齊屹科技

Qeeka Home (Cayman) Inc.

Stock Code:1739

ANNUAL REPORT 2018

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. LI Gabriel
Mr. SHENG Gang
Mr. WU Haifeng (resigned on March 29, 2019)
Mr. TANG Zhenjiang (appointed on March 29, 2019)

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

Mr. WANG Wenfei
Ms. SO Shuk Yi Betty

AUTHORIZED REPRESENTATIVES

Mr. DENG Huajin
Mr. WANG Wenfei

AUDIT AND RISK MANAGEMENT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISERS

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

STOCK CODE

1739

COMPANY'S WEBSITE

www.qeeka.com

COMPLIANCE ADVISER

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

PRINCIPAL BANKS

Pingan Bank Co., Ltd.
Offshore Banking Department
11/F, Pingan Bank Tower
No. 5047, Road Shennan Dong
Shenzhen, Guangdong, PRC

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

Key Financial and Operation Data

Revenues

Total revenues
¥ 645.7m
+34.8%

Online Platform Business revenues
¥ 374.9m
+97.7%

Profit and Cash flow

Adjust net profit[1]
¥ 51.6m
+109.8m

Net cash generated from operating activities
¥ 58.4m
+177.7m

Operation

Number of Recommendations Made
766,735
+54.5%

IDC service providers[2]
9,694
+45.1%

Notes： [1]Adjust net profit： Adjust Profit from continuing operations attributable to equity holders of the Company
[2]IDC: interior design and construction

Chairman's Statement

Dear Shareholders:

Qeeka Home (Cayman) Inc. became a listed company in 2018. We sincerely appreciated the support from our users, shareholders, partners and employees.

I am pleased to present our Annual Report for the year ended 31 December 2018 to our shareholders.

RESULTS HIGHLIGHTS

In 2018, we continued to solidify our leading position and increase our market share. Our ecosystem continued to flourish, and our core business – Online Platform Business harvested significant progress and excellent performance.

For the year ended 31 December 2018, there were 9,694 Interior Design and Construction (IDC) service providers on our platform, representing a year-on-year growth of 45.1%, covering most cities across the country. Meanwhile, the growth of our user base was encouraging – the monthly unique visitors in 2018 reached 48.6 million, representing a year-on-year growth of 28.6% and the year-on-year growth of our recommended users exceeded 41.8%. The growth of our user base and IDC providers in 2018 proved that effective progress had been made in carrying forward the Group's 2018 Development Strategy and our management was satisfied with the results of the implementation of the strategy.

Chairman's Statement

Our financial situation also improved significantly. In 2018, the total revenue from our continuing operations grew 34.8% year-on-year to RMB645.7 million. Revenues from Online Platform Business increased by 97.7% to RMB374.9 million for the year ended 31 December 2018, compared to RMB189.6 million for the year ended 31 December 2017, primarily due to our robust expansion in both platform services and materials supply chain business during the year. For the year, the Group achieved RMB51.6 million adjusted net profit from continuing operations attributable to equity holders of the Company, which demonstrated our solid monetisation from Online Platform Business as well as disciplined cost control with increasing operational leverage.

BUSINESS REVIEW

In 2018, the advancement of our core strategy was excellent and effective, and the achievements in expanding user base and attracting more high-quality IDC service providers to our platform were remarkable with significant progress.

On the user side, we continued to vigorously promote selection of quality IDC service providers on our platform, and carried out professional grading according to different characteristics such as credit, scale, capability and service standard of the IDC service providers, thus making the quality of our IDC service providers significantly better than other competitors and tailored to user needs more efficiently and better, so as to enhance users' sense of trust.

Meanwhile, we constantly strengthened data analysis and technology-driven capabilities, expanded diversified customer traffic, enriched content construction and functional carriers, and built an effective connection, enablement and service channels between IDC service providers and users, which not only greatly enhanced the user's decoration efficiency and experience, but also deposited rich resources for the Company.

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

On the service providers' side, we also launched a systemic enablement strategy to concentrate our efforts on helping the IDC service providers to improve their competitiveness, which achieved remarkable results. With the support from our diversified customer traffic expansion measures, the IDC service providers on our platform further increased their efficiency in obtaining customers and also further built and enhanced their brand awareness.

Furthermore, in design, construction, supply chain and other aspects, we gave the IDC service providers strong support to help them improve their competitiveness. In terms of design, we cooperated with software service providers such as Kujiale to further open up and perfect the complete verticle of "Scheme Design, Customer Marketing, Operation Management, Production and Construction", to complement the weakness of IDC service providers in design and technology and enhance their design capabilities. In terms of construction delivery, our self-developed ERP system realized the functions including organic integration of institution and system, automatic control of key nodes, comprehensive interaction of customer follow-up, integrated management of customer information, intelligent processing of process transfer, whole-process control of construction site and intelligent statistics of dynamic data and information, which greatly improved the delivery management level of the IDC service providers. In terms of materials supply chain, we established long-term cooperation with leading companies in various market segments of the materials supply chain to build localized materials supply chain system and exert advantages of collective purchase to provide high quality materials for IDC service providers, which significantly increased the efficiency of the supply chain, lowered the purchase cost of IDC service providers on our platform and improved profit margins to them.

In 2018, we formed better and closer partnership with IDC service providers. We believe that with the orderly advancement of platform enablement strategy, more and more IDC service providers will seek for cooperation with us.

MARKET OVERVIEW AND OUTLOOK

The development cycle of the IDC industry accords with that of the real estate industry. In 2018, the overall growth of China's real estate market was steady and the growth of IDC market was also significant. Moreover, driven by the government's favorable policies such as shantytowns transformation and destocking in the third-tier and fourth-tier cities as well as the recovery of real estate market in the second-tier cities in 2018, IDC industry in the second-tier, third-tier and fourth-tier cities also enjoyed vigorous development. Meanwhile, the first-tier cities entered the era of stocking house. According to the data, as of 25 December 2018, the market share of the second-hand house in Beijing in the whole 2018 was 87% while that of the new house was only 13%.

Chairman's Statement

We forecast that the market share of second-hand house in first-tier cities will continue to increase in next few years when there will be huge demand for redecoration, renovation and partial adjustment. It will then open up new opportunities for IDC market in the first-tier cities. Based on the house renovation cycle of 10-15 years, the second-tier, third-tier and fourth-tier cities will also enter the era of stocking house in line with the cycle, which will bring sustained growth to IDC market.

Considering the tendency of market environment and the current development stage of the Group, we systematically summarized the enablement experience and achievements in 2018 as the "Supply Chain, SaaS & Finance" Strategy (namely "SSF" Strategy), and specify and implement this strategy as our core strategy in 2019.

In 2019, on the IDC service providers side, we will continue to profoundly develop the ecological materials supply chain system, explore IDC ecological financial scenario, and further enhance the screening, design, construction, supply chain standards of our IDC service providers. We will cooperate with leading enterprises in market segments, with technology as the emphasis, to help IDC service providers re-establish their competitiveness. On user side, we will strictly select quality IDC service providers and focus on the upgrading of delivery management, construction site environmental protection and supervision standards, thus to comprehensively upgrade our user services.

We firmly believe that this strategy will not only contribute to the sustained growth of our users and IDC service providers, but also significantly improve the quality of IDC service providers on our platform and greatly improve the competitiveness and profitability of our Group. We are pleased to announce that this strategic initiative has gone very well so far.

Besides, we boosted the strategy of developing business in downstream cities in 2018, which got favorable feedbacks. Coupled with the market environment, we believe that there exist huge business opportunities in the numerous third-tier and forth-tier cities and the counties across China, which is a vast Blue Ocean Market. On that account, in 2019, we will continue to implement the strategy of developing business in downstream cities on basis of further exploring the original core cities, recruit a large number of quality IDC service providers in the third- and the forth-tier cities and the counties, and achieve high connection with them in the whole industry chain including materials supply chain and software, thus to provide local users with high-standard services and at the same time, vigorously extend the brand of the Group in the third-tier and forth-tier cities and the counties, so as to attract users' awareness. We expect to intensify the implementation of this strategy in the short term. We believe that the implementation of this strategy will vigorously promote our development, thus to make us maintain rapid growth in 2019 and deliver maximum long-term value to our shareholders.

With the continuous extension and improvement of our service chain, more and more value chain related groups join our platform and create a favourable ecological cycle for us, thus bringing us more possibilities to explore a bigger and broader market. In the future, we will continue to adhere to our mission of making IDC services more efficient, convenient and transparent, and focus on our core business, Online Platform Business, to constantly explore multi-channel cashability and look for new profit opportunities.

Finally, in order to better implement the Group's strategic development roadmap, we will constantly optimize our organizational structure and build strong organizing capacity, thus not only to ensure rapid development of the Company, but also equip the Company with efficient organizational system.

APPRECIATION

I would like to take this opportunity to express my sincere appreciation to the Group's shareholders, investors, partners and users for their full trust and support. I would also like to express my gratitude to the members of the Board, the senior management team and all staffs for their unremitting efforts, teamwork and contributions to the Group. In the future, we will continue to make great efforts and promote the development of the Group, thus to deliver maximum value to our shareholders.

Mr. DENG Huajin
Chairman

Shanghai, The PRC
29 March 2019

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Business review

- *Online Platform Business*

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

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

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

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

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

  In 2018, while maintaining the market leadership of our Online Platform Business, we also seek to further enhance the multi-monetisation capabilities. We stepped up our investment in materials supply chain business, through which we could further integrate materials purchasing and distribution and pass on efficiency gains to our service providers. We launched a program called "Qeeka Alliances of Selected Materials

Supply Chain" and deepened partnerships with well-known materials merchants in China to sell customized or exclusive models of selected materials categories to our service providers. In addition, we established a strategic cooperation with Bank of China and Kujiale (酷家樂) in 2018, through which helped us further strengthen business synergies in the sales of SaaS and loan referral service.

- *Self-operated Interior Design and Construction Business*

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

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

Company financial highlights

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

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

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

Company business outlook

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

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

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

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

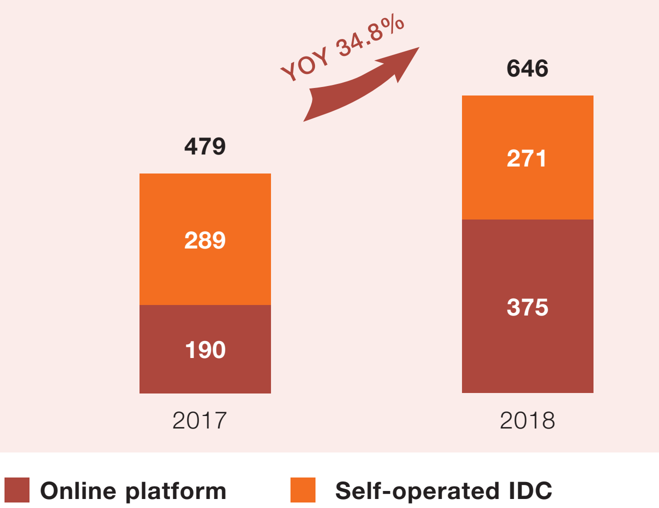
Revenue from continuing operations

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

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

Revenue

RMB million



- **34.8% year-on-year revenue growth in 2018**
- **Our core Online Platform Business has continued to demonstrate significant growth momentum. Revenues from the Online Platform Business increased by 97.7% to RMB375 million for the year ended 31 December 2018.**

Management Discussion and Analysis

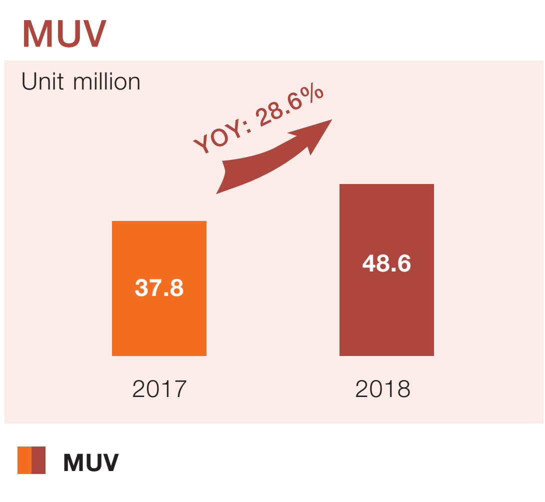
Online Platform Business

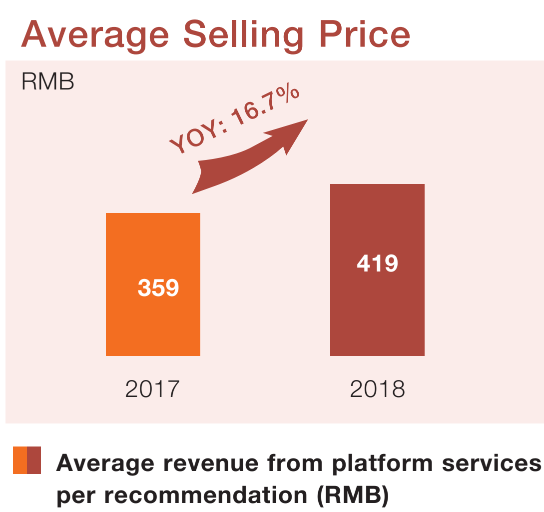
Revenues derived from Online Platform Business increased by 97.7% to RMB374.9 million for the year ended 31 December 2018, compared to RMB189.6 million for the year ended 31 December 2017, primarily due to our robust expansion in both platform services and materials supply chain business during the year.

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

- *Platform services*

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





- *Materials supply chain*

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

Self-operated Interior Design and Construction Business and others

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

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

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

Cost of sales from continuing operations

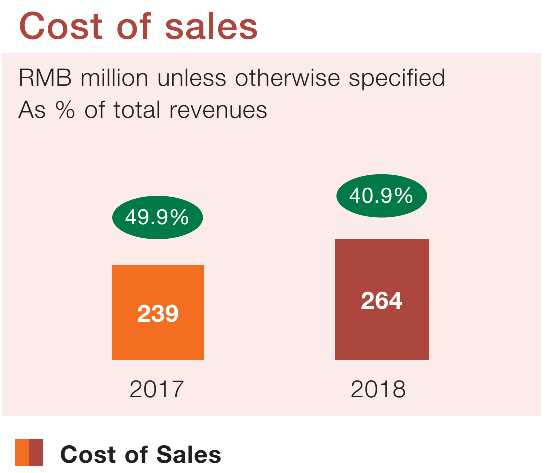
Cost of sales from continuing operations increased by 10.4% to RMB264.1 million for the year ended 31 December 2018, compared to RMB239.2 million for the year ended 31 December 2017, which was mainly due to increase in costs of our Online Platform Business.

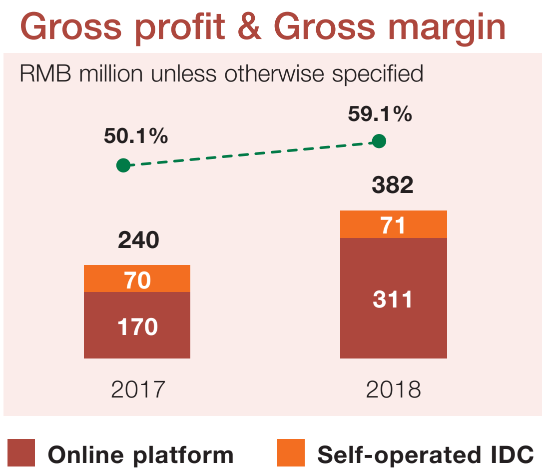
- ***Online Platform Business***

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

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

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





Gross profit and gross margin from continuing operations

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

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

Online Platform Business

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

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

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

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

Self-operated Interior Design and Construction Business

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

Selling and marketing expenses

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

Administrative expenses

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

Research and development expenses

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

Other gains – net

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

Finance income

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

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

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

Income tax credit/(expense)

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

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

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

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

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

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

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

Notes:

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

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

Liquidity and financial resources

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

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

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

Net cash generated from/(used in) operating activities

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

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

Net cash used in investing activities

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

Net cash generated from financing activities

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

Gearing ratio

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

Treasury policy

We have adopted a prudent financial management approach towards our treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2018. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital expenditure

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Purchase of property and equipment	**7,236**	17,783
Purchase of intangible assets	**3,571**	555
Prepayment of land use rights	**311,930**	–
Total	**322,737**	18,338

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

Long-term investment activities

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

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

Foreign exchange risk

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

Contingent liabilities

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

Employee and remuneration policy

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

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

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

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

Important events after reporting date

There were no important events affecting the Company and its subsidiaries which occurred after 31 December 2018 and up to the Latest Practicable Date.

Board of Directors and Senior Management

OUR DIRECTORS

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

Members of our Board

Name	Age	Position/Title	Date of Appointment
Mr. DENG Huajin	46	Executive Director and Chairman	2018/4/2
Mr. TIAN Yuan	49	Executive Director	2018/4/2
Mr. GAO Wei	47	Executive Director	2018/4/2
Mr. LI Gabriel	51	Non-executive Director	2018/4/2
Mr. SHENG Gang	47	Non-executive Director	2018/4/2
Mr. TANG Zhenjiang	37	Non-executive Director	2019/3/29
Mr. ZHANG Lihong	47	Independent non-executive Director	2018/6/4
Mr. CAO Zhiguang	45	Independent non-executive Director	2018/6/4
Mr. WONG Man Chung Francis	54	Independent non-executive Director	2018/6/4

The biography of each Director is set out below:

EXECUTIVE DIRECTORS

Mr. DENG Huajin (鄧華金), aged 46, is the Chairman, an executive Director and the chief executive officer of our Company since April 2018. He is also the founder of the Group in 2007 and is responsible for overall strategic planning and business direction of the Group. He is also a member of the Remuneration Committee and the chairman of the Nomination Committee. He was appointed as a Director in November 2014, and was re-designated as an executive Director and appointed as the Chairman of the Board in April 2018.

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

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

Mr. TIAN Yuan (田原), aged 49, is an executive Director. He was appointed as a Director in 2015 and was re-designated as an executive Director of the Company in April 2018. He is responsible for the overall management of the Company.

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

Mr. GAO Wei (高巍), aged 47, is an executive Director. He was appointed as a Director in April 2015 and was re-designated as an executive Director in April 2018. He is responsible for the overall management of the Company.

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

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

NON-EXECUTIVE DIRECTORS

Mr. LI Gabriel (李基培), aged 51, is a non-executive Director. He was appointed as a Director in April 2015 and re-designated as a non-executive Director in April 2018. He is responsible for providing professional opinion and judgement to our Board.

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

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

Mr. SHENG Gang (盛剛), aged 47, is a non-executive Director. He was appointed as a Director in 2015 and was re-designated as a non-executive Director in April 2018. He is responsible for providing professional opinion and judgement to our Board.

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

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

Board of Directors and Senior Management

Mr. WU Haifeng (吳海鋒), aged 35, was appointed as a non-executive Director on 2 April 2018 and resigned on 29 March 2019. During his tenure, he is responsible for providing professional opinion and judgement to our Board. He has been working at Baidu, Inc. (百度), a company listed on NASDAQ (NASDAQ: BIDU), since July 2006 to present. Mr. Wu joined Baidu, Inc. as a research and development engineer of the web search department in July 2006, and held various positions, including senior project manager and executive of the web search department, senior technology manager of the natural language processing department, and manager of the picture search department. He currently holds the position of vice president of the search business unit of Baidu, Inc. Mr. Wu received a master's degree in computer science and technology from Zhejiang University in June 2006.

Mr. TANG Zhenjiang (唐振江), aged 37, was appointed as a non-executive Director on 29 March 2019. He has been working at Baidu, Inc. (a company incorporated in the Cayman Islands, depositary shares of which are listed on the Nasdaq Stock Market (NASDAQ: BIDU)) since July 2006. Mr. TANG joined Baidu, Inc. in July 2006 as a research and development engineer of the web search department, and since then has held various positions including senior technology manager of the Baidu-Union research and development department and deputy director of the web search department. He currently holds the position of director of the vertical industry development department of Baidu, Inc.. Mr. TANG obtained his master's degree in computer science and technology from Harbin Institute of Technology in June 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHANG Lihong (張禮洪), aged 47, is the independent non-executive Director since June 2018 and is responsible for providing independent advice and judgment to the Board. He also serves a member of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee. Mr. Zhang has been teaching civil and commercial law at East China University of Political Science and Law since December 2003, and is currently a professor in the same university. Mr. Zhang has extensive knowledge and background in civil and commercial law will contribute to the internal control, compliance and corporate governance aspects of our Company's operations.

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

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

Mr. CAO Zhiguang (曹志廣), aged 45, is the an independent non-executive Director since June 2018 and is responsible for providing independent advice and judgment to the Board. He also serves as a member of our Audit and Risk Management Committee and Nomination Committee and the chairman of our Remuneration Committee. Mr. Cao has been teaching applied finance in Shanghai University of Finance and Economics since 2003.

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

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

Mr. WONG Man Chung Francis (黃文宗), aged 54, is the independent non-executive Director since June 2018 and is responsible for providing independent advice and judgment to our Board. He also serves as the chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee.

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

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

OUR SENIOR MANAGEMENT

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

Name	Age	Position	Roles and responsibilities	Date of joining our Group
Mr.LIN Jinsong	43	Chief Technology Officer	Development of technology and data platform	March 2015
Mr.WANG Wenfei	33	Chief Financial Officer	Corporate finance, investor relations, investments and acquisitions, strategy and legal matters	December 2016

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

Mr. LIN Jinsong (林勁松), aged 43, is our Chief Technology Officer. He joined our Group in March 2015 as senior deputy president. Mr. Lin is primarily responsible for managing the development of the technology and data platform. Prior to joining our Group, Mr. Lin served as the founder and chief executive officer at Xiamen Suryani Technology Co., Ltd.* (廈門舜亞科技有限公司) from June 2011 to March 2015. Prior to that, Mr. Lin successively served as senior manager, chief technology officer, and vice president of operations in the Chinese market at eHealth China (Xiamen) Technology Co., Ltd.* (翼華科技(廈門)有限公司), from December 2004 to May 2011. Prior to that, Mr. Lin served as a lecturer at the Department of Automation in Xiamen University from August 1999 to December 2004. Mr. Lin received his bachelor's degree in electronics and information system from Sichuan University in July 1996, and his master's degree in systems engineering from Xiamen University in July 1999.

Mr. WANG Wenfei (王文飛), aged 33, is our Chief Financial Officer. He joined our Group in December 2016 as director of finance. Mr. Wang is primarily responsible for corporate finance, investor relations, investments and acquisitions, strategy and legal matters. Prior to joining our Group, Mr. Wang served as the chief of finance at Shanghai Daoxila Information Technology Co., Ltd.* (上海到喜啦信息技術有限公司) from September 2014 to December 2016. Before that, Mr. Wang served at Lunar Capital PE Firm* (雲月投資管理(上海)有限公司) from July 2013 to February 2014. From September 2008 to June 2013, Mr. Wang served at PricewaterhouseCoopers Zhongtian LLP. and obtained the Certified Public Accountant qualification issued by the Chinese Institute of Certified Public Accountants in September 2013 and the International Certified Internal Auditor qualification issued by China Institute of Internal Audit in November 2011. Mr. Wang received his bachelor's degree in international accounting from the Shanghai Institute of Foreign Trade in July 2008.

JOINT COMPANY SECRETARIES

See disclosure in "Board of Directors and Senior Management – Our Senior Management" for the biographies of Mr. Wang Wenfei.

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

The Board is pleased to present the corporate governance report of the Company for the year of 2018.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

THE BOARD

Responsibilities

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

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

Delegation of Management Function

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

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

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

Corporate Governance Report

Composition of the Board

The Board currently comprises nine Directors:

Executive Directors

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

Non-executive Directors

Mr. LI Gabriel
Mr. SHENG Gang
Mr. WU Haifeng (resigned on 29 March 2019)
Mr. TANG Zhenjiang (appointed on 29 March 2019)

Independent non-executive Directors

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

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

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

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

Chairman and Chief Executive Officer

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

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

Independent Non-executive Directors

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

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

Appointment and Re-election of Directors

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

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

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

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

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

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

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

Model Code for Securities Transactions

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

Training and Continuous Professional Development of Directors

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

According to records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2018 is as follows:

Name of Director	Training*
Mr. DENG Huajin	√
Mr. TIAN Yuan	√
Mr. GAO Wei	√
Mr. LI Gabriel	√
Mr. SHENG Gang	√
Mr. Wu Haifeng	√
Mr. ZHANG Lihong	√
Mr. CAO Zhiguang	√
Mr. WONG Man Chung Francis	√

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

Liability Insurance of Directors and Senior Management

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

Directors' Responsibility on Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 December 2018.

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

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

Board Meetings and General Meeting

During the year after the Listing Date, the Company held 4 Board meetings in total. As the Company was listed on the Stock Exchange in July 2018, the Company did not hold any general meetings during the year. The Company will fully comply with the requirement under the code provision A.1.1 of the CG Code to convene Board meetings at least four times a year at approximately quarterly intervals.

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

Name of Directors	No. of Board Meetings Attended During the Tenure	Attendance Rate
Mr. DENG Huajin	4	100%
Mr. TIAN Yuan	4	100%
Mr. GAO Wei	4	100%
Mr. LI Gabriel	4	100%
Mr. SHENG Gang	4	100%
Mr. WU Haifeng*	4	100%
Mr. ZHANG Lihong	2	50%
Mr. CAO Zhiguang	4	100%
Mr. WONG Man Chung Francis	4	100%

* Mr. WU Haifeng ceased to be a director on 29 March 2019.

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

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

BOARD COMMITTEES

Audit and Risk Management Committee

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

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

- to propose the appointment or dismissal of the external auditor of the Company, and approve the remuneration and terms of engagement of the external auditor;

- to discuss with the external auditor the nature and scope of the audit and relevant reporting obligations and to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to monitor integrity of the Company's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant reporting judgments contained therein;

- to review the Company's financial controls, risk management and internal control systems, discuss the risk management and internal control systems with the senior management;

- to review the Company's financial and accounting policies and practices; and

- other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Memorandum and Articles of Association, and as authorized by the Board.

During the period after the Listing Date to 31 December 2018, the Audit Committee held one meeting, at which the Company's interim results for 2018 and the relevant accounting principles and practices adopted by the Group were reviewed and discussed with the external auditors.

Code provision C3.3(e) (i) of the CG Code provides that the terms of reference of the Audit Committee shall have the terms that the members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the Auditor. The Company has included such terms in relevant terms of reference, and thus complied with the Code provision C3.3(e) (i) of the CG Code during the Relevant Period. However, the Audit Committee only held one meeting with the Auditor after the Company's listing in July 2018. The Audit Committee will fully comply with its terms of reference.

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

Name of Members	No. of Meetings Attended During the Tenure	Attendance Rate
Mr. WONG Man Chung Francis	1	100%
Mr. ZHANG Lihong	0	–
Mr. CAO Zhiguang	1	100%

Remuneration Committee

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

The primary duties of the Remuneration Committee are:

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

No Remuneration Committee meeting was held during the period from the Listing Date to 31 December 2018, but one meeting was held after 31 December 2018.

Pursuant to the code B.1.5 of the CG Code, the following table sets forth the remuneration of the Directors and members of senior management categorized by remuneration group for the year ended 31 December 2018:

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

Note:

Group 1 includes 1 member of senior management of the Company.

Group 2 includes 2 Directors and 1 member of senior management of the Company.

Group 3 includes 1 Director of the Company.

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in note 38 to the consolidated financial statements.

Nomination Committee

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

The primary duties of the Nomination Committee are:

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

No Nomination Committee meeting was held during the period from the Listing Date to 31 December 2018, but one meeting was held after 31 December 2018, at which the Nomination Policy of the Company and the Board Diversity Policy were reviewed and recommendations was made to the Board.

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

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

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

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

CORPORATE GOVERNANCE FUNCTION

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

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

JOINT COMPANY SECRETARIES

Mr. WANG Wenfei, is the chief financial officer and a joint company secretary of the Company, is the primary contact person of Ms. So at the Company.

Ms. SO Shuk Yi Betty, of SWCS Corporate Services Group (Hong Kong) Limited, has been engaged by the Company as a joint company secretary of the Company, and is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

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

AUDITOR

Financial statements contained in this report have been audited by PricewaterhouseCoopers. Service fees which shall be paid by the Company to PricewaterhouseCoopers for the year amounted to RMB3.8 million (value added tax and other related tax excluded).

Service rendered	Fees Payable (RMB'000)
Audit service	3,700
Non-audit services	120
Total	3,820

The statement of the external auditor of the Company about its reporting responsibilities for the Consolidated Financial Statements is set out in the "Independent Auditor's Report" on page 144.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

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

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

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

Internal Control

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

In 2018, the Company conducted a review of its risk management and internal control system. The method, findings, analysis and results of the evaluation have been reported to the risk management committee and the Board.

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

INVESTOR RELATIONS

General Meetings and Shareholders' Rights

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

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

Communication with Shareholders and Investors

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

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

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

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

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

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

Telephone number: 021-69108711

E-mail address: ir@qeeka.com

AMENDMENTS TO CONSTITUTIONAL DOCUMENT

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

1. INTRODUCTION

Qeeka Home (Cayman) Inc. (hereinafter the "Company", stock code: 1739) hereby issues the 2018 Environmental, Social and Governance Report (the "ESG Report") of the Company and its subsidiaries (collectively the "Group" or "we") to present to stakeholders the Group's purpose, practices, measures and achievements in sustainable development and social responsibility in dimensions of environment and society.

For corporate governance information of the Group, please refer to the "Corporate Governance Report" included in the Annual Report of the Company for the Year Ended 31 December 2018.

1.1. Reporting scope

This report covers the Company and its subsidiaries, including our primary businesses (online platform, self-operated design and construction business and others), and covers the period from 1 January 2018 to 31 December 2018.

The environmental key performance indicators ("KPIs") disclosed in the report cover the offices of our headquarter in Shanghai, Qijia Pudong Exhibition Hall in Shanghai, Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd. and Brausen (Fujian) Decoration & Engineering Co., Ltd.

1.2. Reporting standards and principles

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

➢ **Materiality**: The Group determines important ESG issues with the involvement of stakeholders and by means of materiality assessment;

➢ **Quantification**: This report contains quantitative information of the Group's key performance indicators ("KPIs") in environmental aspect;

➢ **Balance**: This report provides an unbiased picture of the Group's performance in environmental and social aspects;

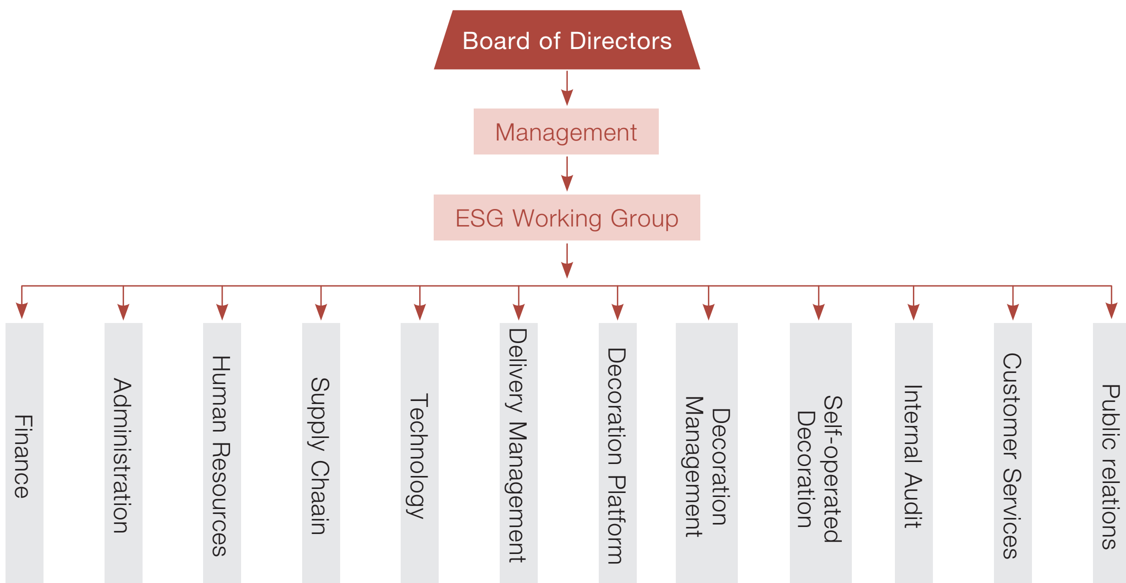
➢ **Consistency**: This report is the first ESG report of the Group, and related disclosure and statistical methods have been confirmed and will be applied consistently in subsequent years.

1.3. Governance in ESG area

The Group understands the importance of improving its environmental and social benefits to its sustainable operation, and has included ESG risk and opportunity factors in its business strategy, which provides a direction for its daily operation. The Board supports the Group's commitment to its corporate social responsibility and takes full responsibility for the Group's ESG strategies and reporting. The Board is responsible for evaluating and determining the Group's ESG risks and ensuring that the Group has established appropriate and effective ESG risk management and internal control systems. The Board regularly reviews the Group's ESG performance, and examines and approves the Group's annual ESG report. The Group's management is responsible for executing ESG risk management and internal control systems, reporting ESG risks and opportunities to the Board, and providing the Board with confirmation as to whether the ESG system is valid.

In order to carry out ESG work in full coverage, the Group has established the ESG Working Group directly involving department heads, and has designated specific persons to bear the responsibility for ESG work and report to the Group's management about the progress of ESG management and reporting, to ensure that ESG work can be carried out smoothly.

Adhering to the strategy of sustainable development, the Group is committed to providing the society with high-quality home decoration services. The Group has developed its ESG strategies based on the core principle and achievable goal of green and sustainable development to provide guidance for ESG management in daily operation. In addition, the Group regularly reviews its corporate social responsibility policies and strategies to ensure their appropriateness for its businesses.



1.4. Communications with stakeholders

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

Stakeholders	Communication mechanisms	Stakeholders' expectations
Governments and regulators	• Daily management • Meetings • Monitoring and inspections • Policy consultation • Reporting	• Compliance with laws • Pay taxes according to laws • Support local development
Shareholders	• Shareholders' general meetings • Information disclosure • Activities promoting investor relations	• Sustainable development and return to shareholders • Information disclosure and investor relations • Corporate governance and risk control
Customers	• Contract signing • Transactions	• High-quality products • Top-class pre-sale and after-sale services
Employees	• Employee trainings • Employee activities and employee care • Performance management	• Remuneration and benefits • Good work environment and development platforms • Equal opportunities for promotion and development • Smooth communication
Media	• Interviews about business operation • Corporate culture publicity • Thematic activities	• Fulfilment of corporate social responsibilities • Measures to learn about the Company's important events and activities

Stakeholders	Communication mechanisms	Stakeholders' expectations
Cooperating parties	• Negotiation and communication • Supplier investigation and evaluation • Open bidding and tendering • Communications and exchange visits	• Keep promise • Equal, open and fair procurement • Win-win development
Community and society	• Targeted poverty alleviation	• Promote urban and rural development • Promote community harmony

1.5. Materiality assessment

According to the *ESG Reporting Guide*, we have established the ESG analysis model, determined the following material issues, which are important to the Group by identifying, assessing and screening ESG issues, and focused on disclosing and responding to such important issues in the report.

	Environment	Employee	Operation	Public welfare
Important Issues	• Energy Management • Water Management	• Employment • Health and safety • Development and training • Labor Standards	• Product responsibility • Supply chain management • Anti-corruption	• Community Investment
Related Issues	• Emissions Waste Management			

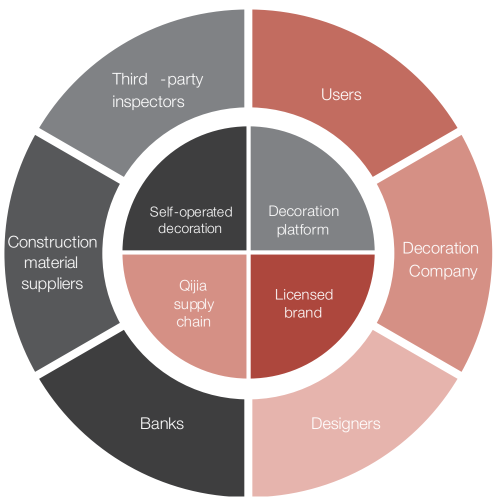
2. PRAGMATIC AND INNOVATIVE, PROVIDING EXCELLENT SERVICES TO CUSTOMERS

In strict compliance with relevant laws and regulations including the *Telecommunications Regulations of the People's Republic of China*, the *Administrative Measures on Internet Information Services*, the *Provisions on the Administration of Mobile Internet Application Information Services*, etc., the Group, as a leading e-commerce platform in areas of decoration, construction materials and furniture & furnishing in China, provides a complete set of e-commerce solution to domestic providers of construction materials and furniture & soft furnishing products and domestic suppliers of decoration design and decoration construction management services; the Group, by applying Internet technologies, also provides Internet decoration customers with high-quality and inexpensive decoration and furniture & furnishing consumer products as well as related services, to help customers decorate their homes easily and safely.

2.1. Diversified business system

We are committed to providing users with one-stop solutions with a diversified business system, to make the interior design and construction process more efficient, convenient, and transparent.

➢ **Interior design and construction platform:** Interior design and construction platform, as the Group's core business, connects users with interior design and construction service providers in an organic manner and matches users up with service providers which can meet users' demands to the greatest extent through advanced technologies, so as to provide users with more convenient and reliable services.



➢ **Self-operated construction business:** Recognizing the diverging demands of many users, we have also established Brausen and Jumei, two self-operated full-service interior design and construction businesses, to provide interior design and construction services to individual consumers, residential real-estate developers and serviced apartments.

➢ **Licensed brand:** For the online interior design and construction market in third or fourth-tier small cities in China, we have established our Shangmei licensed brand to provide interior design and construction services to more users from third or fourth-tier cities.

➢ **Materials supply chain resources:** Materials manufacturers in our supply chain network consist of internationally and nationally renowned brands as well as value-for-money local brands. Interior design and construction service providers can purchase a wide range of quality construction materials, accessories and furnishings directly from materials manufacturers by placing orders through our supply chain network.

2.2. Comprehensive customer services

We attach great importance to user experience and provide users with quality services and refreshing interior decoration experience by constantly raising standards and strictly selecting high-quality service providers.

➢ **Before interior design and construction:** Specific persons will contact and communicate with users when they have made online appointment to learn about their demands. Based on users' demands, we will select three interior design and construction service providers to provide field measurement, design scheme (rough draft) and budgeting services free.

➢ **During and after construction:** During the decoration construction and after the final completion, we provide users with full-scope safeguards through "Qijia Bao Service" and help users monitor construction quality in a more convenient manner, to avoid risks such as fleeing of service providers, construction accidents, etc.

➢ **Responding to customers' demands:** Based on laws and regulations such as the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, the Group has established a series of rules and regulations including the *Administrative Measures for Complaint Handling*, the *Procedures for Daily Complaint Handling*, the *Process of Customer Complaint Management*, the *Process of After-decoration Services*, etc. In addition, the Group has provided customer service hotline at 400 and online customer service in order to handle customers' complaints faster and better.

Qijia Bao Service: Five Privileges

1

Payments are totally managed by Qeeka platform, ensuring fund security and avoiding disputes

Payments are totally managed by Qeeka platform and granted to service providers after stage acceptance inspection.

2

Third-party inspectors conduct stage acceptance inspection as scheduled, ensuring construction quality

Home owners make payments by construction stage. Third-party inspectors conduct quality inspection by stage. Meanwhile, Qeeka platform grants payments from home owners to service providers based on the results of quality inspection.

3

Final payments are managed by Qeeka platform and home owners will not be in a passive position in case of dispute

After the completion of construction, final payments at a percentage of 20% are managed by Qeeka platform for 30 days, so that home owners at final stage have no additional worries.

4

Home owners are provided with an all-risk decoration insurance up to RMB 300 thousand and do not need to worry about potential risks

An all-risk decoration insurance is provided to avoid potential losses arising from injury, medical treatment and property damage due to construction, to safeguard home owners' benefits.

5

Site management is completely Internet-based, so that home owners can monitor construction sites conveniently

Home owners can use Qeeka Internet-based User APP to monitor the whole process including contract payments, construction progress, live broadcast of construction sites, complaint and rectification.

2.3. Strict privacy protection

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

2.4. Prudent brand management

As the largest Internet interior design and construction platform, our brand is strongly rooted in the heart of customers and is the first choice for users seeking for interior design and construction services through Internet. To maintain the brand image, we fully standardise the use of VI image by developing a series of regulations including the *Specifications on Usage of Brand Image Representatives*, the *VI Image Identification Manual*, the *Specifications on Usage of the IP Image "Qi Qi Li"* and the *Regulations for Operation and Management of Co-operators in Interior Design and Construction*. We also implement regulations such as the *Intangible Asset Management Specifications* to protect the safety and preserve the value of intangibles and enhance the Group's core competitiveness.

Strictly following the *Advertisements Law of the People's Republic of China* and other laws and regulations, we have developed various regulations including the *Specifications on Management of Advertisements and Copywriting*, under which the Legal Department reviews the Company's promotion copywriting, publicity materials and advertisements, to ensure the legality and authenticity of the information and materials used for promotion and marketing, and safeguard rights and interests of the Group and consumers.

3. PREDICTING THE FUTURE, COOPERATING FOR MUTUAL BENEFITS

In the context of consumption upgrading and rapid technology development, we actively build up a comprehensive ecological supply chain, which provides strictly selected products at excellent prices and high-quality deliverables from a wide range of sources, and constantly optimise supplier structure to improve the quality of suppliers. At the meantime, we also pass on our environmental and social ideals to suppliers to manage environmental and social risks of the supply chain and to establish a sustainable and reliable supplier chain.

3.1. Supplier management

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

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

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

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

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

3.2. Industry summit

On 21 November 2018, the 2nd National Interior Design and Construction Industry Summit and 2019 Strategic Upgrading Conference of Qeeka Home kicked off in Shanghai, the theme of which was "Predicting the Future and Rebuilding Competition". At the summit, the Group announced the 2019 "SSF" strategy (involving Supply-Chain, System-Informatisation and Financial-Ecology), according to which the Group will strengthen the review of cooperative enterprises and suppliers that meet relevant standards can enjoy our SSF-level resources, so as to motivate suppliers to enhance service standards and make transformation and innovation and eventually realise mutual benefit and mutual improvement. In addition, we also put forward the concept of site environmental protection upgrading to live up to the environment friendly and green decoration concept together by taking such measures as designating accessory materials and marking "environment friendly construction site".

4. RIGHTS PROTECTION AND TALENT GROWTH

As talents contribute to the core competitiveness of enterprises, we continuously improve talent management, establish a complete human resource management system, focus on the importance of talents to the Group's development, protect lawful rights and interests of employees, create a healthy and safe working environment for employees, provide sophisticated promotion channels and a perfect training system and actively organise employee activities to promote the common development of the Group and its employees to the greatest extent.

4.1. Legal employment

- *Recruitment and dismissal*
  Based on the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and other relevant laws and regulations, we formulate the *Recruitment Management Process* and other policies. Following the talent selection principles of fairness, publicity, equality, competition and preference as well as the talent appointment principles of preferring for skilled persons with good morality and actual performance, we standardise the recruitment process and introduce high-quality talents required for the development of our company. Besides, in order to take full advantage of internal talents, we select, train and appoint internal core middle management based on *Regulations for Management of Internal Competitive Employment*, *Internal 180 Management Regulations* and other policies and procedures.

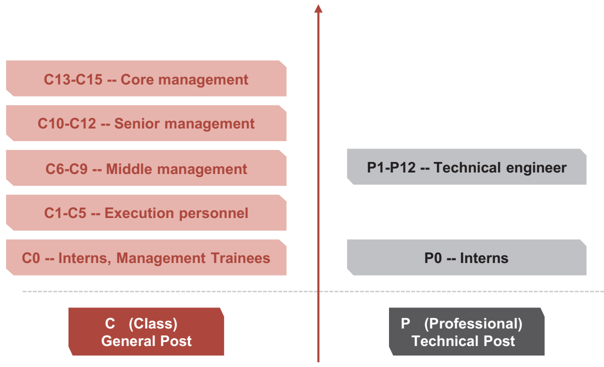
  In addition, we detail the regulations for employee reward and punishment and conditions for termination of labour contract in *Staff Manual* and *Regulations for Employee Reward and Punishment* and standardise the management process for employee resignation via *Employee Relationship Management Process*.

- ***Compensation, benefits and promotion***

  We provide employees with perfect compensation and benefit system, under which, the employee compensation consists of basic salary, post wage/performance bonus, post allowance, confidential wage or compensation due to competitive restrictions. By means of establishing a broad band salary system taking comprehensive consideration of internal balance, external balance and individual balance, we provide our employees with fair and reasonable rewards. Meanwhile, the salaries of employees could be adjusted based on their professional abilities and post natures, so that their motivation and initiative could be stimulated.

  We conclude *Labour Contract* with employees as required by law and pay social insurance premiums for employees according to local regulations. Our employees also enjoy welfare allowance including meal allowance, traffic allowance, business communication allowance and blessing bonus.

  In *Measures for Management of Remuneration Based on Posts and Levels*, we set up a line for general posts and a professional line concerning technologies and set up corresponding posts and levels for the two post lines, under the direct guidance of which the standards for employee benefits and salary are determined.



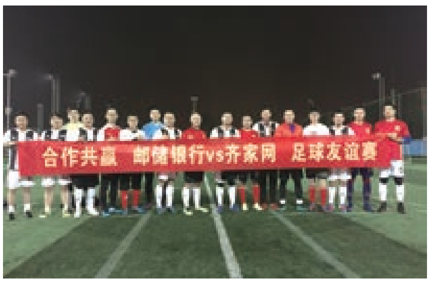
  With constant effort in improving promotion channels for employees, we develop an open selection mechanism for management posts with the principles of "open selection, competitive employment and priority for internal employees", so as to drive internal competitive employment and create transparent pathways for employee promotion.

- *Working hours and holidays*

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

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

- *Employee activities*
  We annually organise different kinds of collective activities, including basketball game, football game and team building activities, to enrich employee life.



2018 Football Game for Friendship: Postal Saving Bank of China vs Qeeka Home

Basketball Championship Game: Qeeka Home, Fighting for Win and Championship

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

4.2. Health and safety

Following the *Production Safety Law of the People's Republic of China* and other laws and regulations, we provide our employees with safe working environment to ensure their health and safety. In accordance with the *Standards for Daily Health and Safety Management and Inspection at the Service Centre* and *Regulations for Power Utilisation Management at the Service Centre*, we adopt a three-level inspection management mechanism consisting of exhibition hall inspection, segment inspection and headquarters inspection to carry out daily inspection of health, safety and fire protection for the exhibition hall and maintain safe operation of electrical facilities and equipment at the service centre, so as to ensure the safety and health of working personnel and meet the standards for safety management of our stores. For the purpose of reducing the safety hazards at the decoration site and based on the *Eighteen Items of Qeeka Home Safety Hazard Inspection*, comprehensive inspection for structure, power utilisation, firefighting, tools and equipment involved in construction is included into safety hazard inspection. A supervisor would be appointed for guidance, hazard identification and construction standard supervision if necessary, so that the safety hazards could be eliminated at the very beginning and the house decoration safety of customers as well as the safety of site operators could be ensured effectively.

4.3. Employee trainings

In order to help our employees updating their knowledge and meet their requirements for career development, we formulate systematic training management process, which combines self-training with lecture training, post skill training with professional knowledge training, to provide learning and training opportunities for employees. In addition, under the requirements stated in *Regulations for Management of Employee Tutors*, *Regulations for Management of Internal Trainers* and other regulations, we develop internal training resources (including employee tutors and internal trainers) to facilitate the accumulation, sharing and dissemination of internal knowledge, so as to improve the overall standard of our employees.

Employee trainings

Internal training

- New employee training
- Post skill training
- Job transfer training
- Department training

External training

- Management training curriculum
- Manager training
- Qualification certificate training

Employee self-training

4.4. Labour standards

The Group respects the lawful rights and interests of employees and complies with the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Provisions on the Prohibition of Using Child Labour* and other laws and regulations. Employee's ID card and other personal information would be checked in on-boarding inspection, to avoid using of child labour.

The Group seriously abides by legal working hours and limits overtime working to ensure sufficient resting time and physical and mental health of employees. In case overtime working is unavoidable, employees should be provided with compensatory time off or overtime wage, and compulsory labour is forbidden.

5. COMPLIANT OPERATION & CONTRIBUTION TO SOCIETY

5.1. Anti-corruption

High-standard creed acts as the basic element for business success and the bedrock for a company to gain its reputation in providing reliable, transparent and high-quality services. Adhering to the *Company Law of the People's Republic of China*, the *Bidding and Tendering Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and the *Interim Provisions on Banning Commercial Bribery*, the Group formulates and implements: *Procedures for Bidding and Price Parity among Third Parties*, *Regulations for Internal Control over Procurement and Payment*, *Regulations for Management of Probity*, *Code for Moral Behaviours* and other regulations to standardise the business activities of the Company, so as to avoid bribery, extortion, fraud and money laundering.

Meanwhile, the Group provides public compliance hotline (021-69108705) and compliance mailbox (internalaudit@qeeka.com) for all parties to complain and report any behaviour violating probity policies or associated evidence (including the violations of external business partners).

5.2. Public welfare

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

We Are in Action is a public welfare documentary program for targeted poverty alleviation. On 18 August 2018, along with public welfare ambassadors Cai Guoqing, Huo Zun, Li Weizhen and Chen Rong, the Group came to a small village named Huangjiazhai in Yunnan to get a deep understanding of the local families under poverty. They did farm works with local villagers and got an understanding of the living conditions and featured products of the village, so that they could help the villagers get rid of poverty. In the course of the event, considering the negative economic status and poor residential conditions of local villagers, the Group took its resource advantages and invited the local designers in Kunming to repair village houses, and this move was widely acclaimed by local villagers.

6. LOW-CARBON ENVIRONMENT & GREEN OPERATION

According to our business characteristics, the emissions of the Group mainly comprise NOx, SO2, Particulate Matter (PM) and greenhouse gases generated from gasoline used by vehicles owned by the Group, greenhouse gases generated from electricity used at work place, and the harmless wastes from work place; the resources used mainly include electricity and water used at work place. The water we used come from municipal water and there are no issue in sourcing water.

As we are deeply aware of the importance of environment protection and resource conservation in the sustainable development of the Company, we seriously implement the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China* and other laws and regulations and formulate *Management Measures for Using of Air Conditioner* and other regulations. Under such laws and regulations, we encourage green office and take various measures for energy saving, water conservation and emission reduction, so as to save resources, cut down emissions and reduce negative impact on the environment:

- Purchase and use energy saving and environmentally friendly equipment;
- Encourage all employees to strengthen the awareness of power saving, and implement the principles of power saving, energy consumption reduction and using on demand;
- Carry out daily maintenance for water equipment to avoid wasting from dripping;
- All lights in the customer service centre, warehouses and headquarters office should be replaced by LED lights for reduction of energy consumption;

- Encourage paperless office and minimise copying and printing of documents as far as possible, and encourage printing on both sides and recycling of waste paper, so as to avoid unnecessary wasting of papers and reduce the harmless wastes;

- All the non-hazardous wastes are collected, transported and treated by municipal sanitation.

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

Key performance indicators:

Emissions

Emission of NO_x (in kg)	157.52
Emission of SO_2 (in kg)	0.41
Emission of PM (in kg)	15.09
Total non-hazardous waste produced (in tonnes)	121.08
Intensity of non-hazardous waste (tonnes/person)	0.15
Total emission of greenhouse gases (tCO_2e)	895.56
Intensity of greenhouse gases (tCO_2e/person)	1.07

Note:

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

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

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

Use of Resources

Total direct energy consumption (MWh)	241.04
Total indirect energy consumption (MWh)	1189.24
Total energy consumption (MWh)	1430.28
Intensity of energy consumption (MWh/person)	1.71
Total water consumption (in tonnes)	5769.00
Intensity of total water consumption (tonnes/person)	6.91

Note:

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

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

Report of the Directors

The Board is pleased to present this annual report and the audited financial statements of the Group for the year ended 31 December 2018.

IPO

The Company was incorporated in the Cayman Islands on 20 November 2014 as an exempted company with limited liability. The Shares were listed on the Main Board of the Stock Exchange on 12 July 2018 through the IPO.

PRINCIPAL BUSINESSES AND ACTIVITIES

The Group is the largest and most renowned online interior design and construction platform in China, The principal activities of the Group are (i) the provision of 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 parties, provision of building material supply chain services and others; and (ii) the provision of interior design and construction service.

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements. There were no significant changes in the nature of Group's activities during the Reporting Period.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 5 to 9 and pages 10 to 23 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the sections headed "Report of the Directors – Risks Relating to the Contractual Arrangements" on page 73 of this annual report. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the "Environmental, Social and Governance Report" on pages 41 to 55 of this annual report.

PROSPECT

A review of the business of the Group during the year and a discussion on the Group's future business development, particulars of important events affecting the Group that have occurred since the end of the financial year are set out in the "Chairman's Statement" on pages 5 to 9 of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the "Management Discussion and Analysis" on pages 10 to 23 of this annual report.

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

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Comprehensive Income/(Loss) on page 83 of this annual report. The financial condition of the Group for the year ended 31 December 2018 is set out in the Consolidated Balance Sheet on pages 84 to 85 of this annual report. The consolidated cash flow of the Group for the year ended 31 December 2018 is set out in the Consolidated Statement of Cash Flows on page 88.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in "Management Discussion and Analysis" of this annual report on pages 10 to 23.

DIVIDEND POLICY

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

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

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

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Tuesday, 28 May 2019, for considering, among other things, the 2018 Final Dividend. The register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019 (both days inclusive), during which periods no transfer of shares will be registered.

In order to qualify for attending and voting at the AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Wednesday, 22 May 2019.

SHARE CAPITAL

As at 31 December 2018, the authorised share capital of the Company was US$200,000, divided into 2,000,000,000 shares of US$0.0001each. Details of movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 24 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company established the Audit and Risk Management Committee with written terms of reference in compliance with the CG Code. The Audit and Risk Management Committee comprises three members, namely Mr. WONG Man Chung Francis, Mr. ZHANG Lihong and Mr. CAO Zhiguang. Mr. WONG is the chairman of the Audit and Risk Management Committee. The Audit and Risk Management Committee has reviewed the Group's 2018 annual results announcement, this annual report and the audited financial statements for the year ended 31 December 2018 prepared in accordance with the IFRS.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2018 are set out in the Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the amount of reserves available for distribution of the Company was approximately RMB2,134.5 million. (2017: nil)

DONATIONS

During the year ended 31 December 2018, the Company and its subsidiaries made charitable donations of approximately RMB60,000.

BANK BORROWINGS AND OTHER BORROWINGS

The Group did not have any outstanding bank loan and other borrowings as at 31 December 2018.

USE OF NET PROCEEDS

The total net proceeds from the IPO and partially exercising the over-allotment option received by the Company were approximately RMB949.8 million after deducting the underwriting fees and related expenses, and the balance of unutilized net proceeds of approximately RMB842.8 million was kept at the bank accounts of the Group as at 31 December 2018.

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

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

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, purchases from the Group's five largest suppliers accounted for 34.2% of the Group's total purchases. In addition, purchases from the Group's single largest supplier accounted for 12.3% of the Group's total purchases during the same period.

For the year ended 31 December 2018, the Group's five largest customers accounted for 3.8% of the Group's total revenue.

During the year ended 31 December 2018, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

Save as disclosed in note 33(c) to the consolidated financial statements of this annual report, relating to the disposal of subsidiaries, the Company did not have any other significant investment, acquisition and disposal for the year ended 31 December 2018.

On 23 October 2018, Shanghai Jinjie Furniture and Decorations Co., Ltd. (上海今杰家居用品有限公司), a wholly-owned subsidiary of the Company, succeeded in the public auction to acquire the land use rights of a piece of land in Lot No.08-08 located at North Hongqiao Community, Jiangqiao Town, Jiading District, Shanghai, the PRC (嘉定區江橋鎮北虹橋社區) east of Jinyuan Road No.1, west to the base boundary, south to Lisha River and base boundary and north to base boundary (東至金園一路，西至基地邊界，南至李沙河、基地邊界，北至基地邊界) with a total land area of 19,255.2 sq.m. for RMB311,930,000. The Land was provided for public auction by Shanghai Jiading Land Administration Bureau and the Auction Confirmation was issued by the Auction Centre on 23 October 2018. The Land Use Rights Grant Contract in relation to the acquisition of the land has been entered on 7 November 2018.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. LI Gabriel
Mr. SHENG Guang
Mr. WU Haifeng (resigned on 29/3/2019)
Mr. TANG Zhenjiang (appointed on 29/3/2019)

Independent Non-executive Directors

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

BIOGRAPHICAL DETAILS OF DIRECTORS

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SERVICE CONTRACTS OF DIRECTORS

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

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

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

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

MANAGEMENT CONTRACTS

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

INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

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

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

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(i) Interest in Shares of the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of the issued voting shares of the Company
Mr. Deng[1]	Interest in controlled corporation	315,937,140	26.11%
	Interest of spouse		
Mr. Gao Wei[2]	Interest in controlled corporation	28,639,970	2.37%
Mr. Tian Yuan[3]	Interest in controlled corporation	6,219,490	0.51%
Mr. Gabriel Li[4]	Interest of spouse	100,000,000	8.26%

Notes:

(1) Mr. Deng holds 100% equity interests of Qeeka Holding, which in turn directly holds 302,349,530 Shares. Accordingly, Mr. Deng is deemed to be interested in the 302,349,530 Shares held by Qeeka Holding. Mr. Deng is the spouse of Ms. Sun, and is deemed to be interested in the 13,587,610 Shares of Ms. Sun held through Sunjie Home, representing approximately 1.12% interest in the Company.

(2) Mr. Gao Wei holds 100% equity interests in Josephine Holding, which in turn directly holds 28,639,970 Shares. Accordingly, Mr. Gao Wei is deemed to be interested in the 28,639,970 Shares held by Josephine Holding.

(3) Mr. Tian Yuan holds 100% equity interests of Tianyuan Home, which in turn directly holds 6,219,490 Shares. Accordingly, Mr. Tian Yuan is deemed to be interested in the 6,219,490 Shares held by Tianyuan Home.

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

Save as disclosed above, as of 12 July 2018, none of the Directors and chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

(ii) Interest in associated corporations

Save as disclosed above, so far as the Directors are aware, as at 31 December 2018, none of the Directors or chief executive of the Company and their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2018, the following persons (other than the Directors and chief executive of the Company) had interest or short positions in the shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company:

Name of Shareholders	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding in the Company
Qeeka Holding[2]	Beneficial owner	302,349,530 (L)	24.99%
Mr. Deng[2]	Interest in a controlled corporation and interest of spouse	315,937,140 (L)	26.11%
Ms. Sun[3]	Interest in a controlled corporation and interest of spouse	315,937,140 (L)	26.11%
Baidu HK[4]	Beneficial owner	139,333,330 (L)	11.51%
Baidu Holdings Limited[4]	Interest in a controlled corporation	139,333,330 (L)	11.51%
Baidu, Inc.[4]	Interest in a controlled corporation	139,333,330 (L)	11.51%
Hua Yuan International[5]	Beneficial owner	101,912,750 (L)	8.42%
China-Singapore Suzhou Industrial Park Ventures Co., Ltd.[5]	Interest in a controlled corporation	101,912,750 (L)	8.42%
Suzhou Oriza Holdings Co., Ltd[5]	Interest in a controlled corporation	101,912,750 (L)	8.42%
Suzhou Industrial Park Economic Development Co., Ltd.[5]	Interest in a controlled corporation	101,912,750 (L)	8.42%

Name of Shareholders	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding in the Company
Suzhou Industrial Park State-owned Assets Holding Development Co., Ltd.[5]	Interest in a controlled corporation	101,912,750 (L)	8.42%
Suzhou Industrial Zone Management Committee[5]	Interest in a controlled corporation	101,912,750 (L)	8.42%
Orchid Asia[6]	Beneficial owner	100,000,000 (L)	8.26%
Orchid Asia VI, L.P.[6]	Interest in a controlled corporation	100,000,000 (L)	8.26%
Orchid Asia V Group Management, Limited[6]	Interested in a controlled corporation	100,000,000 (L)	8.26%
Orchid Asia V Group, Limited[6]	Interested in a controlled corporation	100,000,000 (L)	8.26%
Areo Holdings Limited[6]	Interested in a controlled corporation	100,000,000 (L)	8.26%
OAVI Holdings, L.P.[6]	Interest in a controlled corporation	100,000,000 (L)	8.26%
Orchid Asia VI GP, Limited[6]	Interest in a controlled corporation	100,000,000 (L)	8.26%
Lam Lai Ming[6]	Interest in a controlled corporation	100,000,000 (L)	8.26%
Mr. Gabriel Li[6]	Interest of spouse	100,000,000 (L)	8.26%
SIP Oriza[7]	Beneficial owner	83,333,330 (L)	6.89%
SIP Oriza PE Fund Management Co., Ltd.[7]	Interest in a controlled corporation	83,333,330 (L)	6.89%
SIP Oriza Jingfeng Equity Investment Management Co., Ltd.[7]	Interest in a controlled corporation	83,333,330 (L)	6.89%
Suzhou Oriza Holdings Co., Ltd.[7]	Interest in a controlled corporation	83,333,330 (L)	6.89%
Yao Hua[7]	Interest in a controlled corporation	83,333,330 (L)	6.89%
Suzhou Industrial Park Economic Development Co., Ltd.[7]	Interest in a controlled corporation	83,333,330 (L)	6.89%
Suzhou Industrial Park State-owned Assets Holding Development Co., Ltd.[7]	Interest in a controlled corporation	83,333,330 (L)	6.89%
Suzhou Industrial Zone Management Committee[7]	Interest in a controlled corporation	83,333,330 (L)	6.89%

Notes:

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

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

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

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

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

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

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

DEBENTURE ISSUED

The Company has not issued any debentures during the year ended 31 December 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company did not enter into any equity-linked agreement during the year ended 31 December 2018.

PERMITTED INDEMNITY PROVISION

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

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

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE COMPANY

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

PRE-IPO SHARE OPTION SCHEME

In order to incentivize the Directors, senior management, connected persons and other grantees for their contribution to the Group and to attract and retain suitable personnel to the Group, two employee share option plans were approved and adopted by the Company in 2011 and 2016, respectively, which were formalised in 2018. During the year under the Pre-IPO Share Option Scheme, no share options was exercised or cancelled but there are 3,774,385 share options were lapsed. As at 31 December 2018, the total number of outstanding share options was 45,340,615 which represent approximately 3.7% of the total number of issued shares of the Company as at that date. A summary of the principal terms of the Pre-IPO Share Option Scheme is set out as below.

Administration

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

Eligible Participants

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

Exercise Price

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

Vesting Schedule

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

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

As at the Latest Practicable Date, options to subscribe for an aggregate of 44,749,893 Shares, representing approximately 3.7% of the issued share capital of the Company have been granted under the Pre-IPO Share Option Scheme.

Further details of the Pre-IPO Share Option Scheme are set out in the Prospectus and note 27 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

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

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

EMPLOYEES, REMUNERATION AND PENSION SCHEME

As at 31 December 2018, the Group had 1,279 full-time employees (2017: 1,265) in China. The Group remunerates the employees based on their performance, work experience and market rates. In addition, performance bonus is granted on a discretionary basis. Other employees benefits include provision fund, insurance and medical coverage. The Company has adopted the Pre-IPO Share Option Scheme, see the section headed "Share Option Scheme" for details.

Remuneration of the Directors is determined based on their roles and duties and with reference to the Company's remuneration policy and the prevailing market conditions. Details of remuneration of Directors and the five highest paid individuals of the Company for the year ended 31 December 2018 are set out in note 38 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

AUDITORS

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

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

CONTINUING CONNECTED TRANSACTIONS

Connected Person

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

Non-Exempt Continuing Connected Transactions – Contractual Arrangements

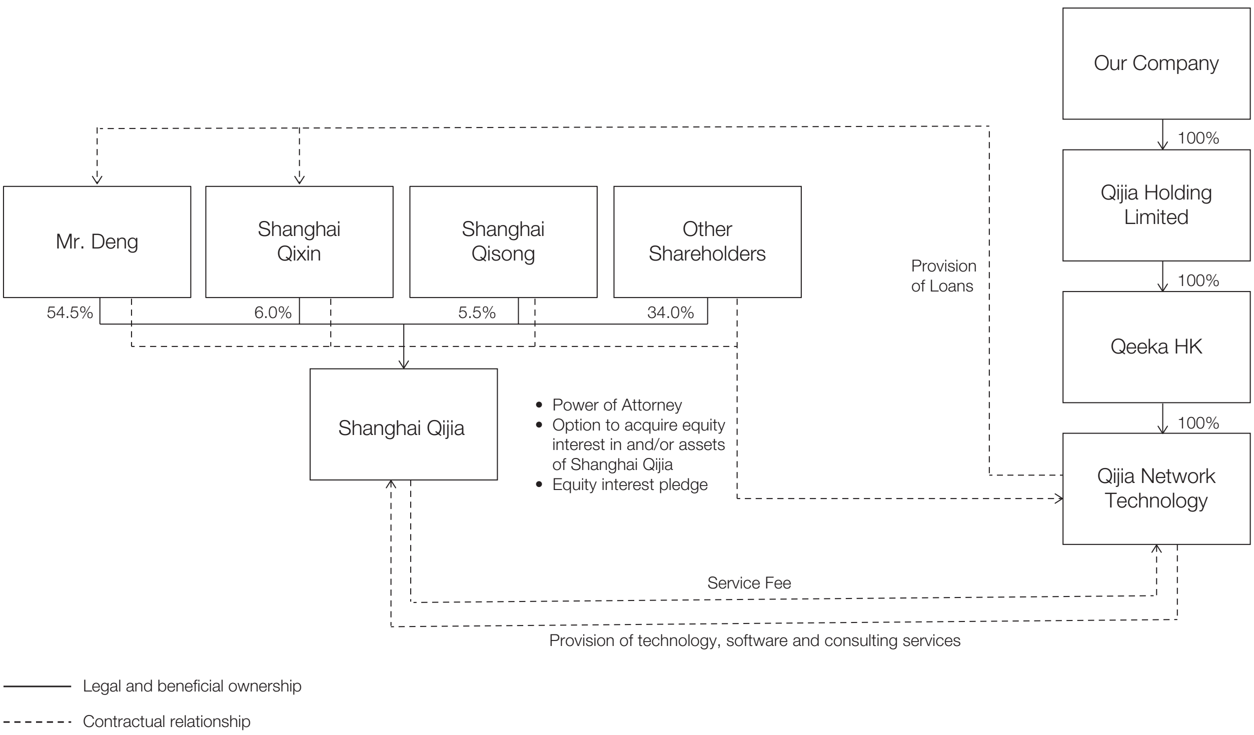
As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions for the Company during the Reporting Period. For further details, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions" of the Prospectus.

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

We do not hold any equity interests in Shanghai Qijia. Rather, through the Contractual Arrangements, we effectively control Shanghai Qijia and its subsidiary, Shanghai Qiyi, and are able to derive all of their economic benefits, and expect to continue to do so. The aggregate revenue and net assets value of the Shanghai Qijia and its subsidiary, Shanghai Qiyi that are subject to the Contractual Arrangements amounted to approximately RMB299.4 million for the year ended 31 December 2018 and approximately RMB78.3 million as at 31 December 2018 respectively.

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

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



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

Exclusive Technological Services Agreement

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

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

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

Exclusive Option Agreement

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

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

Equity Pledge Agreements

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

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

Powers of Attorney

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

Loans Agreement

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

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

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

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

Reasons for adopting the Contractual Arrangements

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

The Directors (including the independent non-executive Directors) confirmed that there is no change to the Contractual Arrangements, are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to the Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of the PRC Operating Entities and any member of the Group (the

"**New Intergroup Agreements**" and each of them, a "**New Intergroup Agreement**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that the Group is placed in a special position in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the reporting, annual review, announcement and the independent Shareholders' approval requirements. In view of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, and (ii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject to the conditions as set out in the Prospectus.

Risks Relating to the Contractual Arrangements

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

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

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

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

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

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

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

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

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

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

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

Listing Rules Implications and Waivers from the Stock Exchange

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SIGNIFICANT LEGAL PROCEEDINGS

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

TAX ALLOWANCES

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

SUBSEQUENT EVENTS

There were no material subsequent events during the period from 31 December 2018 to the approval date of these financial statements by the Board of Directors on 29 March 2019.

Report of the Directors

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has allocated system and staff resources to ensure ongoing compliance with rules and regulations and to maintain well relationships with regulators effectively through effective communications. During the year ended 31 December 2018, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of principal risks and uncertainties that the Group may be facing can be found in the sections headed "Report of Directors – Risks relating to the Contractual Arrangement" on page 73 of this annual report.

RELATIONSHIP WITH STAKEHOLDERS

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

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

For details of the Group's relationship with stakeholders, please refer to the annual environmental, social and governance report of the Group, which is set out in the "Environmental, Social and Governance Report" on pages 41 to 55 of this annual report.

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

DENG Huajin
Chairman

Shanghai, the PRC
29 March 2019

Independent Auditors' Report

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

OPINION

What we have audited

The consolidated financial statements of Qeeka Home (Cayman) Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 199, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of the investments accounted for using the equity method Refer to Notes 4(a) and 16 relating to estimation of non-financing assets impairment and investments accounted for using the equity method respectively to the consolidated financial statements. The Group has significant investments accounted for using the equity method. As at 31 December 2018, the investments accounted for using the equity method amounted to RMB197,414,000. Investments accounted for using equity method are reviewed at each reporting date to determine whether there is any indication of impairment. The Group engaged an independent valuer to assist them on the impairment assessments of the investments with impairment indicator. In carrying out the impairment assessments, significant judgements and estimates were required by the Group management in estimating the recoverable amount of these investments based on value-in-use model and to determine the reasonableness of the assumptions used by the management of the associated companies in their respective cash flow projections such as the revenue growth rates, long-term growth rates and the discount rates.	Our procedures in relation to the impairment assessment of the investments accounted for using the equity method included: – We evaluated the external valuer's competence, capabilities and objectivity; – We understood, evaluated and validated the Group management's assessments on the reasonableness of the future cash flow projections prepared by the associated companies; – We involved our in-house valuation specialist to assess the appropriateness of valuation model adopted; – We tested the data inputs used in the impairment assessments to respective supporting evidence such as budgets prepared by the management of the associated companies and the Group's shareholding in respective associated companies; – We assessed the reasonableness of the key assumptions used in the cash flow projections prepared by the associated companies including revenue growth rates and long-term growth rates used by comparing them to historical results of the associates and market available economic and industry forecasts. We also involved our in-house valuation specialist in assessing the discount rates used in the assessments by making reference to relevant market data of capital of comparable companies; and

KEY AUDIT MATTERS (continued)

Key Audit Matter

Based on the results of these impairment assessments conducted by the Group, impairment losses of RMB1,349,000 to the Group's investments accounted for using the equity method for the year ended 31 December 2018.

The model adopted, inputs and assumptions used involved significant management judgements and estimations, which could give a material impact to the outcome. We therefore focused on this area.

How our audit addressed the Key Audit Matter

– We reviewed the sensitivity analyses performed by the independent valuer on the key assumptions to ascertain that the selected adverse changes of key assumptions would not cause the carrying amounts of the investments to exceed the recoverable amounts.

Based on the procedures performed, we found the valuation model adopted and the assumptions used by management in relation to these impairment assessments to be supportable by the available evidence we obtained.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Lam Siu Wing, Benny.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Continuing operations			
Revenue	5	**645,704**	479,055
Cost of sales	6	**(264,146)**	(239,225)
Gross profit		**381,558**	239,830
Selling and marketing expenses	6	**(303,216)**	(237,984)
Administrative expenses	6	**(105,422)**	(94,014)
Research and development expenses	6	**(37,058)**	(37,497)
Net impairment losses on financial assets	6	**(242)**	–
Other gains – net	8	**12,317**	21,153
Operating loss		**(52,063)**	(108,512)
Finance income	9	**59,115**	10,265
Share of profit of investments accounted for using the equity method	16	**2,007**	3,968
Fair value gains/(losses) of preferred shares and convertible liabilities	26	**699,247**	(742,974)
Profit/(loss) before income tax		**708,306**	(837,253)
Income tax credit/(expense)	10	**5,164**	(7,650)
Profit/(loss) from continuing operations		**713,470**	(844,903)
Profit/(loss) from discontinued operations	33	**31,987**	(10,622)
Profit/(loss) for the year		**745,457**	(855,525)
Profit/(loss) is attributable to:			
– Equity holders of the Company		**757,594**	(824,089)
– Non-controlling interests		**(12,137)**	(31,436)
		745,457	(855,525)
Earnings/(loss) per share for profit/(loss) from continuing operations and discontinued operations attributable to equity holders of the Company			
Basic earnings/(loss) per share (RMB)	11		
– Continuing operations		**0.92**	(1.99)
– Discontinued operations		**0.04**	(0.03)
– Total		**0.96**	(2.02)
Diluted earnings/(loss) per share (RMB)	11		
– Continuing operations		**0.01**	(1.99)
– Discontinued operations		**0.03**	(0.03)
– Total		**0.04**	(2.02)

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

Consolidated Statement of Comprehensive Income/(Loss)

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Profit/(loss) for the year		**745,457**	(855,525)
Other comprehensive income/(loss) for the year			
Items that may be reclassified to profit or loss:			
Changes in the fair value of available-for-sale financial assets		–	878
Share of other comprehensive loss of investments accounted for using the equity method	16	**(1,074)**	(337)
Exchange difference on translation of foreign operations	25	**27,367**	54,426
		26,293	54,967
Items that will not be reclassified to profit or loss:			
Changes in the fair value of equity investments at fair value through other comprehensive income		**(9,717)**	–
Effects of changes in credit risk for liabilities designated at fair value through profit or loss		**(947)**	–
		(10,664)	–
Other comprehensive income for the year, net of tax		**15,629**	54,967
Total comprehensive income/(loss) for the year		**761,086**	(800,558)
Total comprehensive income/(loss) for the year is attributable to:			
Equity holders of the Company		**773,223**	(769,122)
Non-controlling interests		**(12,137)**	(31,436)
		761,086	(800,558)
Total comprehensive income/(loss) for the year attributable to the equity holders of the Company arises from:			
Continuing operations		**741,236**	(758,500)
Discontinued operations	33	**31,987**	(10,622)
		773,223	(769,122)

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

Consolidated Balance Sheet

As at 31 December 2018

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**17,572**	22,954
Intangible assets	13	**9,156**	8,218
Goodwill	14	**7,796**	7,796
Deferred tax assets	15	**13,147**	9,058
Investments accounted for using the equity method	16	**196,065**	198,784
Financial assets at fair value through other comprehensive income ("FVOCI")	17	**41,919**	–
Available-for-sale financial assets	17	**–**	49,636
Prepayment for land use rights	18	**311,930**	–
Total non-current assets		**597,585**	296,446
Current assets			
Inventories	19	**25,576**	12,768
Trade and other receivables and advances to suppliers	21	**91,745**	64,133
Amounts due from related parties	34	**1,643**	325,315
Amounts due from directors	34	**–**	5,697
Financial assets at fair value through profit or loss	22	**70,000**	–
Term deposits	23	**333,552**	–
Cash and cash equivalents	23	**779,779**	474,617
		1,302,295	882,530
Assets classified as held for sale	33	**–**	41,026
Total current assets		**1,302,295**	923,556
Total assets		**1,899,880**	1,220,002
EQUITY/(DEFICITS)			
Share capital	24	**805**	25
Share premium	24	**2,378,009**	15,616
Other reserves	25	**(204,962)**	144,851
Accumulated losses		**(820,392)**	(1,627,457)
Equity/(deficits) attributable to equity holders of the Company		**1,353,460**	(1,466,965)
Non-controlling interests		**(32,783)**	(24,565)
Total equity/(deficits)		**1,320,677**	(1,491,530)

Consolidated Balance Sheet (continued)

As at 31 December 2018

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	15	889	1,047
Preferred shares	26	–	1,593,615
Total non-current liabilities		889	1,594,662
Current liabilities			
Prepayments from customers, trade and other payables	29	425,899	498,656
Contract liabilities	29	110,255	–
Amounts due to related parties	34	69	310,090
Convertible liabilities	26	–	147,897
Current tax liabilities		39,971	43,260
Deferred revenue	30	2,120	3,720
		578,314	1,003,623
Liabilities directly associated with assets classified as held for sale	33	–	113,247
Total current liabilities		578,314	1,116,870
Total liabilities		579,203	2,711,532
Total equity and liabilities		1,899,880	1,220,002

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

The consolidated financial statements on pages 82 to 199 were approved by the Board of Directors on 29 March 2019 and were signed on its behalf.

Deng Huajin
Director

Tian Yuan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

		Attributable to the equity holders of the Company					
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017		25	15,616	85,036	(802,587)	552	(701,358)
Loss for the year		–	–	–	(824,089)	(31,436)	(855,525)
Other comprehensive income		–	–	54,967	–	–	54,967
Total comprehensive income/(loss)		–	–	54,967	(824,089)	(31,436)	(800,558)
Transaction with owners:							
– Disposal of equity interest in a subsidiary without loss of control		–	–	216	–	(216)	–
– Acquisition of additional equity interest in a subsidiary		–	–	(197)	–	132	(65)
– Disposal of a subsidiary		–	–	–	–	(229)	(229)
– Pre-IPO share option plan	26	–	–	4,048	–	–	4,048
– Capital contribution from non-controlling interests		–	–	–	–	6,632	6,632
– Profit appropriations to statutory reserves	24(b)	–	–	781	(781)	–	–
At 31 December 2017		25	15,616	144,851	(1,627,457)	(24,565)	(1,491,530)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

		Attributable to the equity holders of the Company					
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018		25	15,616	144,851	(1,627,457)	(24,565)	(1,491,530)
Changes on initial application of IFRS 9	2.2	–	–	(50,227)	49,471	–	(756)
Restated balance at 1 January 2018		25	15,616	94,624	(1,577,986)	(24,565)	(1,492,286)
Profit for the year		–	–	–	757,594	(12,137)	745,457
Other comprehensive income		–	–	15,629	–	–	15,629
Total comprehensive income		–	–	15,629	757,594	(12,137)	761,086
Transaction with owners:							
– Issuance of Series C preferred shares	26	–	–	59,285	–	–	59,285
– Conversion of convertible liabilities to Series A preferred shares	26	–	–	161,859	–	–	161,859
– Conversion of preferred shares to ordinary shares	24(b),26	37	1,416,270	(541,033)	–	–	875,274
– Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	24(c)	162	946,704	–	–	–	946,866
– Capitalisation Issue	24(d)	581	(581)	–	–	–	–
– Acquisition of additional equity interest in a subsidiary		–	–	(299)	–	(302)	(601)
– Pre-IPO share option plan	27	–	–	4,973	–	–	4,973
– Capital contribution from non-controlling interests		–	–	–	–	2,005	2,005
– Disposal of subsidiaries	33(b)	–	–	–	–	2,216	2,216
At 31 December 2018		805	2,378,009	(204,962)	(820,392)	(32,783)	1,320,677

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	31(a)	52,482	(113,629)
Interest received		9,442	5,833
Income tax paid		(3,574)	(11,480)
Net cash generated from/(used in) operating activities		58,350	(119,276)
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,236)	(17,783)
Purchase of intangible assets	13	(3,571)	(555)
Prepayment for land use rights	18	(311,930)	–
Proceeds from disposal of property, plant and equipment	31(b)	756	1,689
Investment in term deposits	23	(333,552)	–
Dividends received from investments accounted for using the equity method	16	2,303	2,303
Increase in investments measured at FVOCI	17	(2,000)	–
Loans to a related party	34(b)	5,697	(49)
Increase in investments in financial assets at fair value through profit or loss	22	(70,000)	–
Repayments of loans from related parties	34(b)	–	3,381
Proceeds from disposal of an associate		–	1,209
Interest received from fixed deposits and bank wealth management products		12,024	–
Disposal of subsidiaries, net of cash disposed	33(c)	(92,435)	440
Net cash used in investing activities		(799,944)	(9,365)
Cash flows from financing activities			
Cash received from capital contributions in subsidiaries from non-controlling interests		2,005	6,632
Proceeds from issuance of Series C preferred shares	26	63,095	–
Proceeds from issuance of ordinary shares relating to the initial public offering, net off listing expenses	24(d)	949,793	–
Net cash inflow from settlement of receivables and payables with SIP Oriza PE Fund Management Co., Ltd. and SIP Oriza Qijia PE Enterprise (Limited Partnership)	34(b)	4,400	–
Cash paid for acquisition of additional equity interest in a subsidiary		–	(65)
Net cash generated from financing activities		1,019,293	6,567
Net increase/(decrease) in cash and cash equivalents		277,699	(122,074)
Effect on exchange rate difference		21,443	(9,317)
Cash and cash equivalents at beginning of the year	23	480,637	612,028
Cash and cash equivalents at end of the year	23	779,779	480,637

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

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

The Company (formerly named as "China Home (Cayman) Inc.") was incorporated in the Cayman Islands on 20 November 2014 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Sertus Chambers P.O. BOX 2547, Cassia Court, Camana Bay, Grand Cayman, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the "Group") are principally engaged in (i) the provision of an online marketplace for building materials sellers and decoration service providers, provision of order recommendation services, provision of advertising and promotion services, licensing its brand to business partners, provision of building material supply chain service and others ("Online Platform Business"); (ii) the provision of interior design and construction service ("Self-operated Interior Design and Construction Business"); (iii) operating and managing building materials shopping mall ("Discontinued Business") (collectively, the "Listing Business"). Mr. Deng Huajin (鄧華金, "Mr. Deng") is the ultimate controlling shareholder of the Company. From October 2010 to March 2018, nine individual senior management shareholders (the "Senior Management Shareholders") agreed to follow Mr. Deng's decision when exercising voting rights. Subsequently in April 2018, the Senior Management Shareholders decided to act at his/her own discretion when exercising shareholder's rights going forward.

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

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

1.2 History and reorganisation of the Group

Prior to the incorporation of the Company and the completion of the reorganisation ("Reorganisation") as discussed below, the principal business was operated by Shanghai Qijia Information Technology Co., Ltd. (上海齊家網信息科技股份有限公司, "Shanghai Qijia") and its subsidiaries in the People's Republic of China (the "PRC").

Mr. Deng and the Senior Management Shareholders, Cowin Venture Capital Co., Ltd. (凱風創業投資有限公司, "Cowin Venture"), Suzhou Kaifeng Jinqu Venture Capital Co., Ltd. (蘇州凱風進取創業投資有限公司, "Suzhou Kaifeng "), GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司, "GF Xinde"), Beijing CDH Weixin Venture Investment Center L.P. (北京鼎暉維鑫創業投資中心(有限合夥), "CDH Weixin"), Beijing Dinghui Weisen Venture Investment Centre (Limited Partnership) (北京鼎暉維森創業投資中心(有限合夥), "CDH Weisen"), Suzhou Kunrong Venture Capital Co., Ltd. (蘇州坤融創業投資有限公司, "Suzhou Kunrong") and Beijing Baidu Netcom Science Technology Co., Ltd. (北京百度網訊科技有限公司, "Beijing Baidu") (collectively referred to as the "Series A Investors") were the then equity holders of Shanghai Qijia.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (continued)

1.2 History and reorganisation of the Group (continued)

In preparation for the Listing, the Group underwent the Reorganisation to establish the Company as the ultimate holding company of the Listing Business which principally involved the following:

(i) On 20 November 2014, the Company was incorporated in the Cayman Islands with an authorised share capital of US$50,000, consisting of 500,000,000 shares of US$0.0001 each. On the date of incorporation, 1,000,000 ordinary shares with par value of US$0.0001 each were allotted and issued to Qeeka Holding Limited.

(ii) On 20 November 2014, Qijia Holding Limited was incorporated in the British Virgin Islands with an authorised share capital of US$50,000, consisting of 50,000 shares of US$1.0 each. 50,000 shares were allotted and issued to the Company on the same date.

(iii) On 9 December 2014, Jia (Hong Kong) Limited was incorporated in Hong Kong with an authorised share capital of HK$10,000, consisting of 10,000 shares of HK$1.0 each. 10,000 shares were allotted and issued to Qijia Holding Limited on the date of incorporation.

(iv) Qijia (Shanghai) Network Technology Co., Ltd. (齊家網(上海)網絡科技有限公司, "Qijia WFOE") was incorporated as a wholly foreign-owned enterprise in the PRC on 16 April 2015 with limited liability with an initial registered capital of US$20,000,000. Qijia Network was wholly owned by Jia (Hong Kong) Limited.

(v) On 30 April 2015, Qijia WFOE entered into a series of contractual arrangements (collectively, the "Old Contractual Arrangements") with Shanghai Qijia and its then equity holders. Pursuant to the Old Contractual Arrangements, Qijia WFOE is able to effectively control, recognise and receive substantially all the economic benefit of the business and operations of Shanghai Qijia. As a result, Shanghai Qijia is accounted for as a controlled structured entity of the Company and consolidated by the Company.

(vi) In April 2015, Series A Investors pledged all their equity interests in Shanghai Qijia to Qijia WFOE and also transferred all shareholders' rights over Shanghai Qijia to Qijia WFOE. In exchange, the Company issued 32,730,531 Series A preferred shares to the offshore shell companies established by the Series A Investors except for CDH Weixin and CDH Weisen. CDH Weixin and CDH Weisen entered into the Old Contractual Arrangements with Shanghai Qijia as well as a consent letter with Qijia WFOE, under which, their economic interests in Shanghai Qijia will be assumed by Qijia WFOE and the Company undertook to issue Series A preferred shares to CDH Weixin and CDH Weisen on the condition that CDH Weixin and CDH Weisen complete the necessary administrative procedures for the offshore investment. The arrangement was accounted for as convertible liabilities. Details please refer to Note 26.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (continued)

1.2 History and reorganisation of the Group (continued)

(vii) In April 2015, Mr Deng and the Senior Management Shareholders pledged all their equity interests in Shanghai Qijia to Qijia WFOE and also transferred all shareholders' rights over Shanghai Qijia to Qijia WFOE in exchange for 42,344,184 Class B ordinary shares of the Company. Mr. Deng held the equity interests of the Senior Management Shareholders on trust for each of them.

Upon the completion of the Reorganisation, the Company became the ultimate holding company of the companies now comprising the Group. In preparation for the listing in Hong Kong and in order to streamline the corporate structure, the Company underwent a restructuring (the "Restructuring").

(i) In order to narrowly tailor the corporate structure under the Old Contractual Arrangements, the Group undertook a series of transactions to move certain PRC subsidiaries under the control of Shanghai Qijia to Shanghai Qiyu Information Technology Co., Ltd. (上海齊煜信息科技有限公司, "Shanghai Qiyu"). Upon completion of all these transactions, Shanghai Qiyu became the parent companies of all these PRC subsidiaries.

(ii) On 26 February 2018, Qijia WFOE, Shanghai Qijia and its then equity holders entered into a series of revised contractual arrangements (the "Revised Contractual Arrangements") which replaced the Old Contractual Arrangement. Further details of the Revised Contractual Arrangements are set out in Note 2.3.1(a) below.

(iii) The Group operated three types of business (Note 1.1) through Shanghai Qijia and its PRC subsidiaries. Considering the difference in nature of the Discontinued Business, and pursuant to a board resolution in December 2017 and a sale and purchase agreement, the Group decided to dispose the Discontinued Business to Mr. Deng. The transaction was completed in March 2018.

(iv) In March 2018, Cachet Multi Strategy Fund SPC ("Cachet Special"), 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. The Company also issued 1,134,014 Series C preferred shares to Cachet Special at a consideration of USD10,000,000 (equivalent to RMB63,095,000).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) Compliance with IFRSs and HKCO

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

(ii) Historical cost convention

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

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

Except as described in Note 2.2, the adoption of these new standards, amendments and interpretations listed above were not significant on the consolidated financial statements.

(iv) New standards and interpretations not yet adopted

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

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendment to IFRS 3	Definition of a Business	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation. Except as described below, the Group considers that the application of amendments to IFRSs, amendments to IASs and the new interpretations is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in the future.

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

IFRS 16

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

The Group is a lessee of various offices, which are currently classified as operating leases. The Group's current accounting policy for such leases under which operating lease payment is accounted for in the consolidated statement of comprehensive income when incurred and the Group's future operating lease commitments are not reflected in the consolidated balance sheet but are disclosed in Note 21. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

IFRS 16 (continued)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies

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

(a) *Impact on the consolidated financial statements*

As a result of the changes in the Group's accounting policies, prior year financial statements had to be restated. As explained in Note 2.2(b) and Note 2.2(c) below, IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

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

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

The adoption of IFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in Note 2.14 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 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 (Note 3.1.2)	(ii)	(34)
Increase in provision for other receivables (Note 3.1.2)		(722)
Opening accumulated losses 1 January 2018 – IFRS 9		**(1,577,986)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

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

(i) *Classification and measurement (continued)*

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

	Note	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 (Note 17).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

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

(i) Classification and measurement (continued)

(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 3.12 below.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

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

(ii) Impairment of financial assets (continued)

Trade receivables

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

Other financial assets at amortised cost (other receivables)

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

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

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

	Trade receivables 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)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

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

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

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Subsidiaries controlled through Contractual Arrangements

As described in Note 1.2, the wholly-owned subsidiary of the Company, Qijia WFOE, has entered into Contractual Arrangements, including Cooperation Agreement, Purchase Option Agreement, Equity Interest Pledge Agreement, Shareholders' Voting Rights Agreement and Irrevocable Powers of Attorney, with Shanghai Qijia and its equity holders, which enable Qijia WFOE and the Group to:

- govern the financial and operating policies of Shanghai Qijia;
- exercise equity holders' voting rights of Shanghai Qijia;
- receive substantially all of the economic interest returns generated by Shanghai Qijia in consideration for the technology consulting and services provided by Qijia WFOE;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) Subsidiaries controlled through Contractual Arrangements (continued)

- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Shanghai Qijia from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Qijia WFOE may exercise such options at any time until it has acquired all equity interests of Shanghai Qijia; and

- obtain a pledge over the entire equity interests of Shanghai Qijia from its respective equity holders as collateral security for all of Shanghai Qijia's payments due to Qijia WFOE and to secure performance of Shanghai Qijia's obligation under either the Old Contractual Arrangements or the Revised Contractual Arrangements.

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

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

(b) Business combination

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(b) Business combination (continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in consolidated income statements or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

2.3.2 Separate financial statements

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

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

2.4 Associates

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

2.5 Equity method

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Changes in ownership interests

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

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

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

2.7 Segment reporting

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

2.8 Foreign currency translation

2.8.1 Functional and presentation currency

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Foreign currency translation (continued)

2.8.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement within "other gains – net".

2.8.3 Group companies

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

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

(b) income and expenses for each income statements are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

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

2.9 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Property, plant and equipment (continued)

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

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

2.10 Intangible assets

2.10.1 Goodwill

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets (continued)

2.10.2 *Trademarks and licenses*

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

2.10.3 *Domain names*

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

2.10.4 *Software*

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

2.10.5 *Amortisation methods and periods*

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

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

2.11 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of non-financial assets

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

2.13 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business, is part of a single co-ordinated plan to dispose of such a line of business. The results of discontinued operation are presented separately in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Investments and other financial assets

2.14.1 *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.

2.14.2 *Recognition and derecognition*

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

2.14.3 *Measurement*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Investments and other financial assets (continued)

2.14.3 Measurement (continued)

Debt instruments

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

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

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

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

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Investments and other financial assets (continued)

2.14.3 Measurement (continued)

Equity instruments (continued)

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

2.14.4 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.

2.14.5 Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017, the Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. See Note 20 for details about each type of financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Investments and other financial assets (continued)

2.14.5 Accounting policies applied until 31 December 2017 (continued)

Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change an adoption of IFRS 9, see description above.

Subsequent to the initial, recognition loans and receivables were subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for “financial assets at fair value through profit or loss” – in consolidated income statements within “other gains – net”,
- for “available-for-sale financial assets” – in other comprehensive income/(loss).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Investments and other financial assets (continued)

2.14.5 Accounting policies applied until 31 December 2017 (continued)

Subsequent measurement (continued)

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to consolidated income statements as gains and losses from investment securities.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in consolidated income statements as “other gains – net” when the Group’s right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the “other gains – net”. Interest on available-for-sale securities, and loans and receivables calculated using the effective interest method is recognised in the consolidated income statement as “finance income”.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Investments and other financial assets (continued)

2.14.5 Accounting policies applied until 31 December 2017 (continued)

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the consolidated income statement.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2.15 Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Inventories

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

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. Trade and other receivables are generally due for settlement within 90 days and therefore are all classified as current.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.18 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.19 Share capital

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Trade and other payables

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

2.21 Compound financial instruments

2.21.1 Series A preferred shares

Series A preferred shares issued by the Group that contain both the debt and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the discounted cash flow method was used to determine the total equity value of the Company and the equity allocation model was adopted to determine the fair value of the Series A preferred shares. The fair value assigned to the equity component, representing the conversion option for the holder to convert the Series A preferred shares into equity, is included in equity (preferred shares reserve).

In subsequent periods, the liability component of Series A preferred shares are carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in preferred shares reserve until the embedded option is exercised (in which case the balance stated in preferred shares reserve will be transferred to share premium).

Transaction costs that relate to the issue of the Series A preferred shares are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the Series A preferred shares using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Compound financial instruments (continued)

2.21.2 *Series B preferred shares*

Series B preferred shares issued by the Company are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Company or agreed by majority of the holders as detailed in Note 26.

The Group designated the Series B preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated income statement.

Subsequent to initial recognition, the Series B preferred shares are carried at fair value. 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 retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

The Series B preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2.21.3 *Series C preferred shares*

Series C preferred shares issued by the Group that contain the debt, redemption option and conversion option components. These components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. The Group designated the debt and redemption option component of Series C preferred shares as financial liabilities at fair value through profit or loss.

On initial recognition, the discounted cash flow method was used to determine the total equity value of the Company and the equity allocation model was adopted to determine the fair value of the Series C preferred shares. The fair value assigned to the equity component, representing the conversion option for the holder to convert the Series C preferred shares into equity, is included in equity (preferred shares reserve).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Compound financial instruments (continued)

2.21.3 Series C preferred shares (continued)

In subsequent periods, the liability components of Series C preferred shares are carried at fair value. 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 retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in preferred shares reserve until the embedded option is exercised (in which case the balance stated in preferred shares reserve will be transferred to share premium).

2.21.4 Convertible liabilities

As mentioned in Note 1.2, one of the Series A Investors did not complete the necessary administrative procedures to subscribe for the Series A preferred shares to be issued by the Company although it has entered into the Old Contractual Arrangement with Qijia WFOE, Shanghai Qijia and its then equity holders. Such right to subscribe for the Series A Preferred Shares is accounted for as convertible liabilities and classified as current liability.

2.22 Current and deferred income tax

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

2.22.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Current and deferred income tax (continued)

2.22.2 Deferred income tax

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

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

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

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

2.23 Employee benefits

2.23.1 Pension obligations

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 *Employee benefits* (continued)

2.23.2 *Housing funds, medical insurances and other social insurances*

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

2.23.3 *Short-term obligations*

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

2.23.4 *Employee leave entitlement*

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

2.23.5 *Bonus plan*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 *Employee benefits* (continued)

2.23.6 *Share-based compensation benefits of the Group*

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

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Provisions

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

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

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

2.25 Revenue recognition

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Revenue recognition (continued)

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Revenue recognition (continued)

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

(a) *Order recommendation services*

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

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

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

(b) *Licence fee*

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

(c) *Storefront fees*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Revenue recognition (continued)

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

(d) Inspection service

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

(e) Sales of building materials

Sales of building materials is categorised under Online Platform Business because the traffic is attracted from the Group's platform. Sales of building materials are recognised when the customers have accepted the products. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(f) Self-operated interior design and construction services

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

(g) Offline service centre and home events service revenue

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Revenue recognition (continued)

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

(h) Fund management fees

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

2.25.2 Practical expedients and exemptions

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

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

2.26 Interest income

2.26.1 Accounting policies applied since 1 January 2018

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

2.26.2 Accounting policies applied until 31 December 2017

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Note 30 provides further information on how the Group accounts for government grants.

2.28 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated income statements on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2.29 Earnings/(loss) per share

(i) Basic earnings/(loss) per share

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

(ii) Diluted earnings/(loss) per share

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

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

2.30 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3.1.1 Market risk

(a) Foreign exchange risk

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

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

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for trade and other receivables, term deposits and cash and cash equivalents, details of which have been disclosed in Notes 21 and Note 23, respectively.

The preferred shares and convertible liabilities issued to the investors of the Group expose the Group to fair value interest rate risk before conversion into ordinary shares. Please refer to Note 26 for the fair value of these investments.

3.1.2 Credit risk

Risk Management

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

Risk Management (continued)

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

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

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

Impairment

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") of PRC to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

Impairment (continued)

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

	31 December 2018		
	Gross carrying amount RMB'000	Expected loss rate	Loss allowance RMB'000
Current	6,073	0.56%	34

	1 January 2018		
	Gross carrying amount RMB'000	Expected loss rate	Loss allowance RMB'000
Current	5,445	0.62%	34

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

Impairment (continued)

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

	Performing 12-month ECL RMB'000	Non-performing Lifetime ECL RMB'000	Total RMB'000
Loss allowance as at 31 December 2017	–	(11,750)	(11,750)
Amounts restated through accumulated losses	(722)	–	(722)
Opening loss allowance as at 1 January 2018	(722)	(11,750)	(12,472)
New other receivables originated	(242)	–	(242)
Write-off	18	–	18
Disposal of subsidiaries	3	–	3
Loss allowance as at 31 December 2018	(943)	(11,750)	(12,693)

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

	31 December 2018 RMB'000
Performing	40,994
Non-performing	11,750
Total gross other receivables	52,744
Less: loss allowance	(12,693)
Total net other receivables	40,051

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 5 years past due.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

Impairment (continued)

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

Cash and cash equivalents, fixed deposits, amounts due from related parties are also subject to the impairment requirements of IFRS9, the identified impairment loss was immaterial.

Previous accounting policy for impairment of trade and other receivables

In the prior year, the impairment of trade and other receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectable were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

3.1.3 Liquidity risk

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk (continued)

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

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
As at 31 December 2018				
Financial liabilities included in prepayments from customers, trade and other payables	–	330,440	–	330,440
Amounts due to related parties	–	69	–	69
	–	330,509	–	330,509
As at 31 December 2017				
Financial liabilities included in prepayments from customers, trade and other payables	–	261,533	–	261,533
Amounts due to related parties	–	310,090	–	310,090
	–	571,623	–	571,623

3.2 Capital management

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

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

The Group monitors capital (including share capital, share premium and preferred shares on an as-if-converted basis before conversion into ordinary shares) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

Fair value hierarchy

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2018				
Assets:				
– Financial assets at FVPL	–	–	70,000	70,000
– Financial assets at FVOCI	–	–	41,919	41,919
	–	–	111,919	111,919
As at 31 December 2017				
Assets:				
– Available-for-sale financial Assets	–	–	49,636	49,636
Liabilities:				
– Series B preferred shares	–	–	1,568,099	1,568,099
– Convertible liabilities	–	–	147,897	147,897
	–	–	1,715,996	1,715,996

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Fair value hierarchy (continued)

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

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques during the year ended 31 December 2018 and 31 December 2017.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2018 (2017: nil).

The changes in level 3 instruments for the year ended 31 December 2018 in Note 17 and Note 22 respectively.

The fair value of trade and other receivables, amounts due from related parties, amounts due from directors, fixed deposits, and cash and cash equivalents were approximated to their carrying amounts.

4 CRITICAL ESTIMATES AND JUDGEMENTS

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

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

4 CRITICAL ESTIMATES AND JUDGEMENTS (continued)

(a) Estimation of non-financial assets impairment

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

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

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

Investments accounted for using the equity method

In respect of the Group's investments accounted for using the equity method, the Group tested them for impairment by estimated the value-in-use of these investments as at 31 December 2018 if any impairment indicator noted. The key assumptions adopted in the test were revenue growth rates, long-term growth rates and discount rates from 11.8% to 17.0%. Based on the result of the test, impairment losses of RMB1,349,000 was recognised as at 31 December 2018. Assuming revenue growth rates and long-term growth rate decreased by 5.0% or the discount rates increased by 3.0%, the value-in-use calculated for each of these investments would not result in a material loss to the Group.

(b) Fair value of Series B preferred shares, liability component of Series C preferred shares and convertible liabilities

The Series B preferred shares and convertible liabilities issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of the Company and the equity allocation model was adopted to determine the fair value of the Series B preferred shares and convertible liabilities. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 26.

5 SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

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

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

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

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

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

5 SEGMENT INFORMATION (continued)

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

5 SEGMENT INFORMATION (continued)

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

5 SEGMENT INFORMATION (continued)

(a) Revenue

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

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

(b) Revenue by geographical markets

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

(c) Information about major customers

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

(d) Liabilities related to contracts with customer

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

6 EXPENSES BY NATURE

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Advertising and promotion expenses	161,120	106,773
Cost of inventories sold (Note 19)	154,784	148,136
Employee benefit expenses (Note 7)	151,741	178,874
Outsourced labour costs	112,876	81,983
Listing expenses	40,282	9,403
Operating lease expenses	18,343	20,142
Travelling, entertainment and communication expenses	13,953	10,647
Depreciation of property, plant and equipment (Note 12)	10,308	11,103
Taxes and levies	4,256	4,158
Auditors' remuneration		
– Audit service	3,700	230
– Non audit service	120	–
Bank charges and point-of-sale device processing fees	3,343	4,214
Amortisation of intangible assets (Note 13)	2,633	2,075
Technology development expenses	2,176	802
Utilities and electricity expenses	1,480	1,164
Provision for impairment of trade and other receivables (Note 21)	242	372
Miscellaneous	28,727	28,644
	710,084	608,720

7 EMPLOYEE BENEFIT EXPENSE

Employee benefit expenses are analysed as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Salaries, wages and bonuses	123,231	136,966
Pension costs – defined contribution plan	14,962	24,212
Other social security costs, housing benefits and other employee benefits	8,787	14,489
Share-based compensation expenses	4,761	3,207
	151,741	178,874

8 OTHER GAINS – NET

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Government grants	9,252	10,785
Gains on disposal of subsidiaries (Note 33(b))	3,196	160
Net foreign exchange gains	668	–
Impairment loss on investments accounted for using the equity method	(1,349)	–
Net loss on disposal of property, plant and equipment	(229)	(253)
Dilution gain arising from a reduced equity interest in an associate (Note 16)	–	11,034
Loss on disposal of an associate	–	(852)
Others	779	279
	12,317	21,153

9 FINANCE INCOME – NET

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Interest income	37,704	5,658
Accretion charge related to preferred shares (Note 26)	21,411	4,607
	59,115	10,265

10 INCOME TAX EXPENSES

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

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

(i) Cayman Islands

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

(ii) British Virgin Islands

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

(iii) Hong Kong

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

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

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

10 INCOME TAX EXPENSES (continued)

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

Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprise, and accordingly, they were subject to a reduced preferential CIT rate of 15% for the year ended 31 December 2018 (2017: 15%) according to the applicable CIT Law.

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

(v) Withholding tax on undistributed profits

According to CIT law, distribution of profits earned by PRC companies since 1 January 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas – incorporated immediate holding companies. During the year ended 31 December 2018 (2017: nil), the Group has incurred net accumulated operating losses and does not have any profit distribution plan.

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Profit/(loss) from continuing operations before income tax expense	708,306	(837,253)
Profit/(loss) from discontinued operations before income tax expense	33,189	(10,622)
	741,495	(847,875)
Tax calculated at PRC statutory income tax rate of 25%	185,374	(211,969)
Tax effects of:		
Differential income tax rates applicable to certain entities comprising the Group	1,374	490
Income not subject to tax (a)	(154,683)	(2,578)
Non-deductible expenses (a)	3,818	203,780
Tax effect of preferential tax treatment	1,705	(6,575)
Research and development tax credit	(2,452)	(462)
Utilisation of previously unrecognised tax losses and other temporary differences	(57,164)	–
Unrecognised deferred income tax assets (b)	18,066	24,964
Income tax (credit)/expense	(3,962)	7,650

10 INCOME TAX EXPENSES (continued)

(v) **Withholding tax on undistributed profits** (continued)

(a) The income not subject to tax and non-deductible expenses mainly refers to the gain/(loss) from changes in fair value of the preferred shares and convertible liabilities.

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

(i) Tax losses carried forward

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Unused tax losses for which no deferred tax asset has been recognised	**249,637**	385,943
Unrecognised deferred tax assets relating to tax losses carried forward	**62,409**	67,614

(ii) Other temporary differences

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Temporary difference for which deferred tax assets have not been recognised:		
Advertising service fee exceeding the ceiling amount which can be carried forward	**434,787**	389,200
Accruals	**39,040**	83,943
Provision for impairment of investments accounted for using the equity method	**1,349**	
Provision for impairment of trade and other receivables	**12,695**	11,750
	487,871	484,893
Unrecognised deferred tax assets relating to the above temporary differences	**121,968**	97,611

The unused tax losses can be carried forward and will be expired in 5 years from 2019 to 2023.

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

The weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share for the years ended 31 December 2018 and 2017 has been retroactively adjusted for the capitalisation of the share premium account arose from the IPO of the Company (Note 24).

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

11 EARNINGS/(LOSS) PER SHARE (continued)

(b) Diluted earnings/(loss) per share

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

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

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

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

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

11 EARNINGS/(LOSS) PER SHARE (continued)

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

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

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Transportation equipment RMB'000	Office furniture and equipment RMB'000	Computer and electric equipment RMB'000	Display and exhibition equipment RMB'000	Construction in-progress RMB'000	Total RMB'000
As at 1 January 2017:							
Cost	81,603	5,770	3,325	15,152	15,716	812	122,378
Accumulated depreciation	(39,853)	(3,982)	(1,867)	(9,146)	(11,017)	–	(65,865)
Net book amount	41,750	1,788	1,458	6,006	4,699	812	56,513
Year ended 31 December 2017:							
Opening net book amount	41,750	1,788	1,458	6,006	4,699	812	56,513
Additions	5,360	281	819	1,262	4,207	1,612	13,541
Transfer upon completion	1,678	–	–	–	–	(1,678)	–
Disposals	–	(68)	(159)	(739)	(969)	–	(1,935)
Disposals of a subsidiary	(246)	–	(194)	–	–	(84)	(524)
Depreciation	(21,027)	(640)	(640)	(2,462)	(1,641)	–	(26,410)
Assets included in a disposal group classified as held for sale (Note 33)	(17,510)	(33)	(143)	(438)	(107)	–	(18,231)
Net book amount	10,005	1,328	1,141	3,629	6,189	662	22,954
As at 31 December 2017:							
Cost	47,668	3,929	2,908	11,856	17,367	662	84,390
Accumulated depreciation	(37,663)	(2,601)	(1,767)	(8,227)	(11,178)	–	(61,436)
Net book amount	10,005	1,328	1,141	3,629	6,189	662	22,954

12 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Cost of sales	**413**	926
Selling and marketing expenses	**2,604**	4,628
Administrative expenses	**6,235**	4,856
Research and development expenses	**1,056**	693
	10,308	11,103
Depreciation from discontinued operations	**2,745**	15,307
	13,053	26,410

13 INTANGIBLE ASSETS

	Trademarks and licenses RMB'000	Domain names RMB'000	Software RMB'000	Total RMB'000
As at 1 January 2017				
Cost	4,990	2,568	8,190	15,748
Accumulated amortisation	(802)	(1,306)	(3,902)	(6,010)
Net book amount	4,188	1,262	4,288	9,738
Year ended 31 December 2017				
Opening net book amount	4,188	1,262	4,288	9,738
Additions	–	–	555	555
Amortisation	(636)	(257)	(1,182)	(2,075)
Net book amount	3,552	1,005	3,661	8,218
As at 31 December 2017				
Cost	4,990	2,568	8,745	16,303
Accumulated amortisation	(1,438)	(1,563)	(5,084)	(8,085)
Net book amount	3,552	1,005	3,661	8,218
As at 1 January 2018				
Cost	**4,990**	**2,568**	**8,745**	**16,303**
Accumulated amortisation	**(1,438)**	**(1,563)**	**(5,084)**	**(8,085)**
Net book amount	**3,552**	**1,005**	**3,661**	**8,218**
Year ended 31 December 2018				
Opening net book amount	**3,552**	**1,005**	**3,661**	**8,218**
Additions	**2,300**	**–**	**1,271**	**3,571**
Amortisation	**(942)**	**(257)**	**(1,434)**	**(2,633)**
Net book amount	**4,910**	**748**	**3,498**	**9,156**
As at 31 December 2018				
Cost	**7,290**	**2,568**	**10,016**	**19,874**
Accumulated amortisation	**(2,380)**	**(1,820)**	**(6,518)**	**(10,718)**
Net book amount	**4,910**	**748**	**3,498**	**9,156**

13 INTANGIBLE ASSETS (continued)

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Administrative expenses	**1,437**	1,100
Research and development expenses	**1,196**	975
	2,633	2,075

The useful lives of trademarks and licenses, domain names and software are 5 to 10 years, 10 years and 5 to 10 years respectively. When determining the useful life, management has taken into the account the (i) estimated period that can bring economic benefits to the Group; (ii) the useful life estimated by the comparable companies in the market.

14 GOODWILL

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning and end of the year	**7,796**	7,796

The goodwill balance mainly arose from the acquisition of 69.89% equity interests in Fujian Brausen in August 2015 and from the step up acquisitions of 51% equity interests in Xiamen Brausen and 55% equity interests in Luoyuan Brausen from August 2015 to May 2016. Goodwill is attributable to the acquired market share and economies of scale expected to be derived from combining with the operations of the Group. Goodwill is allocated to the Group's CGUs identified according to operating segments. All the goodwill is allocated to self-operated interior design and construction services segment.

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

14 GOODWILL (continued)

The key assumptions used by management for value-in-use calculations include (i) average annual revenue growth rate, which is 10.0% for a five-year period, and (2) discount rate, which is 19.8%. The estimated growth rate used in the value-in-use calculations for period beyond the five-year period is 3.0%.

The revenue growth rates applied by the Group are consistent with those estimated by the industry reports, and do not exceed the long-term average growth rates of the industry the Company operates. Management estimates budgeted gross margin based on past experiences and forecasts of future market developments. The discount rate used by management is the pre-tax interest rate that is able to reflect the risks.

As of 31 December 2018 and 31 December 2017, the directors are of the view that there was no evidence of impairment of goodwill.

The Group has performed a sensitivity analysis on key assumptions used in management's 2018 annual impairment test of goodwill. As of 31 December 2018, the recoverable amount calculated based on value in use exceeded carrying value by RMB40,933,000. Had the discount rate been 1% percentage higher, the remaining headroom would be decreased to RMB39,194,000. A reasonably possible change in key assumptions used in the impairment test of goodwill would not cause the carrying amount to exceed its recoverable amount as of 31 December 2018.

15 DEFERRED INCOME TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences.

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheets:

	As at 31 December	
	2018 **RMB'000**	2017 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**10,055**	7,418
– to be recovered within 12 months	**3,092**	1,640
	13,147	9,058
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(730)**	(888)
– to be recovered within 12 months	**(159)**	(159)
	(889)	(1,047)

15 DEFERRED INCOME TAX (continued)

	Accruals RMB'000	Tax losses carried forward RMB'000	Advertising service fee exceeding the ceiling amount RMB'000	Cultural construction fee RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
As at 1 January 2017	1,078	–	3,187	280	(1,206)	3,339
Charged to consolidated income statements	562	–	3,633	318	159	4,672
As at 31 December 2017	1,640	–	6,820	598	(1,047)	8,011
As at 1 January 2018	**1,640**	**–**	**6,820**	**598**	**(1,047)**	**8,011**
Charged to consolidated income statements	**1,452**	**3,088**	**(530)**	**79**	**158**	**4,247**
As at 31 December 2018	**3,092**	**3,088**	**6,290**	**677**	**(889)**	**12,258**

Deferred income tax assets are recognised for deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 December 2018 and 2017, the Group did not recognise deferred income tax assets in respect of losses and deductible temporary differences of RMB172,355,000 and RMB165,225,000, respectively. These tax losses will expire from 2019 to 2023 (31 December 2017: from 2018 to 2022).

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Associates	**196,065**	198,784

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
At the beginning of the year	**198,784**	188,483
Share of profit of the associates	**2,007**	3,968
Dividend from associates	**(2,303)**	(2,303)
Share of other comprehensive income/(losses) of investments accounted for using the equity method	**(1,074)**	(337)
Dilution gain arising from a reduced equity interest in an associate (a)	**–**	11,034
Disposals	**–**	(2,061)
	197,414	198,784
Less: provision of impairment	**(1,349)**	–
	196,065	198,784

(a) The Group invested in Guangzhou Seagull Kitchen and Bath Products Co. Ltd. (廣州海鷗住宅工業股份有限公司, "Seagull") in 2015, a company listed in Shenzhen Stock Exchange. Since the Group appointed an director to the board of Seagull, which demonstrated the Group was able to exercise significant influence over the board, the investment was accounted for by using equity method. During the year ended 31 December 2017, the Group's equity interests in Seagull was diluted due to Seagull's private placement, the dilution gains of RMB11,034,000 were recorded as "other gains – net" in the consolidated income statement (Note 8).

Set out below are the associate of the Group as at 31 December 2018, which, in the opinion of the directors, are material to the Group. The associate as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name	Date of incorporation	Particulars of issued shares held (RMB'000)	Place of incorporation	Percentage of ownership interest attribute to the Group 31 December 2018	2017	Principal activities
Seagull	08 January 1998	506,393	Guangzhou, the PRC	**4.55%**	4.54%	Development, production and sales of high-grade plumbing equipment and hardware
Beijing Rayion Technology Co., Ltd. (北京鋭揚科技有限公司"Beijing Rayion")	10 October 2014	800	Beijing, the PRC	**25%**	25%	VR engine technology development and application

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

As at 31 December 2018, the quoted fair value of the equity interest the Group held in the A share listed company was RMB89,571,000.

(a) Although the percentage of the voting rights held by the Group is less than 20%, one of the directors of the board of Seagull is nominated by the Group; thereby the Group is able to exercise significant influence over Seagull, and accordingly it is accounted for as an associate.

Summarised financial information of the Group's associates

The tables below provide summarised financial information for the associates that are material to the Group.

	31 December	
Items	**2018 RMB'000**	2017 RMB'000
Assets	**2,902,775**	2,455,295
Liabilities	**1,127,837**	765,615
Revenue	**2,228,009**	2,073,753
Profit for the year	**36,211**	83,221

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of its interest in the material associates.

Items	**31 December 2018 RMB'000**
Net assets at the beginning of the year	**1,812,288**
Profit for the year	**36,211**
Other comprehensive loss	**(23,616)**
Dividends	**(50,639)**
Capital contribution from owners	**–**
Net assets at the end of the year	**1,774,244**
Net assets attributable to the Group	**83,139**
Goodwill	**102,908**
Adjustment	**(337)**
Carrying value	**185,710**

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Reconciliation of summarised financial information (continued)

As at 31 December 2018 and 2017, the aggregate carrying amount of interests in individually immaterial investments that are accounted for using the equity method was approximately RMB11,704,000 and RMB11,445,000, respectively.

There are no contingent liabilities relating to the Group's interest in the associates.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**49,636**	48,758
Additions	**2,000**	–
Changes in the fair value	**(9,717)**	878
At the end of the year	**41,919**	49,636

The FVOCI referred to the equity investments which were not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. As at 31 December 2018, FVOCI mainly represent the investment in Shanghai Qin Shui Jia Ding Investment LLP (上海欽水嘉丁投資合夥企業(有限合夥), "Qin Shui Jia Ding LLP") with a carrying amount of RMB39,800,000 (31 December 2017: RMB49,517,000).

In the prior financial year, the Group had designated these investments as available-for-sale where management intended to hold them for the medium to long term.

As all these investments are unlisted securities and are not traded in an active market, their fair value have been determined using various applicable valuation techniques, including discounted cash flows method and back solve method etc. Key assumptions used in the valuation include historical discount rate and volatility.

If the discount rate had decreased/increased by 1% and volatility had decreased/increased by 10% with all other variables held constant, the fair value of the FVOCI would have been increased/decreased by approximately RMB214,400 as of 31 December 2018 (31 December 2017: RMB50,000).

18 PREPAYMENT FOR LAND USE RIGHT

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Prepayment for land use right	**311,930**	–

On 23 October 2018, Shanghai Jinjie Furniture and Decorations Co., Ltd.("Shanghai Jinjie"), a wholly-owned subsidiary of the Company, entered into an agreement with Jiading Land Administration Authority to acquire a land use right at a purchase consideration of RMB311,930,000. As at 31 December 2018, Shanghai Jinjie has prepaid the consideration in full.

19 INVENTORIES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Raw materials	**3,286**	9,140
Work-in-progress	**19,149**	646
Finished goods	**3,141**	2,982
	25,576	12,768
Less: allowance for impairment of slow moving inventories	**–**	–
	25,576	12,768

For the year ended 31 December 2018, the cost of inventories recognised as expense and included in "cost of sales" amounted to RMB154,784,000 (2017: RMB148,136,000).

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Financial assets:		
Financial assets at amortised cost:		
– Trade and other receivables (Note 21)	46,090	30,628
– Amounts due from related parties (Note 34)	1,643	325,315
– Amounts due from directors (Note 34)	–	5,697
– Term deposits (Note 23)	333,552	–
– Cash and cash equivalents (Note 23)	779,779	474,617
Financial assets at fair value through profit or loss (Note 22)	70,000	–
FVOCI (Note 17)	41,919	–
Available-for-sale financial assets (Note 17)	–	49,636
	1,272,983	885,893
Financial liabilities:		
Financial liabilities at fair value through profit or loss:		
– Series B preferred shares (Note 26)	–	1,568,099
– Convertible liabilities (Note 26)	–	147,897
Financial liabilities at amortised cost:		
– Financial liabilities included in prepayments from customers, trade and other payables (Note 29)	330,440	261,533
– Amounts due to related parties (Note 34)	69	310,090
– Series A preferred shares (Note 26)	–	25,516
	330,509	2,313,135

21 TRADE AND OTHER RECEIVABLES AND ADVANCE TO SUPPLIERS

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

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

21 TRADE AND OTHER RECEIVABLES AND ADVANCE TO SUPPLIERS (continued)

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

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

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

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
At the beginning of the year	–	(1,378)
Changes on initial application of IFRS 9 (Note 2.2(b))	(34)	–
Restated balance at the beginning of the year	(34)	(1,378)
Provision for impairment	–	–
Provision classified as held for sale	–	1,378
At the end of the year	(34)	–

21 TRADE AND OTHER RECEIVABLES AND ADVANCE TO SUPPLIERS (continued)

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
At the beginning of the year	**(11,750)**	(15,165)
Changes on initial application of IFRS 9 (Note 2.2(b))	**(722)**	–
Restated balance at the beginning of the year	**(12,472)**	(15,165)
Provision for impairment	**(242)**	(334)
Write-off against uncollectable receivables	**18**	942
Disposal of a subsidiary	**3**	–
Provision classified as held for sale	**–**	2,807
At the end of the year	**(12,693)**	(11,750)

Note 3.1.2 sets out information about the impairment of trade and other receivables and the Group's exposure to credit risk. The Group did not hold any collateral as security.

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

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

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Bank wealth management products	**70,000**	–

On 5 December 2018, the Group invested RMB50,000,000 in structured deposit products issued by Ningbo Bank, which rate of return was linked to the US dollar and the Euro exchange rate.

On 5 December 2018, the Group invested RMB20,000,000 in cash management product issued by China Merchants Bank, which mainly invest in financial assets with higher credit rating and better liquidity in inter-bank market.

The fair value of the bank wealth management products are measured by the discounted cash flow model.

23 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Cash at bank	**1,113,201**	472,912
Cash on hand	**130**	1,705
	1,113,331	474,617
Less: term deposits with initial term of over three months	**(333,552)**	–
	779,779	474,617

Term deposits with initial terms of over three months were neither past due nor impaired. The directors of the Company considered that the carrying amount of the term deposits with initial terms of over three months approximated to their fair value as at 31 December 2018 (31 December 2017: nil).

23 CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents and term deposits are denominated in the following currencies:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
RMB	**274,956**	323,487
USD	**836,065**	151,130
HKD	**2,310**	–
	1,113,331	474,617

The effective interest rates of the term deposits of the Group for the year ended 31 December 2018 was 3.35% (2017: 3.75%).

Cash and cash equivalents include the following for the purposes of the consolidated statements of cash flows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Cash at bank	**779,649**	472,912
Cash on hand	**130**	1,705
	779,779	474,617
Classified to assets held for sale (Note 33)	**–**	6,020
	779,779	480,637

24 SHARE CAPITAL AND SHARE PREMIUM

	Ordinary shares				Preferred shares			
	Number of ordinary shares	Number of Class A ordinary shares	Number of Class B ordinary shares	Nominal value of ordinary shares US$'000	Number of Series A preferred shares	Number of Series B preferred shares	Number of Series C preferred shares	Nominal value of preferred shares US$'000
Authorised:								
As of 1 January 2017 and 31 December 2017	–	402,391,271	42,344,184	45	32,730,531	22,534,014	–	5
Reclassification and re-designation on issuance of Series A and Series C preferred shares (Note 26)	–	(1,134,014)	–	–	–	–	1,134,014	–
Re-designation of the Company's ordinary shares (a)	443,601,441	(401,257,257)	(42,344,184)	–	–	–	–	–
Re-designation and reclassification upon conversion of preferred shares into ordinary shares (b)	56,398,559	–	–	5	(32,730,531)	(22,534,014)	(1,134,014)	(5)
Capitalisation Issue for outstanding ordinary shares (c)	871,284,681	–	–	87	–	–	–	–
Increase of authorised ordinary shares	628,715,319	–	–	63	–	–	–	–
As of 31 December 2018	2,000,000,000	–	–	200	–	–	–	–

	Number of ordinary shares	Number of Class A ordinary shares	Number of Class B ordinary shares	Nominal value of ordinary shares US$'000	Equivalent Nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:						
As of 1 January 2017 and 31 December 2017	–	–	41,510,851	4	25	15,616
Re-designation of the Company's ordinary shares (a)	41,510,851	–	(41,510,851)	–	–	–
Conversion of preferred shares into ordinary shares (b)	55,298,558	–	–	6	37	1,416,270
Capitalisation Issue for outstanding ordinary shares (c)	871,284,681	–	–	87	581	(581)
Issuance of ordinary shares upon IPO (d)	242,180,000	–	–	24	162	946,704
As of 31 December 2018	1,210,274,090	–	–	121	805	2,378,009

24 SHARE CAPITAL AND SHARE PREMIUM (continued)

(a) The Company was incorporated on 20 November 2014. Upon incorporation, the authorised share capital of the Company is US$50,000 divided into 500,000,000 ordinary shares at a par value of US$0.0001 per share. As at 1 January 2015, 1,000,000 ordinary shares were in issue at a par value of US$0.0001 per share. On 30 April 2015, the Company underwent a Reorganisation, pursuant to which, all the shareholders of Shanghai Qijia, except for CDH entities, became shareholders of the Company through holding Class B ordinary shares and Preferred A shares (Note 26). On 30 April 2015, the Company cancelled the 500,000,000 authorised ordinary shares and also amended its Memorandum and Articles of Association, which re-designated the Company's shares as: (i) 402,391,271 authorised Class A ordinary shares at a par value of US$0.0001 per share; (ii) 42,344,184 authorised Class B ordinary shares at a par value of US$0.0001 per share; (iii) 32,730,531 authorised Series A preferred shares at a par value of US$0.0001 per share; and (vi) 22,534,014 authorised Series B preferred shares at a par value of US$0.0001 per share. Holders of Class A ordinary shares will be entitled to one vote per share, while holders of Class B ordinary shares will be entitled to two votes per share on all matters subject to shareholders' vote. Upon the completion of IPO, the super voting rights of Class B ordinary shares has been terminated and all the Class A ordinary shares and Class B ordinary shares issued have been re-designated as ordinary shares immediately.

(b) Upon completion of the IPO, each issued preferred share was converted into one ordinary share by re-designation and re-classification of every preferred share in issue as an ordinary share on a one for one basis and all the unissued and authorised preferred shares were re-designated and re-classified as ordinary shares.

(c) The Company allotted and issued a total of 871,284,681 ordinary shares of US$0.0001 each credited as fully paid at par to the holders of Class B Ordinary Shares and the Preferred Shares whose names appear on the register of members of the Company on the business day preceding the date of IPO in proportion to their then existing shareholdings in the Company by capitalising from the share premium account of the Company ("Capitalisation Issue"). The ordinary shares allotted and issued pursuant to the above Capitalisation Issue rank pari passu in all respects with the existing issued ordinary shares.

(d) Upon completion of the IPO, the Company issued 242,180,000 new shares at par value of US$0.0001 each for cash consideration of HKD4.85 each, and raised gross proceeds of approximately HKD1,174,573,000 (equivalent to RMB991,238,000). The respective share capital amount was approximately RMB162,000 and share premium arising from the issuance was approximately RMB991,076,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB44,372,000 (including prepaid listing expenses of RMB2,927,000 which was recorded as trade and other receivables as at 31 December 2017) were treated as a deduction against the share premium arising from the issuance.

25 OTHER RESERVES

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Preferred shares reserve RMB'000	Currency translation differences RMB'000	Share option reserve RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	(188,495)	9,496	319,889	(56,903)	1,666	(617)	85,036
Disposal of equity interest in a subsidiary without loss of control	–	–	–	–	–	216	216
Acquisition of additional equity interest in a subsidiary	–	–	–	–	–	(197)	(197)
Profit appropriations to statutory reserves (a)	–	781	–	–	–	–	781
Currency translation differences (b)	–	–	–	54,426	–	–	54,426
Changes in the fair value of available-for-sale financial assets (Note 17)	–	–	–	–	–	878	878
Share of other comprehensive income of investments accounted for using the equity method (Note 16)	–	–	–	–	–	(337)	(337)
Pre-IPO share option plan (Note 27)	–	–	–	–	4,048	–	4,048
At 31 December 2017	(188,495)	10,277	319,889	(2,477)	5,714	(57)	144,851

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Preferred shares reserve RMB'000	Currency translation differences RMB'000	Share option reserve RMB'000	FVOCI reserve RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	(188,495)	10,277	319,889	(2,477)	5,714	–	(57)	144,851
Changes on initial application of IFRS 9	–	–	–	–	–	(50,710)	483	(50,227)
Restated balance at 1 January 2018	(188,495)	10,277	319,889	(2,477)	5,714	(50,710)	426	94,624
Currency translation differences (b)	–	–	–	27,367	–	–	–	27,367
Acquisition of additional equity interest in a subsidiary	–	–	–	–	–	–	(299)	(299)
Conversion of convertible liabilities to Series A Preferred Shares (Note 26)	–	–	161,859	–	–	–	–	161,859
Issuance of Series C preferred shares (Note 26)	–	–	59,285	–	–	–	–	59,285
Conversion of preferred shares into ordinary shares	–	–	(541,033)	–	–	–	–	(541,033)
Effects of changes in credit risk for liabilities designated as at fair value through profit or loss (Note 26)	–	–	–	–	–	(947)	–	(947)
Financial assets at fair value through other comprehensive income reserve	–	–	–	–	–	–	(9,717)	(9,717)
Share of other comprehensive income of investments accounted for using the equity method (Note 16)	–	–	–	–	–	–	(1,074)	(1,074)
Pre-IPO share option plan (Note 27)	–	–	–	–	4,973	–	–	4,973
As of 31 December 2018	(188,495)	10,277	–	24,890	10,687	(51,657)	(10,664)	(204,962)

25 OTHER RESERVES (continued)

(a) In accordance with the PRC Company Law and the articles of association of the PRC companies of the Group (the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners of the PRC Companies as set out in their statutory financial statements, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective PRC Companies. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

(b) Currency translation difference reserve represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

26 PREFERRED SHARES

On 30 April 2015, as a result of the Reorganisation as described in Note 1.2, the Series A Investors flipped up their shares proportionately from Shanghai Qijia to the Company. As part of the Reorganisation, the Series A investors exchanged their equity interests in Shanghai Qijia to the Company's Series A preferred shares.

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

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

As described in Note 1.2, CDH Weixin and CDH Weisen entered into the Old Contractual Arrangements with Shanghai Qijia as well as a consent letter, under which, the Company undertook to issue Series A preferred shares to CDH Weixin and CDH Weisen on the condition that CDH Weixin and CDH Weisen complete the necessary administrative procedures for the offshore investment. The arrangement was accounted for as convertible liabilities.

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

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

26 PREFERRED SHARES (continued)

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

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

(i) Liquidation preference

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

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

26 PREFERRED SHARES (continued)

(ii) Dividend rights

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

(iii) Conversion feature

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

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

26 PREFERRED SHARES (continued)

(iv) Redemption feature

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

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

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

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

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

26 PREFERRED SHARES (continued)

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

	Series A preferred shares RMB'000	Series B Preferred shares RMB'000	Series C Preferred shares RMB'000	Convertible liabilities RMB'000	Total RMB'000
At 1 January 2017	31,833	998,629	–	57,961	1,088,423
Accretion charge (Note 9)	(4,607)	–	–	–	(4,607)
Fair value loss	–	646,797	–	96,177	742,974
Currency translation differences	(1,710)	(77,327)	–	(6,241)	(85,278)
At 31 December 2017	25,516	1,568,099	–	147,897	1,741,512
At 1 January 2018	25,516	1,568,099	–	147,897	1,741,512
Issuance of Series C preferred shares	–	–	3,810	–	3,810
Accretion charge (Note 9)	(21,411)	–	–	–	(21,411)
Fair value change	–	(717,374)	(1,639)	19,766	(699,247)
Effects of changes in credit risk for liabilities designated as at fair value through profit or loss	–	947	–	–	947
Conversion of convertible liabilities to Series A preferred shares	854	–	–	(162,713)	(161,859)
Conversion of preferred shares into ordinary shares	(4,740)	(868,222)	(2,312)	–	(875,274)
Currency translation differences	(219)	16,550	141	(4,950)	11,522
At 31 December 2018	–	–	–	–	–

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

26 PREFERRED SHARES (continued)

Key valuation assumptions used to determine the fair value of Preferred Shares and convertible liabilities are as follows:

	As at 30 April 2015	As at 31 December 2017
Discount rate	31%	30%
Risk-free interest rate	1.05%	1.62%
Volatility	31.9%	31.8%
IPO possibility	45%	70%

Discount rate was estimated by weighted average cost of capital as of each valuation date. The directors estimated the risk-free interest rate based on the yield curve of US Treasury strips as of the valuation date. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to exit. Probability weight under each of the redemption feature and liquidation preferences was based on the directors' best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Preferred Shares and convertible liabilities on each valuation date.

Changes in fair value of Series B preferred shares, liability component of Series C preferred shares and convertible liabilities were recorded in "fair value gain/(loss) of preferred shares and convertible liabilities". Management considered that fair value changes in the Series B preferred shares, liability component of Series C preferred shares and convertible liabilities that are attributable to changes of credit risk of this liability are not significant.

27 PRE-IPO SHARE-OPTION PLAN

In 2011 and 2016, the Board of Directors approved the establishment of the two batches of Pre-IPO share option scheme with the purpose of which is to provide incentive for certain directors, senior management members and employees contributing to the Group.

The Group granted share options on 31 December 2011 and 31 December 2016 to certain directors, senior management members and employees of the Group, under Pre-IPO share option scheme, in exchange for their services to certain of the Group's subsidiaries, respectively. The exercise price of all granted options is RMB2.00 per ordinary share subject to capitalisation Issue. All options granted expire in ten years from the respective grant date. The Pre-IPO share option scheme included certain performance conditions, which required the employees to complete a service period and meet specified performance targets. The options have graded vesting terms. Options granted on 31 December 2011 vest in equal tranches from the grant date over two years. 25% of the option granted in 2016 shall vest on the first vesting date, and the remaining 75% options shall vest on a monthly basis over the next 36 months. The first vesting date is 30 days after qualified IPO.

27 PRE-IPO SHARE-OPTION PLAN (continued)

Movements in the number of share options granted and their related weighted average exercise price are as follows:

	Weighted average exercise price (in RMB)	Number of share options	
		Year ended 31 December	
		2018	2017
At the beginning of the year	20.04	**4,911,500**	4,911,500
Capitalisation Issue (Note 24)		**44,203,500**	
Forfeited	2.00	**(3,774,385)**	–
At the end of the year	2.00	**45,340,615**	4,911,500

As at 31 December 2018 and 2017, 27,515,148 and 2,144,307 outstanding options were exercisable.

The fair value of the Pre-IPO share options granted under Pre-IPO share option scheme have been valued by an independent qualified valuer using Binomial valuation model as at the grant date. Key assumptions are set as below:

	First grant 31 December 2011	Second grant 31 December 2016
Risk-free interest rate	2.50%	2.50%
Volatility	36.52%	36.52%
Dividend yield	0%	0%
Early exercise level	2.8	2.2~2.8

The directors estimated the risk-free interest rate based on the yield of curve of US Treasury strips with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on the directors' estimation at the grant date.

The total expense recognised in the consolidated income statement from continuing operations for share options granted are RMB4,761,000 for the year ended 31 December 2018 (2017: RMB3,207,000). The total expenses recognised in the consolidated income statement from discontinued operations for share options granted are RMB212,000 for the year ended 31 December 2018 (2017: RMB841,000).

28 DIVIDENDS

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

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

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

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

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

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

29 PREPAYMENTS FROM CUSTOMERS, TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (continued)

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

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

30 DEFERRED REVENUE

Deferred revenue consists of government grants related to income, recorded as deferred income and recognised in the consolidated income statement in the period in which the related expenses are recognised if the grants are intended to compensate for future expenses or losses within 1 year as at year end, classified as current liabilities in the consolidated balance sheet.

31 NET CASH USED IN OPERATION

(a) Reconciliation from profit/(loss) before income tax to cash generated from/(used in) operating activities:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit/(loss) before income tax expense	**741,495**	(847,875)
– Profit/(loss) before income tax expense from continuing operations	***708,306***	*(837,253)*
– Profit/(loss) before income tax expense from discontinued operations (Note 33)	***33,189***	*(10,622)*
Adjustment for:		
Finance income	**(59,141)**	(10,440)
Depreciation of property, plant and equipment (Note 12)	**13,053**	26,410
Amortisation of intangible assets (Note 13)	**2,633**	2,075
Provision for impairment of trade and other receivables (Note 21)	**242**	334
Provision for impairment of investments accounted for using the equity method	**1,349**	
Loss on disposal of property, plant and equipment	**243**	246
Share of profit of investments accounted for using equity method (Note 16)	**(2,007)**	(3,968)
Dilution gain arising from a reduced interest in an associate (Note 16)	**–**	(11,034)
Fair value gain/(loss) of preferred shares and convertible liabilities (Note 26)	**(699,247)**	742,974
Gain on disposal of subsidiaries (Note 33)	**(44,118)**	(160)
Loss on disposal of an associate (Note 8)	**–**	852
Share-based compensation (Note 25)	**4,973**	4,048
Changes in working capital:		
Increase in inventories	**(13,402)**	(4,065)
Increase in trade and other receivables	**(16,444)**	(10,459)
Decrease/(increase) in amounts due from related parties	**(1,643)**	3,381
Increase in amounts due from directors	**–**	(49)
Increase/(decrease) in prepayments from customers, trade and other payables and contract liabilities	**124,427**	(15,899)
Increase in amounts due to a related party	**69**	–
Decrease in term deposits	**–**	10,000
Cash generated from/(used in) operations	**52,482**	(113,629)

31 NET CASH USED IN OPERATION (continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net book amount	**999**	1,935
Net loss on disposal of property, plant and equipment	**(243)**	(246)
Proceeds from disposal of property, plant and equipment	**756**	1,689

(c) Non-cash investing and financing activities

For the years ended 31 December 2018 and 2017, other than the conversion of convertible liabilities to Series A preferred shares and the conversion of all preferred shares into ordinary shares, the Group did not have any material non-cash investing and financing activities.

32 OPERATING LEASE COMMITMENTS

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

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

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

33 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

(a) Description

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

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

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

33 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

(b) Financial performance and cash flow information

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

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

33 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

(c) Details of the sale of the subsidiary

(i) Disposal of discontinued operations

	Year ended 31 December 2018 RMB'000
Cash consideration received or receivable:	18,010
Carrying amount of net liabilities sold	(22,912)
Gain on disposal of discontinued operation before income tax and reclassification of foreign currency translation reserve	40,922
Income tax expense on gain	(1,202)
Gain on sale after income tax	39,720
Total consideration	
– Cash consideration	18,010
Less: Cash and cash equivalents in the subsidiaries disposed	(110,264)
Net cash out on disposals	(92,254)

The net liabilities of the subsidiaries disposed were as follows:

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

33 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

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

(ii) Disposal of subsidiaries

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

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

The net liabilities of the subsidiaries disposed were as follows:

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

34 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) Saved as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group during the year:

Name of related parties	Relationship with the Group
Mr. Deng	Controlling shareholder and executive director of the Company
Mr. Chen Yangui (陳言貴)	Minority shareholder
Mr. Zuo Hanrong (左漢榮)	Minority shareholder
SIP Oriza PE Fund Management Co., Ltd (蘇州工業園區元禾重元股權投資基金管理有限公司, "SIP Oriza Fund")	One investor of Series B preferred shares
SIP Oriza Qijia PE Enterprise (Limited Partnership)(蘇州工業園區重元齊家股權投資企業(有限合夥), "SIP Oriza")	Onshore company of SIP Oriza Fund
Shanghai Qijia E-commerce Co., Ltd. (上海齊家電子商務有限公司, "Shanghai Qijia E-commerce")	Controlled by the controlling shareholder (from 28 March 2018)
Shanghai Qiyuan Intelligent Technology Co.,Ltd (上海齊願智能科技有限公司, "Shanghai Qiyuan")	Controlled by the controlling shareholder

34 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Repayment to a related party		
SIP Oriza Fund	**310,090**	–
Proceeds from a related party		
SIP Oriza	**314,490**	–
Loans provided by the Group		
Mr. Deng	**–**	49
Repayment of loans from related parties		
Mr.Deng	**5,697**	–
Mr. Chen Yangui	**–**	1,682
Mr. Zuo Hanrong	**–**	1,699
	5,697	3,381
Lease from a related party		
Shanghai Qijia E-commerce	**419**	–
Rebate pay to a related party		
Shanghai Qijia E-commerce	**365**	–
Advertising service from a related party		
Shanghai Qijia E-commerce	**68**	–
Advertising service to a related party		
Shanghai Qijia E-commerce	**1,450**	–
Rebate from a related party		
Shanghai Qijia E-commerce	**104**	–
Purchase goods from a Related party		
Shanghai Qiyuan	**343**	–

Loans provided by the Group were unsecured, interest-free and repayable on demand.

In the opinion of the Company's directors, the above related party transactions were carried out in the ordinary course of the business and in accordance with the term of the underlying agreements.

34 RELATED PARTY TRANSACTIONS (continued)

(c) Year-end balances with related parties

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Amounts due from related parties:		
Shanghai Qijia E-commerce	1,643	–
SIP Oriza (a)	–	325,315
	1,643	325,315
Amounts due from director:		
Mr. Deng	–	5,697
Amounts due to related parties:		
Shanghai Qiyuan	69	–
SIP Oriza Fund	–	310,090
	69	310,090

Receivables and payables from/(to) the above related parties were unsecured, interest-free and repayable on demand. The amounts due from related parties are neither past due nor impaired. The carrying amounts of the amounts due from/(to) related parties approximate their fair values and are denominated in RMB.

34 RELATED PARTY TRANSACTIONS (continued)

(d) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and bonus	**4,171**	2,937
Pension cost – defined contribution plan	**214**	170
Other social security costs, housing benefits and other employee benefits	**342**	170
Share-based compensation expenses	**692**	131
	5,419	3,408

35 CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities (2017: nil).

36 SUBSEQUENT EVENTS

There were no material subsequent events during the period from 31 December 2018 to the approval date of these financial statements by the Board of Directors on 29 March 2019.

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		255,414	250,441
Current assets			
Trade and other receivables		1,227	2,927
Amounts due from subsidiaries		1,147,697	328,533
Amounts due from related parties		–	325,315
Amounts due from director		–	1,273
Term deposits		333,552	–
Cash and cash equivalents		487,274	151,129
Total current assets		1,969,750	809,177
Total assets		2,225,164	1,059,618
EQUITY/(DEFICITS)			
Share capital		805	25
Share premium		2,378,009	15,616
Other reserves	(a)	(140,025)	155,828
Accumulated losses		(104,274)	(856,597)
Total equity/(deficits)		2,134,515	(685,128)
LIABILITIES			
Non-current liabilities			
Preferred shares		–	1,593,615
Current liabilities			
Other payables		5,882	2,927
Amounts due to subsidiaries		84,767	307
Convertible liabilities		–	147,897
Total current liabilities		90,649	151,131
Total liabilities		90,649	1,744,746
Total equity and liabilities		2,225,164	1,059,618

The balance sheet of the Company was approved by the Board of Directors on 29 March 2019 and were signed on its behalf.

Deng Huajin
Director

Tian Yuan
Director

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

Note (a) Reserve movement of the Company

	Capital reserve RMB'000	Preferred shares reserve RMB'000	Currency translation differences RMB'000	Share option reserve RMB'000	FVOCI reserve RMB'000	Total RMB'000
At 31 December 2016	(188,495)	319,889	(15,454)	1,666	–	117,606
Currency translation differences	–	–	34,174	–	–	34,174
Pre-IPO share option plan (Note 27)	–	–	–	4,048	–	4,048
At 31 December 2017	(188,495)	319,889	18,720	5,714	–	155,828
At 31 December 2017	(188,495)	319,889	18,720	5,714	–	155,828
Changes on initial application of IFRS 9	–	–	–	–	(50,227)	(50,227)
Restated balance at 1 January 2018	(188,495)	319,889	18,720	5,714	(50,227)	105,601
Currency translation differences	–	–	70,237	–	–	70,237
Conversion of convertible liabilities to Series A Preferred Shares (Note 26)	–	161,859	–	–	–	161,859
Issuance of Series C preferred shares (Note 26)	–	59,285	–	–	–	59,285
Conversion of preferred shares into ordinary shares	–	(541,033)	–	–	–	(541,033)
Effects of changes in credit risk for liabilities designated as at fair value through profit or loss (Note 26)	–	–	–	–	(947)	(947)
Pre-IPO share option plan (Note 27)	–	–	–	4,973	–	4,973
As of 31 December 2018	(188,495)	–	88,957	10,687	(51,174)	(140,025)

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Remuneration of every director is set out below,

	For the year ended 31 December 2018					
	Director's fee RMB'000	Salaries, wages and bonus RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive directors:						
Mr. Deng	–	1,083	44	39	–	1,166
Mr. GAO Wei (高巍)	–	500	21	20	–	541
Mr. TIAN Yuan (田原)	–	550	44	39	–	633
Non-executive Directors						
Mr. LI Gabriel (李基培)	–	–	–	–	–	–
Mr. SHENG Gang (盛剛)	–	–	–	–	–	–
Mr. WU Haifeng (吳海鋒)	–	–	–	–	–	–
Independent non-executive Directors						
Mr. ZHANG Lihong (張禮洪)	48	–	–	–	–	48
Mr. CAO Zhiguang (曹志廣)	48	–	–	–	–	48
Mr. WONG Man Chung Francis (黃文宗)	1,115	–	–	–	–	1,115
	1,211	2,133	109	98	–	3,551

38 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2017

	Director's fee RMB'000	Salaries, wages and bonus RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive directors:						
Mr. Deng	–	1,270	43	40	–	1,353
Mr. GAO Wei (高巍)	–	465	22	20	–	507
Mr. TIAN Yuan (田原)	–	447	43	41	–	531
	–	2,182	108	101	–	2,391

Mr. LI Gabriel (李基培), Mr. SHENG Gang (盛剛) and Mr. WU Haifeng (吳海鋒) were appointed as non-executive directors of the Company in April 2018.

Mr. ZHANG Lihong (張禮洪), Mr. CAO Zhiguang (曹志廣) and Mr. WONG Man Chung Francis (黃文宗) were appointed as independent non-executive directors of the Company in June 2018.

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2018 and 2017, respectively.

Except for the loans due from related parties disclosed in Note 34, no loans, quasi-loans or other dealings are entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors for the years ended 31 December 2018 and 2017, respectively.

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2018 and 2017.

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2018 and 2017.

During the year ended 31 December 2018, no emoluments (2017: Nil) were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the year ended 31 December 2018 (2017: Nil).

38 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2018 and 2017 include 3 and 3 directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 and 2 individuals during the years ended 31 December 2018 and 2017, respectively are as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Salaries, wages and bonuses	1,518	1,039
Pension costs – defined contribution plans	85	28
Other social security costs, housing benefits and other employee benefits	77	36
Share-based compensation expenses	40	67
	1,720	1,170

The emoluments of these individuals are within the following bands:

	Number of individuals	
	Year ended 31 December	
	2018	2017
HKD		
Nil – 1,000,000	1	2
1,000,001 – 1,500,000	1	–
	2	2

39 SUBSIDIARIES

(a) Particulars of the subsidiaries of the Group during the year ended 31 December 2018 are set out below:

Company name	Country/place and date of incorporation	Issued and paid up capital or registered capital ('000)	Effective interests held by the Group %		Direct or Indirect	Principal activities
			At 31 December			
			2018	2017		
Qijia Holding Limited	BVI, 25 November 2014	USD50	100%	100%	Direct	Investment holding company
Jia (Hong Kong) Limited	HK, 9 December 2014	HKD10	100%	100%	Indirect	Investment holding company
Qijia (Shanghai) Network Technology Co., Ltd.	PRC, 16 April 2015	USD290,000	100%	100%	Indirect	Provision of Platform Service
Qi Home (Shanghai) Information Technology Co., Ltd.	PRC, 5 June 2015	USD50,000	100%	100%	Indirect	Provision of Platform Service
Shanghai Qijia Network Information Technology Co., Ltd.	PRC, 09 August 2007	50,265	100%	100%	Indirect	Provision of Platform Service
Shanghai Qiyi Information Technology Co., Ltd.	PRC, 8 September 2011	5,000	100%	100%	Indirect	Provision of Platform Service
Shanghai Qijia E-commerce Co., Ltd.	PRC, 22 September 2016	10,000	N/A	100%	Indirect	Electronic Commerce
Suzhou Qijia E-commerce Co., Ltd.	PRC, 14 November 2016	2,000	100%	100%	Indirect	Electronic Commerce
Fujian Qiyi Information Technology Co., Ltd.	PRC, 28 December 2016	20,000	100%	100%	Indirect	Provision of Platform Service
Shanghai Qiyu Information Technology Co., Ltd.	PRC, 23 September 2015	325,050	100%	100%	Indirect	Provision of Self-operated interior design and construction services
Shanghai Jinjie Furniture and Decorations Co., Ltd.	PRC, 4 May 2009	321,000	100%	100%	Indirect	Furnishings Wholesale
Shanghai Qijia Qianbao Financial Information Service Co., Ltd.	PRC, 2 December 2013	6,000	75%	75%	Indirect	Financial Information Service
Fuzhou Qijia Information Technology Co., Ltd.	PRC, 3 December 2012	500	100%	100%	Indirect	Provision of Platform Service

39 SUBSIDIARIES (continued)

(a) Particulars of the subsidiaries of the Group during the year ended 31 December 2018 are set out below: (continued)

Company name	Country/place and date of incorporation	Issued and paid up capital or registered capital ('000)	Effective interests held by the Group % At 31 December 2018	Effective interests held by the Group % At 31 December 2017	Direct or Indirect	Principal activities
Shanghai Qixu investment and management Co., Ltd.	PRC, 22 September 2014	1,000	100%	100%	Indirect	Investment Management
Tianjin Qijia Information Technology Co., Ltd.	PRC, 21 October 2014	2,000	N/A	100%	Indirect	Provision of Platform Service
Sanming Qijia Network Information Technology Co., Ltd.	PRC, 19 November 2012	5,000	100%	100%	Indirect	Provision of Platform Service
Shanghai Qisheng E-Commerce Co., Ltd.	PRC, 24 March 2010	5,000	100%	100%	Indirect	Electronic Commerce
Shanghai Qijia Internet Financial Information Service Co., Ltd.	PRC, 10 August 2015	10,000	70%	70%	Indirect	Financial Information Service
Qijiabao Payment Co., Ltd.	PRC, 10 July 2015	100,000	95%	95%	Indirect	Payment System
Fujian Qijia Network Information Technology Co., Ltd.	PRC, 9 January 2015	20,000	100%	100%	Indirect	Provision of Platform Service
Brausen (Fujian) Decoration Engineering Co., Ltd.	PRC, 23 June 2006	11,250	69.89%	69.89%	Indirect	Provision of Self-operated interior design and construction services
Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.	PRC, 30 August 2016	10,000	55%	55%	Indirect	Provision of Self-operated interior design and construction services
Suzhou Qijia Jumei Supply Chain Management Co., Ltd. (Previous name: Suzhou Tea Horse Road Trading Co.,Ltd.)	PRC, 22 February 2017	1,000	100%	100%	Indirect	Provision of Self-operated interior design and construction services
Henan Qijia Jumei Decoration Design Engineering Co., Ltd.	PRC, 26 May 2017	2,000	100%	100%	Indirect	Provision of Self-operated interior design and construction services
Nanping Jianyang District Brausen Decoration Engineering Co., Ltd.	PRC, 7 April 2016	1,000	70%	70%	Indirect	Provision of Self-operated interior design and construction services

39 SUBSIDIARIES (continued)

(a) Particulars of the subsidiaries of the Group during the year ended 31 December 2018 are set out below: (continued)

Company name	Country/place and date of incorporation	Issued and paid up capital or registered capital ('000)	Effective interests held by the Group % At 31 December 2018	Effective interests held by the Group % At 31 December 2017	Direct or Indirect	Principal activities
Zhangzhou Brausen Decoration Engineering Co., Ltd.	PRC, 18 July 2016	1,300	76.15%	76.15%	Indirect	Provision of Self-operated interior design and construction services
Quanzhou Brausen Decoration Engineering Co., Ltd.	PRC, 10 June 2014	1,520	62.50%	62.50%	Indirect	Provision of Self-operated interior design and construction services
Luoyuan Brausen Decoration Engineering Co., Ltd.	PRC, 21 July 2014	5,000	55%	55%	Indirect	Provision of Self-operated interior design and construction services
Sanming Brausen Decoration Engineering Co., Ltd.	PRC, 25 December 2015	1,300	N/A	60%	Indirect	Provision of Self-operated interior design and construction services
Putian Brausen Decoration Engineering Co., Ltd.	PRC, 12 January 2016	1,300	60%	60%	Indirect	Provision of Self-operated interior design and construction services
Brausen (Xiamen) Decoration Engineering Co., Ltd.	PRC, 10 November 2014	1,000	51%	51%	Indirect	Provision of Self-operated interior design and construction services
Gutian Brausen Decoration Engineering Co., Ltd.	PRC, 28 November 2016	800	60%	60%	Indirect	Provision of Self-operated interior design and construction services
Pingtan Brausen Decoration Engineering Co., Ltd.	PRC, 28 February 2017	800	60%	60%	Indirect	Provision of Self-operated interior design and construction services
Ywan Qiya Decoration Engineering Co., Ltd. (Previous name, Yunnan Brausen Decoration Engineering Co., Ltd.)	PRC, 14 March 2017	5,000	51%	51%	Indirect	Provision of Self-operated interior design and construction services
Xiapu Brausen Decoration Engineering Co., Ltd.	PRC, 27 April 2017	800	51%	51%	Indirect	Provision of Self-operated interior design and construction services

39 SUBSIDIARIES (continued)

(a) Particulars of the subsidiaries of the Group during the year ended 31 December 2018 are set out below: (continued)

Company name	Country/place and date of incorporation	Issued and paid up capital or registered capital ('000)	Effective interests held by the Group % At 31 December 2018	Effective interests held by the Group % At 31 December 2017	Direct or Indirect	Principal activities
Ningde Brausen Decoration Engineering Co., Ltd.	PRC, 23 August 2016	1,300	70%	70%	Indirect	Provision of Self-operated interior design and construction services
Ninghua Brausen Decoration Engineering Co., Ltd.	PRC, 24 March 2017	800	N/A	51%	Indirect	Provision of Self-operated interior design and construction services
Fujian Brausen Information Technology Co., Ltd.	24 March 2017	20,000	100%	100%	Indirect	Provision of Self-operated interior design and construction services
Fuzhou No.10 Soft Decoration Co., Ltd.	PRC, 01 August 2017	1,000	N/A	60%	Indirect	Provision of Self-operated interior design and construction services
Shanghai Brausen Decoration Engineering Co., Ltd.	PRC, 25 August 2017	3,000	100%	100%	Indirect	Provision of Self-operated interior design and construction services
Fuzhou Qimeiju Decoration Engineering Co., Ltd.	PRC, 21 July 2017	1,000	100%	100%	Indirect	Provision of Self-operated interior design and construction services
Beijing Brausen Home Furnishing Decoration Co., Ltd.	PRC, 06 September 2017	5,000	100%	100%	Indirect	Provision of Self-operated interior design and construction services
Fuzhou Changle Brausen Decoration Engineering Co., Ltd.	PRC, 25 April 2017	800	55%	80%	Indirect	Provision of Self-operated interior design and construction services
Shanghai Zhengyi Information Technology Co., Ltd	PRC, 29 August 2016	1,000	100%	N/A	Indirect	Provision of construction
Beijing Qisu Information Technology Co., Ltd	PRC, 8 June 2018	USD100	100%	N/A	Indirect	Provision of Platform Service

39 SUBSIDIARIES (continued)

(b) Material non-controlling interests

Summarised financial information on subsidiaries with material non-controlling interests for the year ended 31 December 2017 is as follows:

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Losses RMB'000	Deficits RMB'000
Brausen (Fujian) Decoration Engineering Co., Ltd.	78,904	119,030	155,908	(47,146)	(40,126)
Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.	9,255	17,160	25,908	(12,995)	(7,905)

Summarised financial information on subsidiaries with material non-controlling interests for the year ended 31 December 2018 is as follows:

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Losses RMB'000	Deficits RMB'000
Brausen (Fujian) Decoration Engineering Co., Ltd.	38,364	97,802	169,799	(17,744)	(59,483)
Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.	33,468	39,675	77,617	(5,404)	(6,207)

Financial Summary

The following table sets out our key financial data for the periods or as of the dates indicated.

The key financial data is extracted from the audited consolidated financial statements disclosed in the Prospectus and the 2018 annual report.

	For the year ended 31 December			
	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Revenue	141,412	300,850	479,055	**645,704**
Gross profit	87,725	124,811	239,830	**381,558**
Profit/(loss) before income tax	(168,167)	(257,223)	(837,253)	**708,306**
Income tax credit/(expense)	(3,023)	(8,019)	(7,650)	**5,164**
Profit/(loss) for the year from continuing operations	(171,190)	(265,242)	(844,903)	**713,470**
Profit/(loss) from discontinued operations	(176,357)	(144,976)	(10,622)	**31,987**
Profit/(loss) for the year	(347,547)	(410,218)	(855,525)	**745,457**
Profit/(loss) attributable to:				
Equity holders of the Company	(344,876)	(401,191)	(824,089)	**757,594**
Non-controlling interests	(2,671)	(9,027)	(31,436)	**(12,137)**

	As at 31 December			
	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Total Assets	1,456,995	1,373,141	1,220,002	**1,899,880**
Total liabilities	1,716,440	2,074,499	2,711,532	**579,203**
Equity/(deficits) attributable to the equity holders of the Company	(266,609)	(701,910)	(1,466,965)	**1,353,460**

Definitions

"Auditor"	PricewaterhouseCoopers, the independent auditor of the Company
"AGM"	the forthcoming annual general meeting of the Company to be held on Tuesday, 28 May 2019
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee under the Board
"Board"	the board of Directors
"Brausen"	Brausen (Fujian) Decoration & Engineering Co., Ltd.* (博若森(福建)裝飾工程有限公司), company with limited liability incorporated in PRC on June 23, 2006 and a subsidiary of our Company, and its subsidiaries as the context requires, which were acquired by us on 24 August 2015
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"China" or "PRC"	the People's Republic of China, and for the purposes of this annual report for geographical reference only (unless otherwise indicated), excluding Taiwan, Macau and Hong Kong
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Company"	Qeeka Home (Cayman) Inc. 齊屹科技(開曼)有限公司 (formerly known as China Home (Cayman) Inc.), an exempted company with limited liability incorporated in the Cayman Islands on 20 November 2014
"Contractual Arrangements"	the series of contractual arrangements entered into by, among Shanghai Qijia, Qijia Network Technology and the shareholders of Shanghai Qijia, details of which are described in the section headed "Contractual Arrangements" of the Prospectus
"Discontinued Business"	operating and managing building materials shopping mall
"Director(s)"	director(s) of the Company
"Group"	the Company (any one or more of, as the context may require) and its subsidiaries and operating entities

Definitions

"HK$" or "HKD"	Hong Kong dollars, the lawful currency for the time being of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IAS"	the International Accounting Standards
"IASB"	the International Accounting Standards Board
"IFRS"	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)
"IPO"	The Company's initial public offering and listing of its shares on Main Board of the Stock Exchange on 12 July 2018
"Jumei"	Qijia Jumei (Suzhou) Refined Construction Technology Co., Ltd.* (齊家居美(蘇州)精裝科技有限公司), a company with limited liability incorporated in PRC on August 30, 2016
"Latest Practicable Date"	12 April 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Date"	12 July 2018, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Memorandum and Articles of Association"	the amended and restated memorandum of articles of association and articles of association of our Company, conditionally adopted on 12 July 2018 with effect from the Listing Date, and as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules

"Mr. Deng"	Mr. Deng Huajin, our founder, chairman of our Board, executive Director, CEO and our single largest Shareholder
"MUV"	monthly unique visitors
"Nomination Committee"	the nomination committee under the Board
"Online Platform Business"	the provision of an online marketplace for building materials sellers and decoration service providers, provision of order recommendation services, provision of advertising and promotion services, licensing brand to business partners, provision of building material supply chain service and others
"PRC" or "China"	the People's Republic of China, except where the context requires otherwise and only for the purposes of this prospectus, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Operating Entities"	Shanghai Qijia and its subsidiaries and branches, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme of the Company adopted in 2011 and 2016, and was formalized in 2018
"Prospectus"	the prospectus of the Company dated 21 June 2018 in connection with the IPO of the Company
"Remuneration Committee"	the remuneration committee under the Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"Qeeka Holding"	Qeeka Holding Limited, an exempted company with limited liability incorporated in the BVI on November 18, 2014, which is wholly owned by Mr. Deng
"Qijia Network Technology"	Qijia (Shanghai) Network Technology Co., Ltd.* (齊家網(上海)網絡科技有限公司), a company with limited liability incorporated in the PRC on 16 April 2015 and a subsidiary of the Company
"Self-operated Interior Design and Construction Business"	the provision of interior design and construction service
"Series A Investors"	the holders of Series A Preferred Shares, namely Series A-1 Investors, Series A-2 Investors, Series A-3 Investors, and Series A-4 Investors

Definitions

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shanghai Qijia"	Shanghai Qijia Network Information Technology Co., Ltd.* (上海齊家網信息科技股份有限公司), a company with limited liability incorporated in the PRC on 9 August 2007, and is controlled by our Group through the Contractual Arrangements
"Shanghai Qiyi"	Shanghai Qiyi Information Technology Co., Ltd.* (上海齊屹信息科技有限公司), a company incorporated in the PRC with limited liability on 8 September 2011, which is a directly wholly-owned subsidiary of Shanghai Qijia
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of US$0.0001 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“YOY”	year-on-year
“%”	per cent.

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