# 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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

### INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Qeeka Home (Cayman) Inc. (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Period**"), together with comparative figures for the preceding period of 2017. These interim results were prepared in accordance with the International Accounting Standards ("**IAS**") 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("**IASB**") and reviewed by PricewaterhouseCoopers, the independent auditor of the Company (the "**Auditor**"), in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board ("**IAASB**") , and by the audit committee of the Company, and in accordance with disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

In this announcement, "we", "us", and "our" refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above).

### KEY HIGHLIGHTS

- For the six months ended 30 June 2018, total revenues increased by 33.8% year on year to RMB275.58 million; revenues from our online platform grew 117.2% year on year to RMB160.29 million. This segment's revenue accounted for 58.2% of total revenues for the six months ended 30 June 2018, as compared to 35.8% for the six months ended 30 June 2017;

- Adjusted net profit from continuing operations for the six months ended 30 June 2018 increased significantly to RMB20.67 million, compared to an adjusted net loss of RMB38.48 million for the same period last year, mainly due to increase in our online platform revenue.

- For the six months ended 30 June 2018, our Group had net operating cash flow of RMB29.20 million, demonstrating our operational capability.

## KEY FINANCIAL DATA

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2018** | 2017 | Year on year change (%) |
| | ***(RMB'000)*** | *(RMB'000)* | |
| Revenue | **275,584** | 206,042 | 33.8% |
| – Online platform | **160,293** | 73,790 | 117.2% |
| – Self-operated interior design and construction business and others | **115,291** | 132,252 | (12.8%) |
| Gross Profit | **163,555** | 102,096 | 60.2% |
| – Online platform | **137,466** | 62,198 | 121.0% |
| – Self-operated interior design and construction business and others | **26,089** | 39,898 | (34.6%) |
| Gross Margin | **59.3%** | 49.6% | – |
| – Online platform | **85.8%** | 84.3% | – |
| – Self-operated interior design and construction business and others | **22.6%** | 30.2% | – |
| Adjusted Net Profit/(Loss)(1) | **20,672** | (38,478) | – |
| Adjusted Net Margin | **7.5%** | (18.7%) | – |
| Adjusted EPS(2) (expressed in RMB per share) | | | |
| – Basic | **0.05** | (0.09) | – |
| – Diluted | **0.02** | (0.09) | – |
| Adjusted EBITDA(3) | **16,364** | (39,383) | – |
| Adjusted EBITDA Margin | **5.9%** | (19.1%) | – |

Notes:

(1) For details of adjusted net profit/(loss), please refer to the section headed "Management Discussion and Analysis – Non-IFRS Measures: Adjusted net profit/(loss)".

(2) Adjusted earnings/(loss) per share ("**EPS**") is calculated by dividing the adjusted net profit/(loss) of the Group attributable to owners of the Company by weighted average number of ordinary shares issued during the interim periods, which exclude fair value gain/(loss) of the preferred shares and convertible liabilities, accretion charge of liabilities components of preferred shares, share-based compensation expenses and listing expenses.

(3) Adjusted EBITDA represents operating profit, adjusted to exclude share-based compensation expenses, listing expenses, depreciation and amortisation.

## BUSINESS REVIEW AND OUTLOOK

### Business Review

In the first half of 2018, we enhanced our leading position as the largest interior design and construction platform in the PRC. Our core online platform has continued to demonstrate significant growth momentum. We achieved good performance in terms of our key operating metrics, including number of monthly unique visitors ("**MUVs**") and number of service providers.

Leveraging our extensive experience and market-leading vision, we have built a thriving ecosystem consisting of over 8,083 interior design and construction service providers spanning over 308 cities across the PRC as of 30 June 2018 and 46.3 million MUVs in the six months ended June 2018. As more service providers and users have gathered on our platform, our ecosystem continues to attract service providers, users and other relevant parties throughout the interior design and construction value chain. We have also expanded our self-operated interior design and construction business and licensee network, which diversified our service offerings and extended our geographic reach.

We also further promoted the expansion and management mechanism for merchants on our platform. We expedited the expansion of our offline channel network and recruited over 100 additional professional business development personnel. In addition, we expanded to 51 new cities and the number of interior design and construction service providers on our platform increased by 21.0% from 6,680 as of 31 December 2017 to 8,083 as of 30 June 2018.

During the Period, we enhanced the precision of our user profile（人物畫像）, which is a profile of our user's specific needs for interior design and construction services, and optimized the intelligence user recommendation algorithm, which enabled us to more accurately connect the service providers with specific capabilities to our users. As a result, the retention rate of service providers on our platform have increased to 84% as of 30 June 2018, compared to 77% as of 31 December 2017.

Our MUVs grew 48.5% from 31.2 million in the six months ended 30 June 2017 to 46.3 million in the six months ended 30 June 2018. In the six months ended 30 June 2018, we had extensive user data and high-quality home improvement content, including over 1.4 million articles and posts, 3.2 million photos and 190,000 real-life case examples.

### Outlook

We will continue to focus on the long-term development of our online platform, 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 monetization prospective, we will continue to scale up our online platform business to better connect our users with high quality service providers. Additionally, we will accelerate the rollout of new businesses such as our materials supply chain and our home improvement loan referral program. In the future, our Company's income realisation model will be more diversified, and substantial synergies will be generated among our businesses.

We are confident we will be able to derive sustainable value for our Shareholders in the second half of the year.

## 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:

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2018** | 2017 | Year on Year change(%) |
| MUVs (in millions) | **46.3** | 31.2 | 48.5% |
| Number of recommended users | **155,348** | 107,161 | 45.0% |
| Number of recommendations made | **344,428** | 229,767 | 50.0% |
| Average revenue from platform services per recommendation (RMB) | **415** | 302 | 37.3% |

During the Period, (i) our MUVs increased by 15.1 million from 31.2 million to 46.3 million compared to the same period last year; (ii) the number of recommended users increased by 45% from 107,161 to 155,348; (iii) the number of recommendations made increased by 50% from 229,767 to 344,428; and (iv) the average revenue from platform services per recommendation increased by 37.3% from RMB302 to RMB415.

We constantly expand our ecosystem of online home-improvement content. Currently we have over 10,000 professional content contributors including designers, experts and key opinion leaders (KOLs) providing over 5,000 professional generated contents (PGCs) daily, consisting of short video clips, real-life case examples and posts.

## MANAGEMENT DISCUSSION AND ANALYSIS

| | **Unaudited six months ended 30 June 2018** *RMB'000* | Unaudited six months ended 30 June 2017 *RMB'000* |
|---|---|---|
| Revenue | **275,584** | 206,042 |
| Cost of sales | **(112,029)** | (103,946) |
| **Gross profit** | **163,555** | 102,096 |
| Selling and marketing expenses | **(125,473)** | (99,380) |
| Administrative expenses | **(34,257)** | (36,951) |
| Research and development expenses | **(18,042)** | (14,147) |
| Other gains, net | **5,921** | 1,975 |
| Operating Loss | **(8,296)** | (46,407) |
| Finance income | **29,886** | 5,635 |
| Share of net profit of investments accounted for using the equity method | **1,947** | 1,618 |
| Fair value gains/(losses) of preferred shares and convertible liabilities | **698,814** | (112,228) |
| **Profit/(loss) before income tax** | **722,351** | (151,382) |
| Income tax credit | **279** | 940 |
| **Profit/(loss) for the period** | **722,630** | (150,442) |
| **Discontinued operation** | | |
| Profit/(loss) from discontinued operation | **31,987** | (15,952) |
| **Profit/(loss) for the period** | **754,617** | (166,394) |
| **Profit/(loss) attributable to:** | | |
| Owners of the Company | **764,294** | (158,246) |
| Non-controlling interests | **(9,677)** | (8,148) |
| | **754,617** | (166,394) |
| **Non-IFRS measure:** | | |
| Adjusted net profit/(loss) | **20,672** | (38,478) |

**Revenue from continuing operations**

Total revenue from continuing operations increased by 33.8% from RMB206.04 million for the six months ended 30 June 2017 to RMB275.58 million for the six months ended 30 June 2018.

| | **Six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | | **% of total revenues** | | % of total revenues |
| | ***RMB'000*** | | *RMB'000* | |
| Online platform | **160,293** | **58.2%** | 73,790 | 35.8% |
| Self-operated interior design and construction business and others | **115,291** | **41.8%** | 132,252 | 64.2% |
| Total | **275,584** | **100.0%** | 206,042 | 100.0% |

***Online platform***

| | **Six months ended 30 June** | | Year on year |
|---|---|---|---|
| | **2018** | 2017 | change(%) |
| | ***RMB'000*** | *RMB'000* | |
| Platform services | **142,945** | 69,462 | 105.8% |
| Materials supply chain | **17,348** | 4,328 | 300.9% |
| | **160,293** | 73,790 | 117.2% |

• *Platform business*

Revenues derived from our online platform increased by 117.2% from RMB73.79 million for the six months ended 30 June 2017 to RMB160.29 million for the six months ended 30 June 2018 due to increase in both platform services and material supply chain. The increase in platform services was primarily due to increase in our MUVs and number of user recommendations, as a result of increasing focus on online storefront improvements, enriching our online storefront content and creating further stickiness of service providers to our online storefront, as well as increase in the number and coverage our licensees in second and third-tier cities. This growth was also driven by the increase in our average revenue from platform services per recommendation.

Increase in revenues from our materials supply chain revenues was largely due to our efforts to promote our services to service providers on our platform, as well as requiring our licensees to purchase certain construction materials exclusively from us. We expect to leverage economies of scale and obtain lower prices from the materials manufacturers, thereby achieving greater monetization potential.

*Self-operated design and construction business and others*

Revenues derived from our self-operated design and construction business and others decreased by 12.8% from RMB132.25 million for the six months ended 30 June 2017 to RMB115.29 million for the six months ended 30 June 2018, primarily due to the decrease in revenues derived from our self-operated design and construction business during the Period.

| | **Six months ended 30 June** | | Year on year |
|---|---|---|---|
| | **2018** | 2017 | change(%) |
| | ***RMB'000*** | *RMB'000* | |
| Self-operated design and construction business | | | |
| – Brausen | **84,891** | 56,578 | 50.0% |
| – Jumei | **27,955** | 6,532 | 328.0% |
| – Qiyu | **–** | 66,727 | (100.0%) |
| Others | **2,445** | 2,415 | 1.3% |
| | **115,291** | 132,252 | (12.8%) |

Revenues derived from our self-operated interior design and construction business decreased by 13.1% from RMB129.84 million for the six months ended 30 June 2017 to RMB112.85 million for the six months ended 30 June 2018. This decrease was primarily due to the integration of our self-operated interior design and construction brands and ceasing use of our Qiyu brand in August 2017, which was offset by robust growth in construction services for real-estate developers and service apartments under our Jumei brand.

**Cost of sales**

Cost of sales from continuing operations increased slightly by 7.8% from RMB103.95 million for the six months ended 30 June 2017 to RMB112.03 million for the six months ended 30 June 2018, which is mainly due to increase in costs of our online platform, which was partially offset by decrease in costs of sales of our self-operated design and construction business.

*Online platform*

Cost of sales of our online platform increased by 96.9% from RMB11.59 million in the six months ended 30 June 2017 to RMB22.83 million in the six months ended 30 June 2018, primarily due to increased costs associated with the expansion of our online platform such as costs of third-party inspectors that we hired to evaluate and inspect construction projects.

*Self-operated design and construction business and others*

Cost of sales of our self-operated interior design and construction business and others decreased by 3.4% from RMB92.35 million in the six months ended 30 June 2017 to RMB89.20 million in the six months ended 30 June 2018, primarily due to ceasing use of our Qiyu brand in August 2017, which was offset by increase in cost of sales of our Brausen brand due to increase in the number of construction sites during the Period.

**Gross profit from continuing operations and margin**

As a result of the foregoing, our total gross profit from continuing operations increased by 60.2% from RMB102.10 million for the six months ended 30 June 2017 to RMB163.56 million for the six months ended 30 June 2018. Our overall gross profit margin from continuing operations increased from 49.6% for the six months ended 30 June 2017 to 59.3% for the six months ended 30 June 2018.

| | **Six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | | **Gross margin** | | Gross margin |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Online platform | **137,466** | **85.8%** | 62,198 | 84.3% |
| Self-operated interior design and construction business and others | **26,089** | **22.6%** | 39,898 | 30.2% |
| Total | **163,555** | **59.3%** | 102,096 | 49.6% |

***Online platform***

Gross profit of our online platform increased by 121.0% from RMB62.20 million in the six months ended 30 June 2017 to RMB137.47 million in the six months ended 30 June 2018.

Our gross profit margin of this segment for the six months ended 30 June 2017 and the six months ended 30 June 2018 was 84.3% and 85.8%. The increase was mainly due to increase in revenues from our materials supply chain business.

***Self-operated design and construction business and others***

Gross profit of our self-operated interior design and construction business and others decreased by 34.6% from RMB39.90 million in the six months ended 30 June 2017 to RMB26.09 million in the six months ended 30 June 2018.

Our gross profit margin for this segment decreased from 30.2% for the six months ended 30 June 2017 to 22.6% for the six months ended 30 June 2018. The decrease was mainly due to rapid increase in Jumei's operations such as interior design and construction services provided to real-estate developers and serviced apartments, which have a lower gross profit margin compared to providing those services to property owners.

**Selling and marketing expenses**

Our selling and marketing expenses from continuing operations increased by 26.3% from RMB99.38 million for the six months ended 30 June 2017 to RMB125.47 million for the six months ended 30 June 2018, primarily due to increase in advertising and promotion expenses including online promotional advertisements.

**Administrative expenses**

Our administrative expenses from continuing operations decreased slightly by 7.3% from RMB36.95 million for the six months ended 30 June 2017 to RMB34.26 million for the six months ended 30 June 2018.

**Research and development expenses**

Our research and development expenses from continuing operations increased by 27.5% from RMB14.15 million for the six months ended 30 June 2017 to RMB18.04 million for the six months ended 30 June 2018, primarily due to hiring of 10 additional research and development staff in order to further enhance our platform.

**Other gains, net**

Other net gains from continuing operations increased by 199.8% from RMB1.98 million for the six months ended 30 June 2017 to RMB5.92 million for the six months ended 30 June 2018. The increase was mainly due to the receipt of a government grant of RMB6.5 million during the Period.

**Finance income**

Our finance income from continuing operations increased by 430.4% from RMB5.64 million for the six months ended 30 June 2017 to RMB29.89 million for the six months ended 30 June 2018, mainly due to accretion charge of liabilities components of preferred shares and increase in interest income from our internal funds.

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

Fair value losses of preferred shares and convertible liabilities for the six months ended 30 June 2017 was RMB112.23 million and fair value gains of preferred shares and convertible liabilities for the six months ended 30 June 2018 was RMB698.81 million, respectively. The gains were mainly due to changes in the valuation conducted by the independent valuer.

**Income tax expense**

Our income tax expenses from continuing operations for the six months ended 30 June 2018 was negative RMB0.28 million, mainly due to increase in deferred tax assets.

**Gain for the Period and Non-IFRS Measure: Adjusted net profit/(loss)**

As a result of the foregoing, our gain from continuing operations was RMB722.63 million for the six months ended 30 June 2018, as compared to loss from continuing operations of RMB150.44 million for the six months ended 30 June 2017.

To supplement our unaudited interim results, which is presented in accordance with IFRS, we also use adjusted net profit/(loss) from continuing operations as an additional financial measure, which is not required by, or presented in accordance with, IFRS. The term "adjusted net profit/(loss) from continuing operations" is not defined under IFRS. We believe that this additional financial measure facilitates comparisons of operating performance from period to period and company to company 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.

The following table reconciles our adjusted net profit/(loss) from continuing operations for the six months ended 30 June 2018 and 2017 to the most directly comparable financial measure calculated and presented in accordance with IFRS:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***(RMB'000)*** | *(RMB'000)* |
| Net profit/(loss) | **722,630** | (150,442) |
| Fair value gain/(loss) of preferred shares and convertible liabilities[1] | **(698,814)** | 112,228 |
| Accretion charge of liabilities components of preferred shares[2] | **(21,309)** | (1,858) |
| Share-based compensation expenses | **2,815** | 1,594 |
| Listing expenses | **15,350** | – |
| Adjusted net profit/(loss) | **20,672** | (38,478) |

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 loss of preferred shares and convertible liabilities" in the consolidated income statements.

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

## Liquidity, capital resources and gearing

During the Period and up to 30 June 2018, we have funded our cash requirements principally from financing through the issuance and sale of preferred shares and convertible liabilities in private placement transaction and cash generated from our operating activities. We have primarily used cash to develop new operations and support mid-to-long term strategic investments along the value chain in order to better consolidate industry resources. We had cash and cash equivalents of RMB469.9 million as of 30 June 2018. For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

During the Period and as at 30 June 2018, we did not have any borrowings or unutilised banking facilities. Accordingly, gearing ratio is not applicable.

***Operating lease commitments***

Our 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. As at 30 June 2018 and 31 December 2017, the future aggregate minimum lease payments under non-cancellable operating leases for office and warehouse facilities payable by our Group were as follows:

| | **As at 30 June 2018** ***(RMB'000)*** | As at 31 December 2017 *(RMB'000)* |
|---|---|---|
| **Continuing operations:** | | |
| No later than 1 year | **14,727** | 8,001 |
| Later than 1 year and no later than 5 years | **24,991** | 19,659 |
| Later than 5 years | **–** | 4,830 |
| | **39,718** | 32,490 |

***Foreign exchange risk***

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. 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, 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.

***Contingent liabilities***

As of 30 June 2018, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in our contingent liabilities since 30 June 2018. Except as aforesaid and apart from intra-group liabilities, as of 30 June 2018, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits (other than normal trade related bills), debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

## FINANCIAL INFORMATION
## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
## FOR THE SIX MONTHS ENDED 30 JUNE 2018

| | Note | Unaudited<br>Six months ended 30 June<br>**2018**<br>***RMB'000*** | <br><br>2017<br>*RMB'000* |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | *5* | **275,584** | 206,042 |
| Cost of sales | *6* | **(112,029)** | (103,946) |
| **Gross profit** | | **163,555** | 102,096 |
| Selling and marketing expenses | *6* | **(125,473)** | (99,380) |
| Administrative expenses | *6* | **(34,257)** | (36,951) |
| Research and development expenses | *6* | **(18,042)** | (14,147) |
| Other gains – net | | **5,921** | 1,975 |
| **Operating loss** | | **(8,296)** | (46,407) |
| Finance income | *7* | **29,886** | 5,635 |
| Share of net profit of investments accounted for using the equity method | | **1,947** | 1,618 |
| Fair value gains/(losses) of preferred shares and convertible liabilities | *11* | **698,814** | (112,228) |
| **Profit/(loss) before income tax** | | **722,351** | (151,382) |
| Income tax credit | *8* | **279** | 940 |
| **Profit/(loss) from continuing operations** | | **722,630** | (150,442) |
| **Discontinued operation** | | | |
| Profit/(loss) from discontinued operation | *15* | **31,987** | (15,952) |
| **Profit/(loss) for the period** | | **754,617** | (166,394) |
| **Profit/(loss) attributable to:** | | | |
| – Owners of the Company | | **764,294** | (158,246) |
| – Non-controlling interests | | **(9,677)** | (8,148) |
| | | **754,617** | (166,394) |
| **Earnings/(loss) per share from continuing and discontinued operation attributable to owners of the Company** | | | |
| Basic earnings/(loss) per share (RMB) | | | |
| – Continuing operations | *9* | **1.76** | (0.34) |
| – Discontinued operation | | **0.08** | (0.04) |
| – Total | | **1.84** | (0.38) |
| Diluted earnings/(loss) per share (RMB) | *9* | | |
| – Continuing operations | | **0.01** | (0.34) |
| – Discontinued operation | | **0.03** | (0.04) |
| – Total | | **0.04** | (0.38) |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)
## FOR THE SIX MONTHS ENDED 30 JUNE 2018

| | Note | Unaudited Six months ended 30 June 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **Profit/(loss) for the period** | | **754,617** | (166,394) |
| **Other comprehensive (loss)/income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Changes in the fair value of available-for-sale financial assets | | **–** | (379) |
| Share of other comprehensive loss of investments accounted for using the equity method | | **(194)** | (108) |
| Exchange difference on translation of foreign operations | | **(18,165)** | 13,315 |
| | | **(18,359)** | 12,828 |
| *Items that will not be reclassified to profit or loss* | | | |
| Changes in the fair value of financial assets at fair value through other comprehensive income | | **683** | – |
| Effects of changes in credit risk for liabilities designated as at fair value through profit or loss | | **(920)** | – |
| | | **(237)** | – |
| **Other comprehensive (loss)/income for the period, net of tax** | | **(18,596)** | 12,828 |
| **Total comprehensive income/(loss) for the period** | | **736,021** | (153,566) |
| **Total comprehensive income/(loss) for the period attributable to:** | | | |
| – Owners of the Company | | **745,698** | (145,418) |
| – Non-controlling interests | | **(9,677)** | (8,148) |
| | | **736,021** | (153,566) |
| **Total comprehensive income/(loss) attributable to owners of the Company arising from:** | | | |
| – Continuing operations | | **704,034** | (137,614) |
| – Discontinued operation | | **31,987** | (15,592) |
| | | **736,021** | (153,566) |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
## AS AT 30 JUNE 2018

| | Note | **Unaudited 30 June 2018** *RMB'000* | Audited 31 December 2017 *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **22,167** | 22,954 |
| Intangible assets | | **9,512** | 8,218 |
| Goodwill | | **7,796** | 7,796 |
| Deferred tax assets | | **11,953** | 9,058 |
| Investments accounted for using the equity method | | **198,234** | 198,784 |
| Financial assets at fair value through other comprehensive income | | **50,319** | – |
| Available-for-sale financial assets | | **–** | 49,636 |
| **Total non-current assets** | | **299,981** | 296,446 |
| **Current assets** | | | |
| Inventories | | **15,065** | 12,768 |
| Trade and other receivables | *10* | **102,493** | 64,133 |
| Amount due from related parties | | **–** | 325,315 |
| Amount due from directors | | **–** | 5,697 |
| Cash and cash equivalents | | **469,886** | 474,617 |
| | | **587,444** | 882,530 |
| Assets classified as held for sale | *15* | **–** | 41,026 |
| **Total current assets** | | **587,444** | 923,556 |
| **Total assets** | | **887,425** | 1,220,002 |
| **DEFICITS** | | | |
| **Deficits attributable to owners of the Company** | | | |
| Share capital | | **25** | 25 |
| Share premium | | **15,616** | 15,616 |
| Other reserves | | **300,589** | 144,851 |
| Accumulated losses | | **(813,692)** | (1,627,457) |
| | | **(497,462)** | (1,466,965) |
| Non-controlling interests | | **(34,391)** | (24,565) |
| **Total deficits** | | **(531,853)** | (1,491,530) |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
## AS AT 30 JUNE 2018

| | Note | **Unaudited 30 June 2018** *RMB'000* | Audited 31 December 2017 *RMB'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **968** | 1,047 |
| Preferred shares | *11* | **874,081** | 1,593,615 |
| **Total non-current liabilities** | | **875,049** | 1,594,662 |
| **Current liabilities** | | | |
| Prepayments from customers, trade and other payables | *13* | **370,010** | 498,656 |
| Contract liabilities | | **126,337** | – |
| Amount due to related parties | | **–** | 310,090 |
| Convertible liabilities | *11* | **–** | 147,897 |
| Current tax liabilities | | **44,162** | 43,260 |
| Deferred revenue | | **3,720** | 3,720 |
| | | **544,229** | 1,003,623 |
| Liabilities directly associated with assets classified as held for sale | *15* | **–** | 113,247 |
| **Total current liabilities** | | **544,229** | 1,116,870 |
| **Total liabilities** | | **1,419,278** | 2,711,532 |
| **Total equity and liabilities** | | **887,425** | 1,220,002 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

| | Note | Unaudited Six months ended 30 June 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| – Cash used in operations | | **24,077** | (34,812) |
| – Interest received | | **8,602** | 3,910 |
| – Income tax paid | | **(3,481)** | (14,375) |
| **Net cash generated from/(used in) operating activities** | | **29,198** | (45,277) |
| **Cash flows from investing activities** | | | |
| – Purchases of property, plant and equipment | | **(6,164)** | (12,261) |
| – Purchases of intangible assets | | **(2,475)** | (248) |
| – Proceeds from disposal of property, plant and equipment | | **514** | 94 |
| – Dividends received from investments accounted for using the equity method | | **2,303** | 2,303 |
| – Repayments of loans from related parties | | **5,697** | – |
| – Loans to a related party | | **–** | (36,049) |
| – Receipt of loans from non-controlling interest | | **–** | 1,699 |
| – Disposal of a subsidiary, net of cash disposed | | **(92,254)** | – |
| **Net cash used in investing activities** | | **(92,379)** | (44,462) |
| **Cash flows from financing activities** | | | |
| – Cash received from capital contributions in subsidiaries from non-controlling interests | | **920** | 5,267 |
| – Proceeds from issues of Series C Preferred Shares | *11(b)* | **63,095** | – |
| – Net cash inflow from settlement of receivables and payables with SIP Oriza PE Fund Management Co., Ltd.and SIP Oriza Qijia PE Enterprise (Limited Partnership) | | **4,400** | – |
| – Listing costs paid | | **(24,197)** | – |
| **Net cash generated from financing activities** | | **44,218** | 5,267 |
| **Net decrease in cash and cash equivalents** | | **(18,963)** | (84,472) |
| Effect on exchange rate difference | | **8,212** | (11,891) |
| **Cash and cash equivalents at beginning of the period** | | **480,637** | 612,028 |
| **Cash and cash equivalents at end of the period** | | **469,886** | 515,665 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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**"), which was disposed on 28 March 2018. Mr. Deng Huajin (鄧華金, "**Mr. Deng**") is the ultimate controlling shareholder of the Company. The Company completed its initial offering ("**IPO**") and listed its shares on Main Board of the Stock Exchange of Hong Kong on 12 July 2018.

This interim condensed consolidated financial information is presented in Renminbi thousand (RMB'000), unless otherwise stated. This interim condensed Consolidated financial information was approved by the board of directors for issue on 21 August 2018.

This interim condensed consolidated financial information has not been audited.

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the Appendix I – Accountant's Report as set out in the prospectus of the Company dated 21 June 2018, which have been prepared in accordance with IFRS.

## 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the Appendix I – Accountant's Report as set out in the prospectus of the Company dated 21 June 2018 for the years ended 31 December 2015, 2016 and 2017, except for the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9 – Financial instruments; and
- IFRS 15 – Revenue from contracts with customers

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

**(b) New standards and amendments to standards have been issued but are not effective in 2018 and have not been early adopted by the Group:**

- IFRS 16 – Lease, effective for the accounting period beginning on or after 1 January 2019.

- IFRIC 23 – Uncertainty over income tax treatments, effective for the accounting period beginning on or after 1 January 2019.

- IFRS 17 – Insurance contracts, effective for the accounting period beginning on or after 1 January 2021; and

- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture, effective for the accounting period to be determined.

The Group has already commence 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 IFRS, 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 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. The Group is continuing to assess the specific magnitude of the adoption of IFRS 16 to relevant financial statement areas and will conduct a more detailed assessment on the impact as information become available closer to the planned initial date of adoption of 1 January 2019.

## 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 interim condensed consolidated financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

### (a) Impact on the interim condensed consolidated financial information

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in Note 4(b) 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 and IFRS 15** *RMB'000* | **Restated** *RMB'000* |
| **Interim condensed 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** | **49,636** | **–** | **49,636** |
| Prepayments from customers, trade and other payables | **498,656** | **(115,990)** | **382,666** |
| Contract liabilities | **–** | **115,990** | **115,990** |
| **Total liabilities** | **498,656** | **–** | **498,656** |
| Other reserves | **144,851** | **(50,227)** | **94,624** |
| Accumulated losses | **(1,627,457)** | **49,471** | **(1,577,986)** |
| **Total deficits** | **(1,482,606)** | **(756)** | **(1,483,362)** |

### (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 interim condensed consolidated financial information. The new accounting policies are set out in Note 4(c) below. 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**<br>*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** | | **IFRS 9** | |
|---|---|---|---|---|
| | **Measurement category** | **Carrying amount**<br>*RMB'000* | **Measurement category** | **Carrying amount**<br>*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(b) above.

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 a loss allowance of RMB722,000 on 1 January 2018 (previous loss allowance was RMB11,750,000) and a further increase in the allowance by RMB136,000 in the six months ended 30 June 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** *RMB'000* | **Other financial assets at amortised cost** *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 9 Financial Instruments – Accounting policies applied from 1 January 2018**

***(i) Investments and other financial assets***

*Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

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

*Measurement*

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

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

*Debt instruments*

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

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

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

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

*Equity instruments*

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

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

*Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

**(d) 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 accumulative 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 interim condensed 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*** |
| **Interim condensed 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 | **498,656** | **–** | **498,656** |

The amount by each financial statements line items 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 30 June 2018 | | |
|---|---|---|---|
| | **Amounts without the adoption of IFRS 15** | **Effects of the adoption of IFRS 15** | **Amounts as reported** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| **Interim condensed consolidated balance sheet (extract)** | | | |
| Prepayments from customers, trade and other payables | **495,417** | **(126,337)** | **369,080** |
| Contract liabilities | **–** | **126,337** | **126,337** |
| Total liabilities | **495,417** | **–** | **495,417** |

(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 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.

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

#### *(i) Revenue recognition*

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

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

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

The progress towards complete satisfaction of performance obligation, depending on the nature of the good and service to be transferred, is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurements of the value of individual services transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

If contracts involve the sale of multiple goods, goods followed by related services, or multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

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

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

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and subsequently amortised when the related revenue is recognised. If the amortisation period is one year or less, the Group elected to recognise the costs as an expense when incurred.

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 as a contract liability when the payment is made or the 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.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The following is a description of the accounting policy for the principal revenue streams of the Group.

*Online Platform Business*

(1) Order recommendation fees

The Group provides order recommendation services to the merchants. The Group charges the merchants for a fixed fee for each order recommended. Order recommendation fee revenue are 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.

(2) Licence fee

The Group establishes business relationships with design and construction companies in smaller cities throughout the PRC 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, upon all the revenue recognition criteria are met.

(4) Inspection service fees

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 projects. Inspection service fee revenues are recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

(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 a Group entity has delivered products to the customers.

*Self-operated Interior Design and Construction Business*

Revenue in respect of the self-operated interior design and construction services is recognised using the output method for measuring progress. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

*Other – 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.

*Financing components*

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

## 5 SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors 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 ("**Online 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 revenue and segment gross profit. The revenue form external customers reported to CODM are measured as segment revenues, which is the revenues derived from the customers in each segment. The segment gross profit is consistently with the Group's gross profit.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

| | Six months ended 30 June 2018 (Unaudited) | | | | |
|---|---|---|---|---|---|
| **Segment** | **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 | **249,683** | **118,316** | **2,445** | **370,444** | **22,666** |
| Inter-segment sales | **(89,390)** | **(5,470)** | **–** | **(94,860)** | **–** |
| Revenue from external customers | **160,293** | **112,846** | **2,445** | **275,584** | **22,666** |
| Timing of revenue recognition | | | | | |
| At a point in time | **115,996** | **7,790** | **–** | **123,786** | **1,618** |
| Over time | **44,297** | **105,056** | **2,445** | **151,798** | **21,048** |
| | **160,293** | **112,846** | **2,445** | **275,584** | **22,666** |
| **Results** | | | | | |
| Segment gross profit | **137,466** | **26,289** | **(200)** | **163,555** | **3,421** |
| Selling and marketing expenses | | | | **(125,473)** | |
| Administrative expenses | | | | **(34,257)** | |
| Research and development expenses | | | | **(18,042)** | |
| Other gains – net | | | | **5,921** | |
| Finance income | | | | **29,886** | |
| Share of profit of investments accounted for using equity method | | | | **1,947** | |
| Fair value gains of preferred shares and convertible liabilities | | | | **698,814** | |
| Profit before income tax | | | | **722,351** | |

| Segment | Platform Business *RMB'000* | Self-operated Interior Design and Construction Business *RMB'000* | Others *RMB'000* | Total *RMB'000* | Discontinued Business *RMB'000* |
|---|---|---|---|---|---|
| | Six months ended 30 June 2017 (Unaudited) | | | | |
| **Revenue** | | | | | |
| Segment revenue | 131,156 | 142,241 | 2,415 | 275,812 | 121,719 |
| Inter-segment sales | (57,366) | (12,404) | – | (69,770) | – |
| Revenue from external customers | 73,790 | 129,837 | 2,415 | 206,042 | 121,719 |
| Timing of revenue recognition | | | | | |
| At a point in time | 52,407 | 13,834 | – | 66,241 | 14,417 |
| Over time | 21,383 | 116,003 | 2,415 | 139,801 | 107,302 |
| | 73,790 | 129,837 | 2,415 | 206,042 | 121,719 |
| **Results** | | | | | |
| Segment gross profit | 62,198 | 38,928 | 970 | 102,096 | 55,383 |
| Selling and marketing expenses | | | | (99,380) | |
| Administrative expenses | | | | (36,951) | |
| Research and development expenses | | | | (14,147) | |
| Other gains – net | | | | 1,975 | |
| Finance income | | | | 5,635 | |
| Share of profit of investments accounted for using equity method | | | | 1,618 | |
| Fair value losses of preferred shares and convertible liabilities | | | | (112,228) | |
| Loss before income tax | | | | (151,382) | |

**(a) Revenue**

The revenue from the continuing operations for the six months ended 30 June 2018 and 2017 are set out as follows:

| | (Unaudited) Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Platform Business | **160,293** | 73,790 |
| – Order recommendation fees | **125,177** | 57,432 |
| – Sales of building materials | **17,348** | 4,328 |
| – Licence fee | **8,935** | 4,380 |
| – Storefront fees | **6,261** | 4,713 |
| – Inspection service fee | **2,572** | 2,917 |
| Self-operated Interior Design and Construction Business | **112,846** | 129,837 |
| – Self-operated Decoration Business | **105,056** | 116,003 |
| – Sales of goods | **7,790** | 13,834 |
| Others | **2,445** | 2,415 |
| | **275,584** | 206,042 |

**(b) Revenue by geographical markets**

All the revenue of the Group was generated in the PRC during the six months ended 30 June 2018 and 2017.

**(c) Information about major customers**

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

## 6 EXPENSES BY NATURE

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Employee benefit expenses | **74,907** | 64,320 |
| Advertising and promotion expenses | **65,173** | 45,558 |
| Cost of construction material | **57,759** | 68,662 |
| Labor cost | **24,485** | 27,373 |
| Listing expenses | **15,350** | – |
| Operating lease expenses | **11,027** | 9,589 |
| Travelling, entertainment and communication expenses | **5,566** | 6,520 |
| Depreciation of property, plant and equipment | **5,314** | 4,414 |
| Professional fee | **3,629** | 2,723 |
| Taxes and levis | **2,684** | 1,894 |
| Supervision charges | **2,347** | 2,706 |
| Bank charges and point-of-sale device processing fees | **1,377** | 2,491 |
| Amortisation of intangible assets | **1,181** | 1,012 |
| Utilities and electricity | **661** | 462 |
| Technology development expenses | **535** | 421 |
| Transportation and storage | **470** | 1,088 |
| Provision for impairment of trade receivables | **21** | 3 |
| Miscellaneous | **17,315** | 15,188 |
| | **289,801** | 254,424 |

## 7 FINANCE INCOME

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Accretion charge *(Note 11)* | **21,309** | 1,858 |
| Interest income | **8,577** | 3,777 |
| | **29,886** | 5,635 |

## 8 INCOME TAX CREDIT

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Current tax: | | |
| Current tax on profit/(loss) for the period | **(3,897)** | (1,778) |
| Deferred income tax: | | |
| Increase in deferred tax assets | **2,895** | 2,639 |
| Decrease in deferred tax liabilities | **79** | 79 |
| Income tax (expense)/credit | **(923)** | 940 |
| Income tax (expense)/credit attributable to: | | |
| Profit/(loss) from continuing operations | **279** | 940 |
| Profit/(loss) from discontinued operation | **(1,202)** | – |
| | **(923)** | 940 |

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial years.

**(a) 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.

**(b) British Virgin Islands**

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

**(c) Hong Kong**

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

**(d) 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 periods ended 30 June 2018 and 2017.

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 periods ended 30 June 2018 and 2017 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 basis.

**(e) 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 periods ended 30 June 2018 and 2017, the PRC companies of 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 owners of the Company by weighted average number of ordinary shares issued during the interim periods.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the six months ended 30 June 2018 and 30 June 2017 has been retroactively adjusted for the capitalisation of the share premium account arose from the IPO of the Company.

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| Profit/(loss) from continuing operations attributable to owners of the Company (RMB'000) | **732,307** | (142,294) |
| Weighted average number of Class B ordinary shares in issue (thousand) | **415,109** | 415,109 |
| Earnings/(loss) per share from continuing operations (RMB per share) | **1.76** | (0.34) |
| Profit/(loss) from discontinued operation attributable to owners of the Company (RMB'000) | **31,987** | (15,952) |
| Weighted average number of Class B ordinary shares in issue (thousand) | **415,109** | 415,109 |
| Earnings/(loss) per share from discontinued operation (RMB per share) | **0.08** | (0.04) |

**(b) Diluted earnings/(loss) per share**

The diluted loss per share are same as the losses per share as there was no dilutive potential shares existed for the six months ended 30 June 2017.

Diluted earnings/loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. 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 six months ended 30 June 2018, the impact of weighted 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.

The calculation of the diluted earnings/loss per share six months ended 30 June 2018 was shown as follows:

| | **Unaudited Six months ended 30 June 2018** |
|---|---|
| *Continuing operations* | |
| Profit from continuing operations attributable to owners of the Company (RMB'000) | **732,307** |
| Adjustments for Preferred Shares | **(720,123)** |
| Adjusted profit from continuing operations attributable to owners of the Company (RMB'000) | **12,184** |
| Weighted average number of Class B ordinary shares in issue (thousand) | **415,109** |
| Adjustments for Pre-IPO share option plan (thousands of shares) | **23,290** |
| Adjustments for Preferred Shares (thousands of shares) | **524,684** |
| Weighted average number of ordinary shares for diluted earnings per share (thousands of shares) | **963,084** |
| Diluted earnings per share from continuing operations (RMB per share) | **0.01** |
| *Discontinued operation* | |
| Profit from discontinued operation attributable to owners of the Company (RMB'000) | **31,987** |
| Adjustments for Preferred Shares | **–** |
| Adjusted profit from discontinued operation attributable to owners of the Company (RMB'000) | **31,987** |
| Weighted average number of Class B ordinary shares in issue (thousand) | **415,109** |
| Adjustments for Pre-IPO share option plan (thousands of shares) | **23,290** |
| Adjustments for Preferred Shares (thousands of shares) | **524,684** |
| Weighted average number of ordinary shares for diluted earnings per share (thousands of shares) | **963,084** |
| Diluted earnings per share from discontinued operation (RMB per share) | **0.03** |

As the Group incurred losses for the six months ended 30 June 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the six months ended 30 June 2017 is the same as basic loss per share.

## 10 TRADE AND OTHER RECEIVABLES

| | **Unaudited 30 June 2018** *RMB'000* | Audited 31 December 2017 *RMB'000* |
|---|---|---|
| **Trade receivables** | | |
| Due from third parties | **8,614** | 5,445 |
| Less: provision for impairment of trade receivables | **(49)** | – |
| Net trade receivables | **8,565** | 5,445 |
| **Other receivables** | | |
| Rental deposits | **11,425** | 8,992 |
| Loans due from third parties | **17,683** | 17,722 |
| Staff advances | **5,653** | 4,145 |
| Prepaid compensation paid on behalf of the merchants | **3** | 70 |
| Others | **2,927** | 6,004 |
| Gross other receivables | **37,691** | 36,933 |
| Less: provision for impairment of other receivables | **(12,481)** | (11,750) |
| Net other receivables | **25,210** | 25,183 |
| **Others** | | |
| Prepayments to suppliers | **39,835** | 26,739 |
| Prepaid listing expenses | **19,493** | 2,927 |
| Value-added tax recoverable | **9,390** | 3,839 |
| | **68,718** | 33,505 |
| Total | **102,493** | 64,133 |

The fair values of the current portion of trade and other receivables of the Group, except for the prepayments and valued-added tax coverable which are not financial assets, approximated their carrying amounts.

The carrying amounts of trade and other receivables are denominated in RMB.

(a) The Group grants credit periods to customers ranged from up to 90 days. As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade receivables based on invoice date was as follows:

| | **Unaudited 30 June 2018** | Audited 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Trade receivables – gross** | | |
| Within 1 month | **1,839** | 1,538 |
| Over 1 month and within 3 months | **1,671** | 409 |
| Over 3 months and within 1 year | **5,104** | 3,498 |
| | **8,614** | 5,445 |

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

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| **At the beginning of the period** | **–** | – |
| Changes on initial application of IFRS 9 *(Note 4(b))* | **(34)** | – |
| **Restated balance at 1 January 2018** | **(34)** | – |
| Provision for impairment for the period | **(15)** | – |
| **At the end of the period** | **(49)** | – |

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

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| **At the beginning of the period** | **(11,750)** | (12,174) |
| Changes on initial application of IFRS 9 *(Note 4(b))* | **(722)** | – |
| **Restated balance at 1 January 2018** | **(12,472)** | (12,174) |
| Provision for impairment for the period | **(136)** | – |
| Write-off against uncollectible receivables | **127** | 424 |
| **At the end of the period** | **(12,481)** | (11,750) |

## 11 PREFERRED SHARES

| | **Unaudited 30 June 2018** *RMB'000* | Audited 31 December 2017 *RMB'000* |
|---|---|---|
| Series A Preferred Shares | **4,539** | 25,516 |
| Series B Preferred Shares | **867,330** | 1,568,099 |
| Series C Preferred Shares | **2,212** | – |
| | **874,081** | 1,593,615 |
| Convertible liabilities | **–** | 147,897 |
| | **874,081** | 1,741,512 |

The movements of the liability component of Series A preferred shares, Series B preferred shares, the liability component of Series C preferred shares and convertible liabilities for the period ended 30 June 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 2018 (audited)** | **25,516** | **1,568,099** | **–** | **147,897** | **1,741,512** |
| Issuance of Series C Preferred Shares | **–** | **–** | **3,810** | **–** | **3,810** |
| Accretion charge *(Note 7)* | **(21,309)** | **–** | **–** | **–** | **(21,309)** |
| Fair value change | **–** | **(716,977)** | **(1,603)** | **19,766** | **(698,814)** |
| Financial assets at fair value through other comprehensive income reserve | **–** | **920** | **–** | **–** | **920** |
| Conversion of convertible liabilities to Series A preferred shares | **854** | **–** | **–** | **(162,713)** | **(161,859)** |
| Currency translation differences | **(522)** | **15,288** | **5** | **(4,950)** | **9,821** |
| **At 30 June 2018 (unaudited)** | **4,539** | **867,330** | **2,212** | **–** | **874,081** |
| **At 1 January 2017 (audited)** | 31,833 | 998,629 | – | 57,961 | 1,088,423 |
| Accretion charge *(Note 7)* | (1,858) | – | – | – | (1,858) |
| Fair value change | – | 101,314 | – | 10,914 | 112,228 |
| Currency translation differences | (196) | (24,609) | – | (401) | (25,206) |
| **At 30 June 2017 (unaudited)** | 29,779 | 1,075,334 | – | 68,474 | 1,173,587 |

**(a) Conversion of convertible liabilities to Series A Preferred Shares**

In March 2018, Cachet Special Opportunities SP, an independent investor, was introduced to settle the convertible liabilities held by Beijing CDH Weisen Venture Investment Centre (Limited Partnership) and Beijing CDH Weixin Venture Investment Center L.P(collectively, "**CDH entities**"). 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 liability side and RMB161,859,000 presented as "other reserve".

**(b) Issuance of Series C Preferred Shares**

In March 2018, 1,134,014 Series C Preferred Shares was issued to Cachet Special at a consideration of USD10,000,000 (equivalent to approximately RMB63,095,000).The Series C Preferred Shares contain two components, liability and equity elements. The equity element is presented in equity heading "other reserve". The fair value of the liability component and equity component of RMB3,810,000 and RMB59,285,000 was recognised respectively.

The Company has engaged an independent valuer to determine the total fair value of the 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 or the companies now comprising the Group during each of the periods ended 30 June 2018 and 2017.

## 13 PREPAYMENTS FROM CUSTOMERS, TRADE AND OTHER PAYABLES

| | **Unaudited 30 June 2018** *RMB'000* | Audited 31 December 2017 *RMB'000* |
|---|---|---|
| **Trade payables** | **73,616** | 52,610 |
| **Other payables** | | |
| Deposits payments | **101,729** | 135,341 |
| Quality and performance guarantee deposits from customers | **63,383** | 52,986 |
| Payables for listing expenses | **19,503** | 12,046 |
| Bonus points | **5,705** | – |
| Payables for purchases of property, plant and equipment | **218** | 876 |
| Other accrued expenses and payables | **6,799** | 7,674 |
| | **197,337** | 208,923 |
| **Others** | | |
| Staff salaries and welfare payables | **75,565** | 96,787 |
| Prepayments from customers | **–** | 115,990 |
| Accrued taxes other than income tax | **23,492** | 24,346 |
| | **99,057** | 237,123 |
| Total | **370,010** | 498,656 |

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

| | **Unaudited 30 June 2018** *RMB'000* | Audited 31 December 2017 *RMB'000* |
|---|---|---|
| Within 1 month | **18,252** | 30,918 |
| Over 1 month and within 3 months | **12,075** | 3,673 |
| Over 3 months and within 1 year | **38,522** | 10,142 |
| Over 1 years | **4,767** | 7,877 |
| | **73,616** | 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.

As at 30 June 2018 and 31 December 2017, the future aggregate minimum lease payments under non-cancellable operating leases for office and warehouse facilities payable by the Group were as follows:

| | **Unaudited 30 June 2018** *RMB'000* | Audited 31 December 2017 *RMB'000* |
|---|---|---|
| *Continuing operations:* | | |
| No later than 1 year | **14,727** | 8,001 |
| Later than 1 year and no later than 5 years | **24,991** | 19,659 |
| Later than 5 years | **–** | 4,830 |
| | **39,718** | 32,490 |
| *Discontinued operation:* | | |
| 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 |
| | **39,718** | 180,700 |

## 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 subsequently completed on 28 March 2018.

The following assets and liabilities (after elimination of the balance with Continuing Business) 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 |
| | 41,026 |
| **Liabilities directly associated with assets classified as held for sale** | |
| Prepayments from customers, trade and other payables | 113,247 |

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

The financial performance and cash flow information of the Discontinued Business for the periods ended 30 June 2018 and 2017 was presented below:

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Revenue | **22,666** | 121,719 |
| Cost of sales | **(19,245)** | (66,336) |
| Selling and marketing expenses | **(8,709)** | (43,713) |
| Administrative expenses | **(1,550)** | (16,418) |
| Research and development expenses | **(1,729)** | (11,256) |
| Other gains/(losses) – net | **808** | (81) |
| **Operating loss** | **(7,759)** | (16,085) |
| Finance income | **26** | 133 |
| Loss before income tax | **(7,733)** | (15,952) |
| Income tax | **–** | – |
| **Loss after income tax of discontinued operation** | **(7,733)** | (15,952) |
| Post tax gain on disposal of discontinued operation (c) | **39,720** | – |
| Profit/(loss) from discontinued operation | **31,987** | (15,952) |
| **Profit/(loss) from discontinued operation attributable to:** | | |
| – Owners of the Company | **31,987** | (15,952) |
| – Non-controlling interests | **–** | – |
| | **31,987** | (15,952) |

| | Unaudited Six months ended 30 June 2018 *RMB'000* | 2017 *RMB'000* |
|---|---|---|
| **Other comprehensive income/(loss) from discontinued operation** | **31,987** | (15,952) |
| Net cash inflow/(outflow) from operating activities | **103,708** | (25,949) |
| Net cash inflow/(outflow) from investing activities (includes an inflow of RMB18,010,000 from the sale of discontinued operation) | **18,546** | (3) |
| Net increase/(decrease) in cash generated by the subsidiary | **122,254** | (25,952) |

**(c) Details of the sale of the subsidiary**

| | Unaudited Six months ended 30 June 2018 *RMB'000* |
|---|---|
| Cash consideration received or receivable: | **18,010** |
| Carrying amount of net liabilities sold | **(22,912)** |
| **Gain on sale 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** |

## OTHER INFORMATION

### Purchase, sale or redemption of the Company's listed securities

As shares of the Company were not yet listed on the Stock Exchange for the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Period.

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

On 28 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. Other than the above, our Group had no material acquisition or disposal of subsidiaries, associated companies or joint ventures during the Period.

### Compliance with the Corporate Governance Code

As the Company was not yet listed on the Stock Exchange during the six months ended 30 June 2018, the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules (the "**Corporate Governance Code**") was not applicable to the Company during the Period. After the Listing, the Company has complied with all the code provisions set forth in the Corporate Governance Code, with the exception that the roles of the chairman of the Board (the "**Chairman**") and the chief executive officer of our Company have not been segregated as required by code provision A.2.1 of the Corporate Governance Code. The Board shall review the structure from time to time to ensure that the structure facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation.

### Compliance with the Model Code for Securities Transactions by Directors of the Listed Issues

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issues (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code of conduct for Directors' securities transactions. As the Company was not yet listed on the Stock Exchange during the six months ended 30 June 2018, the provisions under the Listing Rules in relation to the compliance with the Model Code by the Directors were not applicable to the Company during the Period. Having made specific enquiry with the Directors, all of the Directors confirmed that they have complied with the required standards as set out in the Model Code since the listing of the Company on 12 July 2018 up to the date of this interim results announcement.

**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 Company's unaudited condensed consolidated interim results for the Period, 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.

The interim results for the Period is unaudited, but has been reviewed by the Auditor, in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the IAASB.

**Interim dividend**

The Board has resolved not to declare any interim dividend for the Period.

**Use of Proceeds from the Global Offering**

With the shares of the Company listed on the Stock Exchange on 12 July 2018, the net proceeds from the Global Offering (following partial exercise of the Over-allotment Option) was approximately HK$1,133 million, which will be utilized for the purposes as set out in the prospectus of the Company.

**Events after the reporting period**

The Company was successfully listed on the Main Board of the Stock Exchange on 12 July 2018. On 12 July 2018, 242,030,000 shares of the Company were issued at an issue price of HK$4.85 each (the "**Offer Price**") by way of the global offering. On 26 July 2018, the Over-allotment Option had been partially exercised by the joint global coordinators (on behalf of the international underwriters) to require the Company to allot and issue 150,000 additional shares of the Company at the Offer Price. All the above shares of the Company when issued rank pari passu with other shares of the Company in issue in all respects.

**Publication of interim results and interim report**

This interim results announcement is published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.qeeka.com**. The interim report of the Company for the six months ended 30 June 2018 will be dispatched to the shareholders of the Company and will be available on the above websites in due course.

By order of the Board
**Qeeka Home (Cayman) Inc.**
**Deng Huajin**
*Chairman*

Shanghai, the PRC, 21 August 2018

*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 Mr. Wu Haifeng as non-executive Directors; and Mr. Zhang Lihong, Mr. Cao Zhiguang and Mr. Wong Man Chung Francis as independent non-executive Directors.*