectively. Revenue contribution from the Online Platform Business has continued to increase significantly throughout 2018, accounting for 58.1% of total revenues in 2018, compared to 39.6% for the year end 31 December 2017.

Adjusted net profit from continuing operations attributable to equity holders of the Company was RMB51.6 million for the year ended 31 December 2018, representing 188.7% increase in profit compared to an adjusted net loss of RMB58.2 million for the year ended 31 December 2017.

For the year ended 31 December 2018, our Group realised a positive operating cash flow of RMB58.4 million, demonstrating our operational capability.

Company business outlook

In 2019, we will continue to solidify our leading position and increase our market share. To drive the growth momentum, we will focus on the long-term development of our Online Platform Business, enrich the content of our platform, actively promote our Qijia Bao Service, and enhance overall user experience. Our Platform will also attract more superior interior design and construction service providers in order to meet the needs of our users.

From a monetisation prospective, we will continue to scale up our Online Platform Business by expanding geography coverage, deepening merchant penetration and diversifying service offerings. Going forward, we will explore diversified business models and opportunities to build a robust and comprehensive platform.

We are confident we will be able to derive sustainable value for our Shareholders in 2019.

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	
	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
Revenue	**645,704**	479,055
Cost of sales	**(264,146)**	(239,225)
Gross profit	**381,558**	239,830
Selling and marketing expenses	**(303,216)**	(237,984)
Administrative expenses	**(105,422)**	(94,014)
Research and development expenses	**(37,058)**	(37,497)
Net impairment losses on financial assets	**(242)**	–
Other gains – net	**12,317**	21,153
Operating loss	**(52,063)**	(108,512)
Finance income	**59,115**	10,265
Share of profit of investments accounted for using the equity method	**2,007**	3,968
Fair value gains/(losses) of preferred shares and convertible liabilities	**699,247**	(742,974)
Profit/(loss) before income tax	**708,306**	(837,253)
Income tax credit/(expense)	**5,164**	(7,650)
Profit/(loss) from continuing operations	**713,470**	(844,903)
Profit/(loss) from discontinued operation	**31,987**	(10,622)
Profit/(loss) for the year	**745,457**	(855,525)
Profit/(loss) is attributable to:		
Equity holders of the Company	**757,594**	(824,089)
Non-controlling interests	**(12,137)**	(31,436)
	745,457	(855,525)
Non-IFRS measure		
Adjusted net profit (loss) from continuing operations attributable to equity holders of the Company	**51,646**	(58,191)

Revenue from continuing operations

Our total revenues from continuing operations increased by 34.8% to RMB645.7 million for the year ended 31 December 2018, compared to RMB479.1 million for the year ended 31 December 2017.

	Year ended 31 December			
	2018		2017	
	Amount *RMB'000*	**% of total revenue**	Amount *RMB'000*	% of total revenue
Online Platform Business	**374,886**	**58.1%**	189,644	39.6%
Self-operated Interior Design and Construction Business and others	**270,818**	**41.9%**	289,411	60.4%
	645,704	**100.0%**	479,055	100.0%

Online Platform Business

Revenues derived from Online Platform Business increased by 97.7% to RMB374.9 million for the year ended 31 December 2018, compared to RMB189.6 million for the year ended 31 December 2017, primarily due to our robust expansion in both platform services and materials supply chain business during the year.

	Year ended 31 December		Year-on-year
	2018 *RMB'000*	2017 *RMB'000*	Change
Platform services	**321,230**	177,955	80.5%
Materials supply chain	**53,656**	11,689	359.0%
	374,886	189,644	97.7%

- *Platform services*

  Our revenues from the platform services segment increased by 80.6% to RMB321.2 million for the year ended 31 December 2018 from RMB177.9 million for the year ended 31 December 2017. The increase of revenues from platform services was mainly attributable to the increase in the number of recommended users as a result of increasing focus on online storefront improvements, enriching our online storefront content and creating further stickiness of users to our Online Platform Business, as well as increase in the coverage of our offline channel network in third or fourth tier cities. This growth was also driven by the increase in our average revenue from platform services per recommendation.

- *Materials supply chain*

  Our revenues from the materials supply chain segment increased by 359.0% to RMB53.7 million for the year ended 31 December 2018 from RMB11.7 million for the year ended 31 December 2017, primarily due to our efforts to promote our comprehensive service solutions to service providers on our platform. We expect to obtain lower prices from materials merchants through further strategic collaboration and leverage on economies of scale, thereby achieving greater monetisation potential.

Self-operated Interior Design and Construction Business and others

Revenues derived from our Self-operated Design and Constructing Business and others decreased by 6.4% to RMB270.8 million for the year ended 31 December 2018, compared to RMB289.4 million for the year ended 31 December 2017, primarily due to the decrease in revenues from home renovation service segment.

	Year ended 31 December		Year-on-year
	2018	2017	Change
	RMB'000	*RMB'000*	
Home renovation service	**209,107**	269,703	(22.5%)
Real estate refined decoration service	**56,632**	14,626	287.2%
Others	**5,079**	5,082	(0.1%)
	270,818	289,411	(6.4%)

Revenues derived from our Self-operated Interior Design and Construction Business decreased by 6.4% to RMB270.8 million for the year ended 31 December 2018 from RMB289.4 million for the year ended 31 December 2017. This decrease was primarily due to the integration of our self-operated interior design and construction brands and the cessation of our Qiyu brand in August 2017 and therefore a decrease in revenues derived from home renovation service, which was offset by the strong growth in construction services for real-estate developers and service apartments.

Cost of sales from continuing operations

Cost of sales from continuing operations increased by 10.4% to RMB264.1 million for the year ended 31 December 2018, compared to RMB239.2 million for the year ended 31 December 2017, which was mainly due to increase in costs of our Online Platform Business.

- ***Online Platform Business***

  Cost of sales of our Online Platform Business increased by 217.4% from RMB20.1 million for the year ended 31 December 2017 to RMB63.8 million for the year ended 31 December 2018. The increase was driven by our revenue growth in both platform services and materials supply chain segments.

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

  Cost of sales of our Self-operated Interior Design and Construction Business and others decreased by 8.5% to RMB200.4 million for the year ended 31 December 2018, compared to RMB219.1 million for the year ended 31 December 2017. It was primarily due to the cessation of our Qiyu brand in August 2017, which was offset by increase in revenue derived from real estate refined decoration business.

Gross profit and gross margin from continuing operations

As a result of the foregoing, our total gross profit from continuing operations increased by 59.1% to RMB381.6 million in 2018, from RMB239.8 million in 2017. Our overall gross margin from continuing operation increased from 50.1% for the year ended 31 December 2017 to 59.1% for the year ended 31 December 2018.

	Year ended 31 December			
	2018		2017	
	Amount	**Gross Margin**	Amount	Gross Margin
	RMB'000	*%*	*RMB'000*	*%*
Online Platform Business	**311,125**	**83.0%**	169,503	89.4%
Self-operated Interior Design and Construction Business and others	**70,433**	**26.0%**	70,327	24.3%
	381,558	**59.1%**	239,830	50.1%

Online Platform Business

Gross profit of our Online Platform Business increased by 83.5% from RMB169.5 million for the year ended 31 December 2017 to RMB311.1 million for the year ended 31 December 2018.

	Year ended 31 December			
	2018		2017	
	Amount	**Gross Margin**	Amount	Gross Margin
	RMB'000	***%***	*RMB'000*	*%*
Platform services	**304,892**	**94.9%**	168,701	94.8%
Materials supply chain	**6,233**	**11.6%**	802	6.9%
	311,125	**83.0%**	169,503	89.4%

Gross profit of our platform services increased by 80.7% to RMB304.9 million for the year ended 31 December 2018 from RMB168.7 million for the year ended 31 December 2017. Gross profit margin of this segment stabilised at approximately 94.9% for the year ended 31 December 2018.

Gross profit of materials supply chain business increased by 675.0% from RMB0.8 million for the year ended 31 December 2017 to RMB6.2 million for the year ended 31 December 2018 due to the revenue increase in the business segment. Gross profit margin of material supply chain increased from 6.9% for the year ended 31 December 2017 to 11.6% for the year ended 31 December 2018 since we established strategic cooperation with well-known materials merchants to reduce the procurement costs and leveraged on economies of scale.

Self-operated Interior Design and Construction Business

Gross profit of our Self-operated Interior Design and Construction Business and others slightly increased by 0.1% from RMB70.3 million for the year ended 31 December 2017 to RMB70.4 million for the year ended 31 December 2018. Our gross profit margin for this segment increased from 24.3% for the year ended 31 December 2017 to 26.0% for the year ended 31 December 2018, which was attributed to the improvement of operation efficiency and construction management.

Selling and marketing expenses

Our selling and marketing expenses from continuing operations increased by 27.4% to RMB303.2 million in 2018 from RMB238.0 million in 2017, primarily due to (i) an increase in marketing and advertising expenses to drive traffic growth, including MUV and number of recommended users; and (ii) an increase in headcount of sales teams to support the offline channel expansion of our platform services.

Administrative expenses

Our administrative expenses increased by 12.1% to RMB105.4 million for the year ended 31 December 2018, compared to RMB94.0 million for the year ended 31 December 2017. It was primarily due to one-off listing expenses of RMB40.3 million incurred in connection with the IPO in July 2018.

Research and development expenses

Our research and development expenses decreased slightly by 1.1% to RMB37.1 million in 2018 on a year-over-year basis, since we had largely completed the initial stage of product development and our efforts were more focused on maintaining and optimising our platform.

Other gains – net

Other gains in 2018 mainly consisted of (i) government subsidies of RMB9.3 million and (ii) gains on disposal of three subsidiaries operating Self-operated Interior Design and Construction Business of RMB3.2 million.

Finance income

Our finance income from continuing operations increased by 473.8% to RMB59.1 million for the year ended 31 December 2018 from RMB10.3 million for the year ended 31 December 2017. The increase was mainly due to the accretion charge of liabilities components of preferred shares and increase in interest income from our IPO proceeds.

Fair value gains/(losses) of preferred shares and convertible liabilities

Fair value losses of preferred shares and convertible liabilities for the year ended 31 December 2017 was RMB743.0 million and fair value gains of preferred shares and convertible liabilities for the year ended 31 December 2018 was RMB699.2 million, respectively. The gains were mainly due to changes in value of the preferred shares and convertible liabilities determined by valuation conducted by the independent valuer.

Income tax credit/(expense)

Income tax credit for the year ended 31 December 2018 were RMB5.2 million, compared to RMB7.7 million of income tax expense for the year ended 31 December 2017, mainly due to increase in deferred tax assets.

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

As a result of the foregoing, our net profit from continuing operations increased significantly by 184.4% year-on-year to RMB713.5 million for the year ended 31 December 2018, compared to a net loss of RMB844.9 million in 2017.

To supplement our consolidated financial statements which are presented in accordance with the IFRSs, we also use adjusted net profit/(loss) from continuing operations attributable to equity holders of the Company as an additional financial measure, which was not required by, or presented in accordance with, IFRSs. We believe that this Non-IFRS measure facilitates comparisons of operating performance by eliminating potential impacts of items 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/(loss) may not be comparable to a similarly titled measure presented by other companies. The use of this Non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

Our adjusted net profit from continuing operations attributable to equity holders of the Company was RMB51.6 million for the year ended 31 December 2018, which represented a significant increase of 188.7% compared to negative RMB58.2 million for the year ended 31 December 2017. The increase in adjusted net profit from continuing operations attributable to equity holders of the Company reflected our solid monetisation from Online Platform Business as well as disciplined cost control with increasing operational leverage.

The following table reconciles our adjusted net profit/(loss) from continuing operations attributable to equity holders of the Company for the years ended 31 December 2018 and 2017 to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net profit/(loss) from continuing operations attributable to equity holders of the Company for the year	**725,607**	(813,467)
Fair value gains/(losses) of preferred shares and convertible liabilities (1)	**(699,247)**	742,974
Accretion charge of liabilities components of preferred shares (2)	**(21,411)**	–
Impairment loss on investments accounted for using the equity method	**1,349**	–
Share-based compensation expenses	**4,761**	3,207
Listing expenses	**40,282**	9,403
Non-controlling interests effects	**305**	(308)
Adjusted net profit/(loss) from continuing operations attributable to equity holders of the Company	**51,646**	(58,191)

Notes:

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

(2) Accretion charge of liabilities components of preferred shares is the income/(expense) created when updating the present value change of liabilities components of preferred shares, which was adjusted for the year ended 31 December 2018 and except for the year ended 31 December 2017.

Liquidity and financial resources

We had historically funded our cash requirements principally from capital contribution from shareholders and financing through issuance and sale of equity securities. We had cash and cash equivalents of RMB779.8 million and term deposits of RMB333.6 million as of 31 December 2018, compared to the balance of RMB474.6 million and nil as of 31 December 2017, respectively.

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net cash generated from/(used in) operating activities	**58,350**	(119,276)
Net cash used in investing activities	**(799,944)**	(9,365)
Net cash generated from financing activities	**1,019,293**	6,567
Net increase/(decrease) in cash and cash equivalents	**277,699**	(122,074)
Cash and cash equivalents at beginning of the year	**480,637**	612,028
Effect on exchange rate difference	**21,443**	(9,317)
Cash and cash equivalents at end of the year	**779,779**	480,637

Net cash generated from/(used in) operating activities

Net cash generated from/(used in) operating activities primarily consists of our profit/(loss) for the year and non-cash items, such as depreciation and amortisation, fair value changes of preferred shares and convertible liabilities, and adjusted by changes in working capital.

For the year ended 31 December 2018, net cash generated from operating activities was RMB58.4 million, which was primarily attributable to the profit before income tax of RMB741.5 million, as adjusted by (i) non-cash items, which primarily comprised fair value changes of preferred shares and convertible liabilities of RMB699.2 million and depreciation and amortisation of RMB15.7 million, plus additional factors that affected net cash generated from operating activities included gain on disposal of subsidiaries of RMB44.1 million, interest income from bank deposits of RMB59.1 million and (ii) changes in working capital, which primarily comprised an increase in inventories of RMB13.4 million, an increase in trade payables of RMB23.9 million, a decrease in staff salaries and welfare payables of RMB27.3 million, and an increase in deposits payment of RMB101.4 million.

Net cash used in investing activities

For the year ended 31 December 2018, net cash used in investing activities was RMB799.9 million, which was mainly attributable to the cash payment for land use rights of RMB311.9 million, purchase of short-term investments of RMB333.6 million, purchase of investments in financial assets at fair value through profit or loss of RMB70.0 million, disposal of subsidiaries, net of cash disposed of RMB92.4 million, purchase of property, plant and equipment of RMB7.2 million, purchase of intangible assets of RMB3.6 million, partially offset by interest received from fixed deposits and bank wealth management products of RMB12.0 million.

Net cash generated from financing activities

For the year ended 31 December 2018, net cash generated from financing activities was RMB1,019.3 million, which was mainly attributable to proceeds from issuance of ordinary shares.

Gearing ratio

As at 31 December 2018, except as disclosed above, we did not have any indebtedness, including but not limited to mortgages, charges, debentures, other issued and outstanding debt capital, bank overdrafts, borrowings, liabilities under acceptance or acceptance credits, hire purchase commitments, unutilized banking facilities or other similar indebtedness, any guarantees or other material contingent liabilities. Accordingly, the gearing ratio is not applicable.

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 2018. 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	
	2018	2017
	RMB'000	*RMB'000*
Purchase of property and equipment	**7,236**	17,783
Purchase of intangible assets	**3,571**	555
Prepayment of land use rights	**311,930**	–
Total	**322,737**	18,338

Our capital expenditures primarily included (i) expenditures for purchases of property and equipment such as serves and computers and intangible assets such as qualification certificate names and software; and (ii) expenditures for prepayment of land use rights in Shanghai. The land will be developed into a commercial complex, including an comprehensive interior design industrial park, which will consolidate verticals of the interior design and construction value chain.

Long-term investment activities

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Investments accounted for using the equity method	**196,065**	198,784
Financial assets at FVOCI/available-for-sale financial assets	**41,919**	49,636
Total	**237,984**	248,420

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 early-stage companies that do not generate meaningful revenue and profits. 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.

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 2018 and as at 31 December 2017, we did not have any material contingent liabilities.

Employee and remuneration policy

As of 31 December 2018, the Group had 1,279 full-time employees, most of whom were based in China, primarily at our headquarters in Shanghai, with the rest based in Beijing, Fuzhou and various other cities in China.

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

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

To sharpen business focus on our core Online Platform Business, we completed a corporate reorganisation in 2018 by spinning off the subsidiary that was not involved in our core business. On March 2018, our Group disposed Shanghai Qijia E-commerce Co., Ltd. (上海齊家電子商務有限公司), a wholly-owned subsidiary of our Group at a consideration of approximately RMB18 million, which operated interior-design, home decoration and construction themed shopping malls, primarily for merchants to engage in retail sale of construction materials.

Important events after reporting date

There were no important events affecting the Company and its subsidiaries which occurred after 31 December 2018 and up to the date of this announcement.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Continuing operations			
Revenue	5	**645,704**	479,055
Cost of sales	6	**(264,146)**	(239,225)
Gross profit		**381,558**	239,830
Selling and marketing expenses	6	**(303,216)**	(237,984)
Administrative expenses	6	**(105,422)**	(94,014)
Research and development expenses	6	**(37,058)**	(37,497)
Net impairment losses on financial assets	6	**(242)**	–
Other gains – net		**12,317**	21,153
Operating loss		**(52,063)**	(108,512)
Finance income	7	**59,115**	10,265
Share of profit of investments accounted for using the equity method		**2,007**	3,968
Fair value gains/(losses) of preferred shares and convertible liabilities	11	**699,247**	(742,974)
Profit/(loss) before income tax		**708,306**	(837,253)
Income tax credit/(expense)	8	**5,164**	(7,650)
Profit/(loss) from continuing operations		**713,470**	(844,903)
Profit/(loss) from discontinued operations	15	**31,987**	(10,622)
Profit/(loss) for the year		**745,457**	(855,525)
Profit/(loss) is attributable to:			
Equity holders of the Company		**757,594**	(824,089)
Non-controlling interests		**(12,137)**	(31,436)
		745,457	(855,525)
Earnings/(loss) per share for profit/(loss) from continuing operations and discontinued operation attributable to equity holders of the Company			
Basic earnings/(loss) per share (RMB)	9		
– Continuing operations		**0.92**	(1.99)
– Discontinued operations		**0.04**	(0.03)
Total		**0.96**	(2.02)
Diluted earnings/(loss) per share (RMB)	9		
– Continuing operations		**0.01**	(1.99)
– Discontinued operations		**0.03**	(0.03)
Total		**0.04**	(2.02)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the year ended 31 December 2018

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Profit/(loss) for the year		**745,457**	(855,525)
Other comprehensive income/(loss) for the year			
Items that may be reclassified to profit or loss:			
Changes in the fair value of available-for-sale financial assets		**–**	878
Share of other comprehensive loss of investments accounted for using the equity method		**(1,074)**	(337)
Exchange difference on translation of foreign operations		**27,367**	54,426
		26,293	54,967
Items that will not be reclassified to profit or loss:			
Changes in the fair value of equity investments at fair value through other comprehensive income		**(9,717)**	–
Effects of changes in credit risk for liabilities designated at fair value through profit or loss		**(947)**	–
		(10,664)	–
Other comprehensive income for the year, net of tax		**15,629**	54,967
Total comprehensive income/(loss) for the year		**761,086**	(800,558)
Total comprehensive income/(loss) for the year is attributable to:			
Equity holders of the Company		**773,223**	(769,122)
Non-controlling interests		**(12,137)**	(31,436)
		761,086	(800,558)
Total comprehensive income/(loss) for the year attributable to the equity holders of the Company arises from:			
Continuing operations		**741,236**	(758,500)
Discontinued operations	*15*	**31,987**	(10,622)
		773,223	(769,122)

CONSOLIDATED BALANCE SHEET
As at 31 December 2018

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**17,572**	22,954
Intangible assets		**9,156**	8,218
Goodwill		**7,796**	7,796
Deferred tax assets		**13,147**	9,058
Investments accounted for using the equity method		**196,065**	198,784
Financial assets at fair value through other comprehensive income ("**FVOCI**")		**41,919**	–
Available-for-sale financial assets		**–**	49,636
Prepayment for land use rights		**311,930**	–
Total non-current assets		**597,585**	296,446
Current assets			
Inventories		**25,576**	12,768
Trade and other receivables and advances to suppliers	*10*	**91,745**	64,133
Amount due from related parties		**1,643**	325,315
Amount due from directors		**–**	5,697
Financial assets at fair value through profit or loss		**70,000**	–
Term deposits		**333,552**	–
Cash and cash equivalents		**779,779**	474,617
		1,302,295	882,530
Assets classified as held for sale	*15*	**–**	41,026
Total current assets		**1,302,295**	923,556
Total assets		**1,899,880**	1,220,002
EQUITY/(DEFICITS)			
Share capital		**805**	25
Share premium		**2,378,009**	15,616
Other reserves		**(204,962)**	144,851
Accumulated losses		**(820,392)**	(1,627,457)
Equity/(deficits) attributable to equity holders of the Company		**1,353,460**	(1,466,965)
Non-controlling interests		**(32,783)**	(24,565)
Total equity/(deficits)		**1,320,677**	(1,491,530)

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**889**	1,047
Preferred shares	*11*	**–**	1,593,615
Total non-current liabilities		**889**	1,594,662
Current liabilities			
Prepayments from customers, trade and other payables	*13*	**425,899**	498,656
Contract liabilities		**110,255**	–
Amounts due to related parties		**69**	310,090
Convertible liabilities	*11*	**–**	147,897
Current tax liabilities		**39,971**	43,260
Deferred revenue		**2,120**	3,720
		578,314	1,003,623
Liabilities directly associated with assets classified as held for sale	*15*	**–**	113,247
Total current liabilities		**578,314**	1,116,870
Total liabilities		**579,203**	2,711,532
Total equity and liabilities		**1,899,880**	1,220,002

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		**52,482**	(113,629)
Interest received		**9,442**	5,833
Income tax paid		**(3,574)**	(11,480)
Net cash generated from/(used in) operating activities		**58,350**	(119,276)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7,236)**	(17,783)
Purchase of intangible assets		**(3,571)**	(555)
Prepayment for land use rights		**(311,930)**	–
Proceeds from disposal of property, plant and equipment		**756**	1,689
Investment in term deposits		**(333,552)**	–
Dividends received from investments accounted for using the equity method		**2,303**	2,303
Increase in investments measured at FVOCI		**(2,000)**	–
Loans to a related party		**–**	(49)
Increase in investments in financial assets at fair value through profit or loss		**(70,000)**	–
Repayments of loans from related parties		**5,697**	3,381
Proceeds from disposal of an associate		**–**	1,209
Interest received from fixed deposits and bank wealth management products		**12,024**	–
Disposal of subsidiaries, net of cash disposed	*15*	**(92,435)**	440
Net cash used in investing activities		**(799,944)**	(9,365)
Cash flows from financing activities			
Cash received from capital contributions in subsidiaries from non-controlling interests		**2,005**	6,632
Proceeds from issuance of Series C preferred shares	*11*	**63,095**	–
Proceeds from issuance of ordinary shares relating to the initial public offering, net off listing expenses		**949,793**	–
Net cash inflow from settlement of receivables and payables with SIP Oriza PE Fund Management Co., Ltd. and SIP Oriza Qijia PE Enterprise (Limited Partnership)		**4,400**	–
Cash paid for acquisition of additional equity interest in a subsidiary		**–**	(65)

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Net cash generated from financing activities		**1,019,293**	6,567
Net increase/(decrease) in cash and cash equivalents		**277,699**	(122,074)
Effect on exchange rate difference		**21,443**	(9,317)
Cash and cash equivalents at beginning of the year		**480,637**	612,028
Cash and cash equivalents at end of the year		**779,779**	480,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 GENERAL INFORMATION

The Company (formerly named as "China Home (Cayman) Inc.") was incorporated in the Cayman Islands on 20 November 2014 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Sertus Chambers P.O. BOX 2547, Cassia Court, Camana Bay, Grand Cayman, 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 an online marketplace for building materials sellers and decoration service providers, provision of order recommendation services, provision of advertising and promotion services, licensing its brand to business partners, provision of building material supply chain service and others ("Online Platform Business"); (ii) the provision of interior design and construction service ("Self-operated Interior Design and Construction Business"); (iii) operating and managing building materials shopping mall ("Discontinued Business") (collectively, the "Listing Business"). Mr. Deng Huajin (鄧華金, "Mr. Deng") is the ultimate controlling shareholder of the Company. From October 2010 to March 2018, nine individual senior management shareholders (the "Senior Management Shareholders") agreed to follow Mr. Deng's decision when exercising voting rights. Subsequently in April 2018, the Senior Management Shareholders decided to act at his/her own discretion when exercising shareholder's rights going forward.

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2019.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company has been prepared in accordance with International Financial Reporting Standards ("IFRSs") and disclosures requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities 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 3.

3 APPLICATION OF NEW AND AMENDMENTS TO IFRSs

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

Except as described in Note 4, the adoption of these new standards, amendments and interpretations listed above were not significant on the consolidated financial statements.

(b) New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective until 1 January 2019 and not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendment to IFRS 3	Definition of a Business	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
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 impact of these new or revised standards which are relevant to the Group's operation. Except as described below, the Group considers that the application of amendments to IFRSs, amendments to IASs and the new interpretations is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in the future.

The directors expect the adoption of IFRS 16 would result in the recognition of the right-of-use assets and corresponding lease liabilities arising from accounting for operating leases by the Company as a lessee.

IFRS 16

IFRS 16, "Leases", addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that almost all operating leases will be accounted for on balance sheet for lessees, and the only optional exemptions are for certain short-term leases and leases of low-value assets. The standard replaces IAS 17 "Leases", and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted but only in conjunction with adopting IFRS 15 "Revenue from contracts with customers" at the same time.

The Group is a lessee of various offices, which are currently classified as operating leases. The Group's current accounting policy for such leases under which operating lease payment is accounted for in the consolidated statement of comprehensive income when incurred and the Group's future operating lease commitments are not reflected in the consolidated balance sheet but are disclosed in Note 14. IFRS 16 provides new provisions for the accounting treatment of leases and all long-term leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. In the consolidated income statement, leases will be recognised in the future as capital expenditure on the purchasing side and will no longer be recorded as an operating expense.

The new standard will therefore result in an increase in right of use asset and an increase in lease liability in the consolidated balance sheet. As for the financial performance impact in the consolidated income statement of comprehensive income, leasing expense will be replaced with straight-line depreciation expense on the right of use asset and interest expense on the lease liability. The combination of straight-line depreciation of the right of use asset and effective interest rate method applied on the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expense during the latter part of the lease term.

The Group does not expect the adoption of IFRS 16 as compared with the current accounting policy would result any significant impact on the total expense to be recognised over the entire lease period and the Group's financial performance but it is expected that the lease commitments will be required to be recognised in the consolidated balance sheet as a right of use asset and a lease liability other than the short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. The adoption of IFRS 16 would not affect total cash flows in respect the lease.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB43,341,000. Of these commitments, approximately RMB1,400,000 relates to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets and lease liabilities of approximately RMB37,000,000 on 1 January 2019.

The Group expects that profit before income tax will decrease by approximately RMB645,000 for 2019 as a result of adopting the new rules.

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements.

(a) Impact on the consolidated financial statements

As a result of the changes in the Group's accounting policies, prior year financial statements had to be restated. As explained in Note 4(b) and Note 4(c) below, IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	As at 1 January 2018			
	As previously stated *RMB'000*	**Adjustments under IFRS 9** *RMB'000*	**Adjustments under IFRS 15** *RMB'000*	**Restated** *RMB'000*
Consolidated balance sheet (extract)				
Non-current assets				
Financial assets at fair value through other comprehensive income (FVOCI)	–	49,636	–	49,636
Available-for-sale financial assets	49,636	(49,636)	–	–
Total assets	1,220,002	–	–	1,220,002
Prepayments from customers, trade and other payables	498,656	–	(115,990)	382,666
Contract liabilities	–	–	115,990	115,990
Total liabilities	2,711,532	–	–	2,711,532
Other reserves	144,851	(50,227)	–	94,624
Accumulated losses	(1,627,457)	49,471	–	(1,577,986)
Total deficits	(1,491,530)	(756)	–	(1,492,286)

(b) IFRS 9 "Financial Instruments" – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in IFRS 9(7.2.15), comparative figures have not been restated.

The total impact on the Group's accumulated losses as at 1 January 2018 is as follows:

	Notes	**1 January 2018** *RMB'000*
Closing accumulated losses 31 December 2017 – IAS 39		(1,627,457)
Reclassify changes in the fair value of the financial liability designated at fair value through profit or loss that is attributable to changes in the credit risk	*(i)*	50,227
Increase in provision for trade receivables	*(ii)*	(34)
Increase in provision for other receivables		(722)
Opening accumulated losses 1 January 2018 – IFRS 9		(1,577,986)

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

	IAS 39 Measurement category	IAS 39 Carrying amount *RMB'000*	IFRS 9 Measurement category	IFRS 9 Carrying amount *RMB'000*
Available-for-sale financial assets	Available-for-sale financial assets	49,636	N/A	–
Financial assets at fair value through other comprehensive income	N/A	–	Financial assets at fair value through other comprehensive income	49,636
Trade and other receivables (excluding prepayments and value added tax recoverable)	Amortised cost	30,628	Amortised cost	30,628
Cash and cash equivalents	Amortised cost	474,617	Amortised cost	474,617

There were no changes to the classification and measurement of financial liabilities except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The impact of these changes on the Group's equity is as follows:

		Effect on AFS reserves *RMB'000*	Effect on FVOCI reserve *RMB'000*	Effect on accumulated losses *RMB'000*
Opening balance – IAS 39		(483)	–	(1,627,457)
Reclassify investments from available-for-sale to FVOCI	*(1)*	483	(483)	–
Reclassify changes in the fair value of the financial liability designated at fair value through profit or loss that is attributable to changes in the credit risk	*(2)*	–	(50,227)	50,227
Total impact		483	(50,710)	50,227
Opening balance – IFRS 9		–	(50,710)	(1,577,230)

(1) Equity investments previously classified as available-for-sale

The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB49,636,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value losses of RMB483,000 were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

(2) Changes in the fair value of the financial liability designated at fair value through profit or loss that is attributable to changes in the credit risk

The Group designated the entire instruments of Series B preferred shares as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated income statement previously.

Upon adoption of IFRS 9, the component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when realised. Fair value changes relating to market risk are recognised in profit or loss.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables for sales of building materials and from the provision of services; and
- other financial assets at amortised cost.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's accumulated losses and equity is disclosed in the table in Note 4 below.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

Other financial assets at amortised cost (other receivables)

Other financial assets at amortised cost include rental deposits, staff advances, prepaid compensation paid on behalf of the merchants, loans due from third parties and others.

Applying the expected credit risk model resulted in the recognition of an additional loss allowance of RMB722,000 on 1 January 2018 (previous loss allowance was RMB11,750,000) and a further increase in the allowance by RMB242,000 in the year ended 31 December 2018.

The loss allowances for trade receivables and other financial assets at amortised cost as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Trade receivables	**Other financial assets at amortised cost**
	RMB'000	*RMB'000*
At 31 December 2017 – calculated under IAS 39	–	(11,750)
Amounts restated through opening accumulated losses	(34)	(722)
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	(34)	(12,472)

(c) IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and reclassifications to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in accumulated losses as of 1 January 2018 and that comparatives will not be restated. In summary, the following reclassifications were made to the amounts recognised in the consolidated balance sheet at the date of initial application (1 January 2018):

	As at 1 January 2018		
	As previously stated	Reclassification under IFRS 15	Restated
	RMB'000	*RMB'000*	*RMB'000*
Consolidated balance sheet (extract)			
Prepayments from customers, trade and other payables	498,656	(115,990)	382,666
Contract liabilities	–	115,990	115,990
Total liabilities	2,711,532	–	2,711,532

The amount by each financial statements line item affected in the current year and year to date by the application of IFRS 15 as compared to IAS 18 that were previously in effect before the adoption of IFRS 15 is as follows:

	As at 31 December 2018		
	Amounts without the adoption of IFRS 15	**Effects of the adoption of IFRS 15**	**Amounts as reported**
	RMB'000	***RMB'000***	***RMB'000***
Consolidated balance sheet (extract)			
Prepayments from customers, trade and other payables	**536,154**	**(110,255)**	**425,899**
Contract liabilities	**–**	**110,255**	**110,255**
Total liabilities	**579,203**	**–**	**579,203**

(i) Payments are usually received in advance of the performance under the contracts which are mainly from Online Platform Business and Self-operated Interior Design and Construction Business. The Group changed the presentation of the prepayments from customers in the consolidated balance sheet to reflect the terminology of IFRS 15.

(ii) The commission paid for obtaining the contract for the Online Platform Business and Self-operated Interior Design and Construction Business qualify for recognition as a contract asset which are subsequently amortised to profit or loss when the relevant revenue is recognised. As the revenue could be realised in one year, the Group choose to expense the commission as incurred.

(d) IFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018

(i) Revenue recognition

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.

(1) Order recommendation services

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

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

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

(2) Licence fee

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

(3) Storefront fees

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

(4) *Inspection service*

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

(5) *Sales of building materials*

Sales of building materials is categorised under Online Platform Business because the traffic is attracted from the Group's platform. 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.

(6) *Self-operated interior design and construction services*

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

(7) *Offline service centre and home events service revenue*

The Group charges merchants for participating in the Group's offline service center or the home events. The Group charges these merchants a fixed annual fee. Service center and home events service revenues are recognised based on straight-line method during the service period as agreed with the merchants.

(8) *Fund management fees*

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

5 SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are 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. As a result of this evaluation, the Group determined that it has operating segments as follows:

- the provision of an online marketplace for the merchants, provision of order recommendation services, licensing services to its business partners, provision of building material supply chain services ("Platform Business");

- the provision of interior design and construction services ("Self-operated Interior Design and Construction services "); and

- the operating and managing offline building materials shopping mall and organising home events in the shopping malls ("Discontinued Business").

The CODM assesses the performance of the operating segments mainly based on segment revenues and segment cost of sales. The revenues from external customers reported to CODM are measured as segment revenues, which is the revenues derived from the customers in each segment. Cost of sales for the Online Platform Business segment primarily comprised of employee benefit expenses for the employees operating the transaction platform material costs for material supply chain and other direct service costs. Cost of sales for the Self-operated Interior Design and Construction services segment primarily comprised of materials costs for the decoration labour costs and other directly related service costs. Cost of sales for the Discontinued Business segment primarily comprised of operating lease costs for shopping malls, employee benefit expense, and other directly related costs.

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

	Year ended 31 December 2018				
Segment	**Online Platform Business** *RMB'000*	**Self-operated Interior Design and Construction Business** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*	**Discontinued Business** *RMB'000*
Revenue					
Segment revenue	**562,159**	**333,813**	**5,079**	**901,051**	**22,666**
Inter-segment sales	**(187,273)**	**(68,074)**	**–**	**(255,347)**	**–**
Revenue from external customers	**374,886**	**265,739**	**5,079**	**645,704**	**22,666**
Timing of revenue recognition					
At a point in time	**304,077**	**16,185**	**–**	**320,262**	**1,618**
Over time	**70,809**	**249,554**	**5,079**	**325,442**	**21,048**
	374,886	**265,739**	**5,079**	**645,704**	**22,666**
Results					
Segment gross profit	**311,125**	**68,700**	**1,733**	**381,558**	**3,421**
Selling and marketing expenses				**(303,216)**	
Administrative expenses				**(105,422)**	
Research and development expenses				**(37,058)**	
Net impairment losses on financial assets				**(242)**	
Other gains – net				**12,317**	
Finance income				**59,115**	
Share of profit of investments accounted for using the equity method				**2,007**	
Fair value gains of preferred shares and convertible liabilities				**699,247**	
Profit before income tax				**708,306**	

Segment	Online Platform Business RMB'000	Self-operated Interior Design and Construction Business RMB'000	Others RMB'000	Total RMB'000	Discontinued Business RMB'000
	Year ended 31 December 2017				
Revenue					
Segment revenue	301,185	327,414	5,082	633,681	198,789
Inter-segment sales	(111,541)	(43,085)	–	(154,626)	–
Revenue from external customers	189,644	284,329	5,082	479,055	198,789
Timing of revenue recognition					
At a point in time	112,742	21,690	–	134,432	8,267
Over time	76,902	262,639	5,082	344,623	190,522
	189,644	284,329	5,082	479,055	198,789
Results					
Segment gross profit	169,503	70,279	48	239,830	90,100
Selling and marketing expenses				(237,984)	
Administrative expenses				(94,014)	
Research and development expenses				(37,497)	
Other gains – net				21,153	
Finance income				10,265	
Share of profit of investments accounted for using the equity method				3,968	
Fair value losses of preferred shares and convertible liabilities				(742,974)	
Loss before income tax				(837,253)	

(a) **Revenue**

The revenue from the continuing operations for the years ended 31 December 2018 and 2017 are set out as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Online Platform Business	**374,886**	189,644
– Order recommendation fees	**280,449**	146,620
– Sales of building materials	**53,656**	11,689
– Storefront fees	**16,441**	9,379
– Licence fee	**14,268**	14,193
– Inspection service fee	**10,072**	7,763
Self-operated Interior Design and Construction Business	**265,739**	284,329
– Self-operated Decoration Business	**249,554**	262,639
– Sales of goods	**16,185**	21,690
Others	**5,079**	5,082
	645,704	479,055

(b) Revenue by geographical markets

All the revenue of the Group was generated in the PRC during the years ended 31 December 2018 and 2017.

(c) Information about major customers

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

(d) Liabilities related to contracts with customer

All the carried-forward contract liabilities as at 1 January 2018 have been satisfied and the revenue related has been recognised during the year ended 31 December 2018.

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses, administrative expenses and research and development expenses and net impairment losses on financial assets are analysed as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Advertising and promotion expenses	**161,120**	106,773
Cost of inventories sold	**154,784**	148,136
Employee benefit expenses	**151,741**	178,874
Outsourced labour costs	**112,876**	81,983
Listing expenses	**40,282**	9,403
Operating lease expenses	**18,343**	20,142
Travelling, entertainment and communication expenses	**13,953**	10,647
Depreciation of property, plant and equipment	**10,308**	11,103
Taxes and levies	**4,256**	4,158
Auditors' remuneration		
– Audit service	**3,700**	230
– Non audit service	**120**	–
Bank charges and point-of-sale device processing fees	**3,343**	4,214
Amortisation of intangible assets	**2,633**	2,075
Technology development expenses	**2,176**	802
Utilities and electricity expenses	**1,480**	1,164
Provision for impairment of trade and other receivables *(Note 10)*	**242**	372
Miscellaneous	**28,727**	28,644
	710,084	608,720

7 FINANCE INCOME – NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest income	**37,704**	5,658
Accretion charge related to preferred shares *(Note 11)*	**21,411**	4,607
	59,115	10,265

8 INCOME TAX EXPENSES

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Current tax on profit/(loss) for the year	**285**	12,322
Deferred income tax:		
Increase in deferred tax assets	**(4,089)**	(4,513)
Decrease in deferred tax liabilities	**(158)**	(159)
Total deferred tax credit	**(4,247)**	(4,672)
Income tax (credit)/expense	**(3,962)**	7,650
Income tax (credit)/expense attributable to:		
(Loss)/profit from continuing operations	**(5,164)**	7,650
Profit from discontinued operations	**1,202**	–
	(3,962)	7,650

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

(i) Cayman Islands

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

(ii) British Virgin Islands

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

(iii) Hong Kong

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

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

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the year ended 31 December 2018 (2017: 25%).

Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprise, and accordingly, they were subject to a reduced preferential CIT rate of 15% for the year ended 31 December 2018 (2017: 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 2018 (2017: nil), the Group has incurred net accumulated operating losses and does not have any profit distribution plan.

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/loss of the Group attributable to equity holders of the Company by weighted average number of ordinary shares issued during the year.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings/(losses) per share for the years ended 31 December 2018 and 2017 has been retroactively adjusted for the capitalisation of the share premium account arose from the IPO of the Company.

	Year ended 31 December	
	2018	2017
Earnings/(loss) from continuing operations attributable to equity holders of the Company (RMB'000)	**725,607**	(824,089)
Weighted average number of ordinary shares in issue (thousand)	**789,808**	415,109
Earnings/(loss) per share from continuing operations	**0.92**	(1.99)
Earnings/(loss) from discontinued operations attributable to equity holders of the Company (RMB'000)	**31,987**	(10,622)
Weighted average number of ordinary shares in issue (thousand)	**789,808**	415,109
Earnings/(loss) per share from discontinued operations	**0.04**	(0.03)

(b) Diluted earnings/(loss) per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

For the year ended 31 December 2018, the Company has various categories of dilutive potential ordinary shares, including Series A, Series B and Series C Preferred Shares (collectively, "Preferred Shares") and Pre-IPO share option plan.

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

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

	Year ended 31 December 2018
Continuing operations	
Profit from continuing operations attributable to equity holders of the Company (RMB'000)	**725,607**
Adjustments for Preferred Shares	**(720,658)**
Adjusted profit from continuing operations attributable to equity holders of the Company (RMB'000)	**4,949**
Weighted average number of ordinary shares in issue (thousand)	**789,808**
Adjustments for Pre-IPO share option plan (thousands of shares)	**14,766**
Adjustments for Preferred Shares (thousands of shares)	**244,347**
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**1,048,921**
Diluted earnings per share from continuing operations (RMB per share)	**0.01**
Discontinued operations	
Profit from discontinued operation attributable to equity holders of the Company (RMB'000)	**31,987**
Adjustments for Preferred Shares	**–**
Adjusted profit from discontinued operations attributable to equity holders of the Company (RMB'000)	**31,987**
Weighted average number of ordinary shares in issue (thousand)	**789,808**
Adjustments for Pre-IPO share option plan (thousands of shares)	**14,766**
Adjustments for Preferred Shares (thousands of shares)	**244,347**
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	**1,048,921**
Diluted earnings per share from discontinued operation (RMB per share)	**0.03**

For the years ended 31 December 2017, the Company had three categories of potential ordinary shares, Preferred Shares, convertible liabilities and Pre-IPO share option plan. As the Group incurred losses for the year ended 31 December 2017, the potential ordinary shares were not included in the calculation of dilutive losses per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the year ended 31 December 2017 was the same as basic losses per share.

10 TRADE AND OTHER RECEIVABLES AND ADVANCE TO SUPPLIERS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables		
Due from third parties	**6,073**	5,445
Less: provision for impairment of trade receivables	**(34)**	–
Net trade receivables	**6,039**	5,445
Other receivables		
Rental deposits	**5,596**	8,992
Staff advances	**3,289**	4,145
Prepaid compensation paid on behalf of the merchants	**388**	70
Loans due from third parties	**23,709**	17,722
Interest receivable	**16,264**	–
Others	**3,498**	6,004
Gross other receivables	**52,744**	36,933
Less: provision for impairment of other receivables	**(12,693)**	(11,750)
Net other receivables	**40,051**	25,183
Others		
Advance to suppliers	**33,669**	26,739
Value-added tax recoverable	**11,986**	3,839
Prepaid listing expenses	**–**	2,927
	91,745	64,133

As at 31 December 2018, the carrying amounts of trade and other receivables are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

The Group grants credit periods to customers ranged from 30 days up to 180 days. As at 31 December 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables – gross		
Within 1 month	**1,823**	1,538
Over 1 month and within 3 months	**1,105**	409
Over 3 months and within 1 year	**3,145**	3,498
	6,073	5,445

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

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At the beginning of the year	**–**	(1,378)
Changes on initial application of IFRS 9 *(Note 4(b))*	**(34)**	–
Restated balance at the beginning of the year	**(34)**	(1,378)
Provision for impairment	**–**	–
Provision classified as held for sale	**–**	1,378
At the end of the year	**(34)**	–

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At the beginning of the year	**(11,750)**	(15,165)
Changes on initial application of IFRS 9 *(Note 4(b))*	**(722)**	–
Restated balance at the beginning of the year	**(12,472)**	(15,165)
Provision for impairment	**(242)**	(334)
Write-off against uncollectable receivables	**18**	942
Disposal of a subsidiary	**3**	–
Provision classified as held for sale	**–**	2,807
At the end of the year	**(12,693)**	(11,750)

Provision for impairment of trade and other receivables has been recognised in the consolidated income statements as follows:

	2018	2017
	RMB'000	*RMB'000*
Continuing operations *(Note 6)*	**(242)**	(372)
Discontinued operations	**–**	38
	(242)	(334)

11 PREFERRED SHARES

On 30 April 2015, as a result of the Reorganisation, the Series A Investors flipped up their shares proportionately from Shanghai Qijia to the Company. As part of the Reorganisation, the Series A investors exchanged their equity interests in Shanghai Qijia to the Company's Series A preferred shares.

In April 2015, the Company issued 10,833,333 shares of Series B preferred shares at a price of US$6.00 per share with total cash consideration of US$65,000,000 (equivalent to RMB397,573,000).

In December 2015, the Company issued 10,600,680 shares of Series B preferred shares at a price of US$6.00 per share with total cash consideration of US$63,604,080 (equivalent to RMB398,151,000).

CDH Weixin and CDH Weisen entered into the Old Contractual Arrangements with Shanghai Qijia as well as a consent letter, under which, the Company undertook to issue Series A preferred shares to CDH Weixin and CDH Weisen on the condition that CDH Weixin and CDH Weisen complete the necessary administrative procedures for the offshore investment. The arrangement was accounted for as convertible liabilities.

In March 2018, Cachet Special, an independent investor, was introduced to settle the convertible liabilities held by CDH Weixin and CDH Weisen. As a result, the convertible liabilities were fully converted into 3,080,050 Series A preferred shares, including RMB854,000 presented as preferred shares in non-current liability side and RMB161,859,000 presented as "other reserve".

In March 2018, 1,134,014 Series C preferred shares was issued to Cachet Special at a consideration of USD10,000,000 (equivalent to RMB63,095,000).

Upon completion of the IPO, all the preferred shares were automatically converted to ordinary shares. As a result, 242,180,000 ordinary shares were issued, and the balance of preferred shares liabilities and preferred shares reserve was transferred to share capital and share premium of the Company on that date. All preferred rights entitled to the holders of preferred shares lapsed and such holders thereafter hold rights pari passu to all other ordinary shareholders.

The key terms of the Series A preferred shares, Series B preferred shares and Series C preferred shares are summarised as below:

(i) Liquidation preference

In the event of any liquidation, deemed liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the preferred shareholders shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of any other class or series of shares, the liquidation preference amount per share equal to one hundred percent (100%) of the original issue price on each preferred shares, plus all declared but unpaid dividends thereon up to the date of liquidation. The liquidation preference amount will be paid to the preferred shareholders in the following order: first to holders of Series C preferred shares, then to holders of Series B preferred shares and lastly to holders of Series A preferred shares. After distributing or paying in full the liquidation preference amount to all of the preferred shareholders, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of ordinary shares and the preferred shareholders on a pro rata basis, based on the number of ordinary shares then held by each shareholder on an as converted basis. If the value of the remaining assets of the Company is less than aggregate liquidation preference amount payable to the holders of a particular series of preferred shares, then the remaining assets of the Company shall be distributed pro rata amongst the holders of all outstanding preferred shares of that series.

"Deemed Liquidation" means (1) any consolidation, amalgamation, scheme of arrangement or merger of any member of our Group with or into any other person or other reorganization in which the shareholders of such member of our Group immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than fifty percent (50%) of the voting power of such member of our Group in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or any transaction or series of related transactions to which such member of our Group is a party in which in excess of fifty percent (50%) of the voting power of such member of our Group is transferred; (2) a sale, transfer, lease or other disposition of all or substantially all of the assets of any member of our Group (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such member of our Group); (3) the exclusive licensing of all or substantially all of the intellectual property of any member of our Group to a third party; and (4) the termination or material amendment of the agreements under the Contractual Arrangements which would reasonably be expected to result in the dissolution of the Contractual Arrangements unless Shanghai Qijia is no longer an operating company of the Group or Shanghai Qijia will be otherwise controlled by the Company, directly or indirectly.

(ii) Dividend rights

The holders of preferred shares are entitled to receive dividends, out of any assets legally available therefor, prior and in preference to any declaration or payment of any dividend on the ordinary shares or any other class or series of shares of the Company at the rate and in the amount as the Board of Directors considers appropriate. No dividends or other distributions shall be declared, paid or distributed (whether in cash or otherwise) on any ordinary share or any other class or series of shares unless and until (i) all declared but unpaid dividends on the Preferred Shares have been paid in full and (ii) a dividend in the like amount and kind has first been declared on the preferred shares on an as-if-converted basis and has been paid in full to the holders of the preferred shares.

(iii) Conversion feature

The preferred shares shall automatically be converted into Class A ordinary shares at the then-effective applicable conversion price, upon the earlier of: (i) the consummation of a qualified IPO (ii) with respect to the Series A preferred shares, the date specified by written consent or agreement of majority holders of Series A preferred shares; (iii) with respect to the Series B preferred shares, the date specified by written consent or agreement of majority holders of Series B preferred shares; or (iv) with respect to the Series C preferred shares, the date specified by written consent or agreement of majority holders of Series C preferred shares.

The conversion ratio, which shall initially be determined based on the issue price of the preferred shares, shall be adjusted from time to time by customary events such as payment of share dividends, issuance, subdivisions, combinations, or consolidation of ordinary shares.

(iv) Redemption feature

At any time commencing on the fifth (5th) anniversary of the Series B preferred shares issue date, in the case that the Company has not consummated an IPO, any holder of the Series B preferred shares shall have the right, in its sole discretion, to require the Company to redeem all or any portion of the Series B preferred shares held by such holder out of funds legally available therefor including capital, at a redemption price equal to: IP x (112%)N, where "N" equals a fraction the numerator of which is the number of calendar days from the date on which the Series B Preferred Shares were issued up to the date on which such preferred shares are redeemed and the denominator of which is 365.

By 31 December 2018, in the case that the Company has not consummated an IPO, any holder of the Series C preferred shares shall have the right, in its sole discretion, to require the Company to redeem all or any portion of the Series C preferred shares held by such holder out of funds legally available therefor including capital, at a redemption price equal to the issue price of Series C preferred shares.

The Series A preferred shares contain two components, liability and equity elements. The equity element is presented in equity heading "preferred shares reserve".

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments of Series B preferred shares as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated income statements.

The Series C preferred shares contain two components, liability and equity elements. The equity element is presented in equity heading "preferred shares reserve". The fair value of the liability component and equity component of RMB3,810,000 and RMB59,285,000 was recognised respectively.

The movements of the liability component of Series A preferred shares, Series B preferred shares and convertible liabilities for the years ended 31 December 2018 and 2017 are set out below:

	Series A preferred shares *RMB'000*	Series B Preferred shares *RMB'000*	Series C Preferred shares *RMB'000*	Convertible liabilities *RMB'000*	Total *RMB'000*
At 1 January 2017	31,833	998,629	–	57,961	1,088,423
Accretion charge	(4,607)	–	–	–	(4,607)
Fair value loss	–	646,797	–	96,177	742,974
Currency translation differences	(1,710)	(77,327)	–	(6,241)	(85,278)
At 31 December 2017	25,516	1,568,099	–	147,897	1,741,512
At 1 January 2018	25,516	1,568,099	–	147,897	1,741,512
Issuance of Series C preferred shares	–	–	3,810	–	3,810
Accretion charge *(Note 7)*	(21,411)	–	–	–	(21,411)
Fair value change	–	(717,374)	(1,639)	19,766	(699,247)
Effects of changes in credit risk for liabilities designated as at fair value through profit or loss	–	947	–	–	947
Conversion of convertible liabilities to Series A preferred shares	854	–	–	(162,713)	(161,859)
Conversion of preferred shares into ordinary shares	(4,740)	(868,222)	(2,312)	–	(875,274)
Currency translation differences	(219)	16,550	141	(4,950)	11,522
At 31 December 2018	–	–	–	–	–

The Company has engaged an independent valuer to determine the total fair value of the Series A preferred shares, Series B preferred shares, Series C preferred shares and convertible liabilities. The discounted cash flow method was used to determine the total equity value of the Company and then equity allocation model was adopted to determine the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period.

12 DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2018 (2017: nil).

No final dividend has been recommended by the Board for the year ended 31 December 2018.

13 PREPAYMENTS FROM CUSTOMERS, TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables*(iii)*	**70,695**	52,610
Other payables		
Deposits payables *(i)*	**168,977**	135,341
Quality and performance guarantee deposits from customers	**67,732**	52,986
Payables for listing expenses	**4,219**	12,046
Payables for purchases of property, plant and equipment	**526**	876
Other accrued expenses and payables	**18,291**	7,674
Total other payables	**259,745**	208,923
Others		
Staff salaries and welfare payables	**69,444**	96,787
Prepayments from customers *(ii)*	**–**	115,990
Accrued taxes other than income tax	**26,015**	24,346
	425,899	498,656
Contract liabilities *(ii)*	**110,255**	–

(i) Deposits payables mainly represented the deposits received from the sellers on the marketplaces to provide consumer protection guarantees and deposits received from the sellers on the marketplaces who use the escrow payment services.

(ii) Prepayments from customers mainly represented the prepayments from the sellers on the marketplaces and prepayments from consumers of Self-operated Interior Design and Construction Business.

(iii) The ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**36,254**	30,918
Over 1 month and within 3 months	**7,306**	3,673
Over 3 months and within 1 year	**18,468**	10,142
Over 1 years	**8,667**	7,877
	70,695	52,610

14 OPERATING LEASE COMMITMENTS

The Group leases office buildings and showroom under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Continuing operations:		
No later than 1 year	**13,866**	8,001
Later than 1 year and no later than 5 years	**26,732**	19,659
Later than 5 years	**2,743**	4,830
	43,341	32,490
Discontinued operations:		
No later than 1 year	**–**	48,999
Later than 1 year and no later than 5 years	**–**	97,960
Later than 5 years	**–**	1,251
	–	148,210

15 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

(a) Description

In December 2017, pursuant to a board resolution, the Group determined to dispose its Discontinued Business to Mr. Deng at a consideration of RMB18,010,000. The transaction was completed on 28 March 2018.

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2017:

	RMB'000
Assets classified as held for sale	
Property, plant and equipment	18,231
Trade and other receivables	16,775
Cash and cash equivalents	6,020
Total assets of disposal group held for sale	41,026
Liabilities directly associated with assets classified as held for sale	
Prepayments from customers, trade and other payables	113,247
Total liabilities of disposal group held for sale	113,247

(b) **Financial performance and cash flow information**

The financial performance and cash flow information of the Discontinued Business for the year ended 31 December 2018 was presented below:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**22,666**	198,789
Cost of sales	**(19,245)**	(108,689)
Selling and marketing expenses	**(8,709)**	(76,840)
Administrative expenses	**(1,550)**	(10,909)
Research and development expenses	**(1,729)**	(13,851)
Other gains – net	**808**	703
Operating loss	**(7,759)**	(10,797)
Finance income	**26**	175
Loss before income tax	**(7,733)**	(10,622)
Income tax expense	**–**	–
Loss after income tax of discontinued operations	**(7,733)**	(10,622)
Post tax gain on disposal of discontinued operations(c)	**39,720**	–
Loss and other comprehensive income from discontinued operations	**31,987**	(10,622)
Profit/(loss) from discontinued operations attributable to:		
– Equity holders of the Company	**31,987**	(10,622)
– Non-controlling interests	**–**	–
	31,987	(10,622)
Other comprehensive income/(loss) from discontinued operation	**31,987**	(10,622)
Net cash inflow/(outflow) from operating activities	**103,708**	(36,075)
Net cash inflow/(outflow) from investing activities	**18,546**	(3,301)
Net increase/(decrease) in cash generated by the subsidiary	**122,254**	(39,376)

(c) Details of the sale of the subsidiary

(i) Disposal of discontinued operations

	Year ended 31 December 2018 *RMB'000*
Cash consideration received or receivable:	**18,010**
Carrying amount of net liabilities sold	**(22,912)**
Gain on disposal of discontinued operation before income tax and reclassification of foreign currency translation reserve	**40,922**
Income tax expense on gain	**(1,202)**
Gain on sale after income tax	**39,720**

	Year ended 31 December 2018 *RMB'000*
Total consideration	
– Cash consideration	**18,010**
Less: Cash and cash equivalents in the subsidiaries disposed	**(110,264)**
Net cash out on disposals	**(92,254)**

The net liabilities of the subsidiaries disposed were as follows:

	On disposed date *RMB'000*
Cash	**110,264**
Trade and other receivables	**43,612**
Property, plant and equipment	**15,547**
Trade and other payables	**(14,823)**
Contract liabilities	**(177,512)**
Net liabilities	**(22,912)**
Gain on disposal of discontinued operation attributable to the Group	**40,922**

(ii) Disposal of subsidiaries

During the year ended 31 December 2018, the Group disposed 60% of equity of interest in Fuzhou No.10 Soft Decoration Co., Ltd., 51% equity interest in Ninghua Brausen Decoration Engineering Co., Ltd., and 51% equity interest in Sanming Brausen Decoration Engineering Co., Ltd., with a cash consideration of RMB10, RMB10 and RMB10, respectively. After the completion of the transactions, the Group lost the control of these three entities. The cash flows from the disposals were as follows:

	Year ended 31 December 2018 *RMB'000*
Total consideration	
– Cash consideration	**–**
– Non cash consideration	**91**
Less: Cash and cash equivalents in the subsidiaries disposed	**(181)**
Net cash out on disposals	**(181)**

The net liabilities of the subsidiaries disposed were as follows:

	On disposed date *RMB'000*
Cash	**181**
Trade and other receivables	**1,848**
Inventories	**594**
Property, plant and equipment	**1,226**
Trade and other payables	**(8,490)**
Contract liabilities	**(680)**
Net liabilities	**(5,321)**
Attributable to:	
– Equity holders of the Company	**(3,105)**
– Non-controlling interests	**(2,216)**
Disposal gain attributable to the Group	**3,196**

OTHER INFORMATION

Purchase, sale or redemption of the company's listed securities

Neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's shares during the period from the Listing Date to 31 December 2018.

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

During the year ended 31 December 2018, the Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules.

Pursuant to A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. DENG Huajin serves as chairman as well as chief executive officer of the Company. He is also the founder of the Group and has been operating and managing the Group since its establishment. Our Directors believe that it is beneficial to the business operation and management of the Group that Mr. DENG continues to serve as both the chairman and the chief executive officer of the Company.

Save as the above, the Company has applied the principles and code provisions as set out in the CG Code for the period from Listing Date to 31 December 2018.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company since the Listing Date. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the period from the Listing Date to 31 December 2018.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the period from Listing Date to 31 December 2018 after making reasonable enquiry.

Audit and Risk Management Committee and review of financial statements

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

The Audit and Risk Management Committee has reviewed the Group's annual results for the year ended 31 December 2018, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit and Risk Management Committee has also discussed the auditing, internal control and financial reporting matters.

Auditor's procedures performed on this results announcement

The figures in respect of the announcement of the Company's results (not including the Adjusted Net Profit/(Loss) from continuing operations attributed to equity holders of the Company and Adjusted Basic and Diluted EPS) for the year ended 31 December 2018 have been agreed by the Auditor to the amounts as set out in the Company's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

Final dividend

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2018.

Use of Proceeds from the IPO

The total net proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related expenses) amounted approximately RMB949.8 million, and the balance of unutilized net proceeds of approximately RMB842.8 million was kept at the bank accounts of the Group as at 31 December 2018.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2018:

Use of proceeds	**Planned applications** *(RMB million)*	**Percentage of total net proceeds**	**Actual usage up to 31 December 2018** *(RMB million)*	**Unutilized net proceeds as at 31 December 2018** *(RMB million)*
Marketing expense	379.9	40.0%	39.0	340.9
Development of supply chain management business	95.0	10.0%	20.0	75.0
Development of Loan referral business	95.0	10.0%	–	95.0
Development of our self-operated interior design and construction business	95.0	10.0%	15.0	80.0
Investment in our technology infrastructure and system	142.5	15.0%	23.0	119.5
Additional strategic investments and acquisitions	95.0	10.0%	–	95.0
General working capital	47.4	5.0%	10.0	37.4
Total	**949.8**	**100.0%**	**107.0**	**842.8**

Public float

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

ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on Tuesday 28 May 2019 and its notice and all other relevant documents will be published and despatched to shareholders in April 2019.

Closure of register of member

The register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019, both days inclusive and during which period no transfer of share will be effected. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Wednesday, 22 May 2019.

Publication of 2018 annual results and annual report

This annual results announcement of the Group for the year ended 31 December 2018 is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.qeeka.com. The annual report for the year ended 31 December 2018 containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in April 2019.

APPRECIATION

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

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

Shanghai, the PRC, 29 March 2019

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

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

DEFINITION

"Auditor"	PricewaterhouseCoopers, the independent auditor of the Company
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Brausen"	Brausen (Fujian) Decoration & Engineering Co., Ltd.* (博若森(福建)裝飾工程有限公司), company with limited liability incorporated in PRC on June 23, 2006 and a subsidiary of our Company, and its subsidiaries as the context requires, which were acquired by us on 24 August 2015
"BVI"	the British Virgin Islands
"CEO"	the chief executive officer of our Company
"Chairman"	the chairman of the Board
"CIT"	corporate income tax
"Company", "our Company", "we" or "us"	Qeeka Home (Cayman) Inc. 齊屹科技(開曼)有限公司 (formerly known as China Home (Cayman) Inc.), an exempted company with limited liability incorporated in the Cayman Islands on 20 November 2014
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Contractual Arrangement(s)"	the series of contractual arrangements entered into among Shanghai Qijia, Qijia Network Technology and the shareholders of Shanghai Qijia, details of which are described in the section headed "Contractual Arrangements" of the Prospectus
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"CG Code"	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"Director(s)"	the director(s) of our Company
"Discontinued Business"	operating and managing building materials shopping mall
"EPS"	earnings/(loss) per share
"Group" or "our Group"	the Company, its subsidiaries, and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time

"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"IAASB"	the International Auditing and Assurance Standards Board
"IAS"	the International Accounting Standards
"IASB"	the International Accounting Standards Board
"IFRS"	The International Financial Reporting Standards, amendments and interpretation issued from time to time by the IASB
"IPO"	The Company's initial public offering and listing of its shares on Main Board of the Stock Exchange on 12 July 2018
"Jumei"	Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.* (齊家居美(蘇州)精裝科技有限公司), a company with limited liability incorporated in PRC on August 30, 2016
"Listing Date"	12 July 2018, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified form time to time
"Main Board"	The stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MUV"	monthly unique visitors
"Mr. Deng"	Mr. Deng Huajin, our founder, chairman of our Board, executive Director, CEO and our single largest Shareholder
"Online Platform Business"	the provision of an online marketplace for building materials sellers and decoration service providers, provision of order recommendation services, provision of advertising and promotion services, licensing brand to business partners, provision of building material supply chain service and others
"PRC" or "China"	the People's Republic of China, except where the context requires otherwise and only for the purposes of this prospectus, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"PRC Operating Entities"	Shanghai Qijia and its subsidiaries and branches, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements
"Prospectus"	the prospectus being issued in connection with the IPO
"Qeeka Holding"	Qeeka Holding Limited, an exempted company with limited liability incorporated in the BVI on November 18, 2014, which is wholly owned by Mr. Deng
"Qijia Network Technology"	Qijia (Shanghai) Network Technology Co., Ltd.* (齊家網(上海)網絡科技有限公司), a company with limited liability incorporated in the PRC on 16 April 2015 and a subsidiary of the Company
"Shanghai Qijia"	Shanghai Qijia Network Information Technology Co., Ltd.* (上海齊家網信息科技股份有限公司), a company with limited liability incorporated in the PRC on 9 August 2007, and is controlled by our Group through the Contractual Arrangements
"RMB"	Renminbi, the lawful currency of PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"%"	per cent

* The English names of the PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translation and/or transliteration of their Chinese names and are included for identification purposes only. In the event of inconsistency between the Chinese names and their English translations and/or transliterations, the Chinese names shall prevail.