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E-House (China) Enterprise Holdings Limited

易居（中國）企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2048)

**(1) COMPLETION OF ACQUISITION OF A MAJORITY INTEREST IN LEJU AND OF SHARE SUBSCRIPTION BY, AND NOTE ISSUANCE TO, ALIBABA GROUP;
(2) LEJU'S CONTINUING CONNECTED TRANSACTIONS;
(3) LEJU'S CONTRACTUAL ARRANGEMENTS**

The Board is pleased to announce that completion of the Equity Transfer Agreements, the Share Subscription Agreement and the Note Subscription Agreement took place on 4 November 2020. The Board welcomes the increased shareholding of Alibaba Group in the Company and looks forward to working together with Alibaba Group to implement the plans as described in the Circular.

Effective from completion, certain existing transactions engaged in by Leju as described in the section headed "Appendix II – Financial Information of Leju – Related Party Balances and Transactions" in the Circular have become connected transactions for the Company pursuant to Chapter 14A of the Listing Rules. The Board, including the independent non-executive directors (where applicable), have determined that these transactions are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. Further details of these transactions are set out in this announcement.

The Company also notes that prior to completion, Leju's Contractual Arrangements as described in the section headed "Appendix II – Financial Information of Leju – VIE Arrangements" in the Circular were updated to comply with the applicable requirements of HKEX Guidance Letter GL77-14. As the Contractual Arrangements will constitute continuing connected transactions for the Company, we have applied for, and the Stock Exchange has granted, waivers from strict compliance with the requirements of (i) Rule 14A.52 of the Listing Rules for setting a fixed term for the Contractual Arrangements, and (ii) Rule 14A.53 of the Listing Rules for setting annual caps for the transactions contemplated under the Contractual Arrangements, subject to the conditions as further described below.

(1) COMPLETION OF ACQUISITION OF A MAJORITY INTEREST IN LEJU AND OF SHARE SUBSCRIPTION BY, AND NOTE ISSUANCE TO, ALIBABA GROUP

The Board is pleased to announce that completion of the Equity Transfer Agreement I, Equity Transfer Agreement II, Share Subscription Agreement and Note Subscription Agreement took place on 4 November 2020.

At completion, the Company issued 78,676,790 Shares to Solomon Investment Inc, a nominee of the SINA Parties, pursuant to the Equity Transfer Agreement I, 164,918,440 Shares to E-House Holdings and 2,000,000 Shares to On Chance pursuant to the Equity Transfer Agreement II, and 118,300,000 Shares to Alibaba Subsidiary pursuant to the Share Subscription Agreement. At completion, the Company also issued the Convertible Note to Alibaba Noteholder.

Set out below is the shareholding structure of the Company: (a) immediately prior to allotment and issue of the Consideration Shares and Subscription Shares; (b) immediately after the allotment and issue of the Consideration Shares and the Subscription Shares; and (c) immediately after the allotment and issue of the Conversion Shares in full as contemplated under the Note Subscription Agreement:

Shareholders	Immediately prior to allotment and issue of the Consideration Shares and Subscription Shares		Immediately after the allotment and issue of the Consideration Shares and Subscription Shares		Immediately after the allotment and issue of the Consideration Shares, Subscription Shares and Conversion Shares in full	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Zhou Xin	246,155,059 ⁽²⁾	17.77	413,073,499	23.62	413,073,499	22.35
Alibaba Group ⁽³⁾	27,288,000	1.97	145,588,000	8.32	245,096,197	13.26
Country Garden ⁽⁴⁾	171,690,000	12.39	171,690,000	9.82	171,690,000	9.29
Evergrande ⁽⁵⁾	171,690,000	12.39	171,690,000	9.82	171,690,000	9.29
Vanke ⁽⁶⁾	171,690,000	12.39	171,690,000	9.82	171,690,000	9.29
SINA Parties ⁽⁷⁾	–	–	78,676,790	4.50	78,676,790	4.26
Other Shareholders ⁽⁸⁾	596,651,241	43.07	596,651,241	34.11	596,651,241	32.28
Total	<u>1,385,164,300</u>	<u>100.00</u>	<u>1,749,059,530</u>	<u>100.00</u>	<u>1,848,567,727</u>	<u>100.00</u>

Notes:

- (1) These figures assume that other than the Conversion Shares, no further Shares are issued or repurchased by the Company, and no Shares are sold or purchased by any Shareholder (including Mr. Zhou Xin, Alibaba Subsidiary, Alibaba Noteholder, the SINA Parties or their associate(s)). The percentage figures included in this table are subject to rounding adjustment.
- (2) These 246,155,059 Shares are held as to 228,920,000 Shares by China Real Estate Information Corporation (“**CRE Corp**”) (中國房產信息集團), and 2,775,059 Shares by Regal Ace Holdings Limited (“**Regal Ace**”), respectively, and represent 14,460,000 Shares to be issued upon exercise of options granted under the Pre-IPO Share Option Scheme. CRE Corp is a wholly-owned subsidiary of E-House Holdings, itself a wholly-owned subsidiary of E-House Holdings Limited. E-House Holdings Limited is held as to 33.13% by On Chance, 14.65% by Jun Heng, and 52.22% by Mr. Zhou Xin. Jun Heng is wholly-owned by On Chance which is in turn wholly-owned by Mr. Zhou Xin. Regal Ace is wholly owned by Mr. Zhou Xin. The 228,920,000 Shares held by CRE Corp were pledged in favour of SPD Bank as security for a term loan facility granted by SPD Bank to E-House Holdings. Please refer to the announcement of the Company dated 6 September 2018 for further details.

- (3) The Shares are held by Taobao China Holding Limited and Alibaba.com Hong Kong Limited, each of which is a wholly-owned subsidiary of Alibaba Group Holding Limited.
- (4) Country Garden (Hong Kong) Development Company Limited is a wholly-owned subsidiary of Smart World Development Holdings Ltd, itself a wholly-owned subsidiary of Country Garden Holdings Company Limited (“**Country Garden**”). Country Garden is held as to 43.61% by Concrete Win Limited, itself is wholly-owned by Ms. Yang Huiyan. Hence, Smart World Development Holdings Ltd, Country Garden and Concrete Win Limited, Ms. Yang Huiyan and Mr. Chen Chong, spouse of Ms. Yang Huiyan, are deemed to be interested in the Shares held by Country Garden (Hong Kong) Development Company Limited.
- (5) Jovial Idea Developments Limited is wholly-owned by Central Sino Global Limited (中華環球有限公司), which is in turn wholly-owned by Tianji Holding Limited (天基控股有限公司). Tianji Holding Limited is wholly-owned by Hengda Real Estate Group Company Limited (恒大地產集團有限公司), which is owned as to 63.46% by Guangzhou Kailong Real Estate Company Limited (廣州市凱隆置業有限公司), which is in turn wholly-owned by Guangzhou Chaofeng land Company Limited (廣州市超豐置業有限公司). Guangzhou Chaofeng land Company Limited is wholly-owned by Anji (BVI) Limited (安基BVI有限公司), which is wholly-owned by China Evergrande Group (“**Evergrande**”). Evergrande is held as to 71.80% by Xin Xin (BVI) Limited, itself is wholly-owned by Mr. Hui Ka Yan. Hence, Central Sino Global Limited, Tianji Holding Limited, Hengda Real Estate Group Company Limited, Guangzhou Kailong Real Estate Company Limited, Guangzhou Chaofeng land Company Limited, Anji (BVI) Limited, Evergrande, Xin Xin (BVI) Limited and Mr. Hui Ka Yan are deemed to be interested in the Shares held by Jovial Idea Developments Limited.
- (6) Captain Valley (Cayman) Limited is wholly-owned by Climax Fame (BVI) Limited, which is in turn wholly-owned by Vanke Finance (Hong Kong) Limited. Vanke Finance (Hong Kong) Limited is wholly-owned by Vanke Property (Hong Kong) Company Limited, which is in turn wholly-owned by Shanghai Vanke Enterprise Company Limited (上海萬科企業有限公司). Shanghai Vanke Enterprise Company Limited is wholly-owned by Shanghai Vanke Investment and Management Company Limited (上海萬科投資管理有限公司), which is in turn wholly-owned by China Vanke Co., Ltd. (“**Vanke**”). Hence, Climax Fame (BVI) Limited, Vanke Finance (Hong Kong) Company Limited, Vanke Property (Hong Kong) Company Limited, Shanghai Vanke Enterprise Company Limited, Shanghai Vanke Investment and Management Company Limited and Vanke are deemed to be interested in the Shares held by Captain Valley (Cayman) Limited.
- (7) Pursuant to the terms of the Equity Transfer Agreement I, the relevant Consideration Shares were issued to the SINA Parties’ majority owned and controlled nominees as notified.
- (8) There is no other substantial shareholder who holds 10% or more of the shareholding interest in the Company.

(2) LEJU CONTINUING CONNECTED TRANSACTIONS

Effective from completion, certain existing transactions engaged in by Leju as described in the section headed “Appendix II – Financial Information of Leju – Related Party Balances and Transactions” in the Circular have become connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.60 of the Listing Rules, if the Group continues to conduct such transaction, the Company is only required to comply with the annual review and disclosure requirements. When any such agreements are renewed or their terms are varied, the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules.

See “Appendix II – Financial Information of Leju – Related Party Balances and Transactions” for details of the historical amounts for each of these transactions.

Transactions with SINA and Tencent

Advertising Inventory Sale Agency. On 7 March 2014, SINA and Leju entered into the advertising inventory sale agency agreement for a term from 7 March 2014 to 7 March 2024. Under the advertising inventory sale agency agreement, Leju will have the exclusive right to sell advertising to real estate, home furnishing and construction materials advertisers on all SINA non-real estate websites. Leju is required to pay SINA fees of approximately 15% of the revenues generated from sales of advertising on SINA non-real estate websites, subject to certain limitations on the amount of advertising that Leju may sell and fees payable by Leju to SINA based on the amount of advertising sold. In addition, Leju authorizes SINA as its exclusive agent to sell non-real estate-related advertising on its directly operated websites. Leju is entitled to receive approximately 85% of the revenues generated from these sales.

Domain Name and Content License. On 7 March 2014, Beijing SINA Internet Information Service Co., Ltd. (北京新浪互聯信息服務有限公司) (“**Licensor**”) and Beijing Yisheng Leju Information Services Co., Ltd. (“**Licensee**”) entered into the amended and restated domain name and content license agreement for a term from 7 March 2014 to 7 March 2024. Under the amended and restated domain name and content license agreement, Licensor, granted to Licensee an exclusive license to use its five domain names, namely, house.sina.com.cn, jiaju.sina.com.cn, construction.sina.com.cn, dichan.sina.com.cn, and esf.sina.com.cn in connection with Leju’s real estate internet operations in China. In addition, the Licensor also granted to Licensee an exclusive license to use all contents, whose copyrights are owned by the Licensor or owned by a third-party provider but is sub-licensable by the Licensor without requiring payment of any additional fees and without violating the terms of any agreement with such third party provider, in connection with websites associated with the domain names licensed to Licensee.

Trademark License. On 7 March 2014, Licensor and Licensee entered into the amended and restated trademark license agreement for a term from 7 March 2014 to 7 March 2024. Under the amended and restated trademark license agreement, Licensor granted to Licensee a non-exclusive license to use three SINA trademarks and an exclusive license to use four SINA related trademarks in connection with Leju’s real estate online operations in China through websites located at leju.com and the websites located at house.sina.com.cn, jiaju.sina.com.cn, construction.sina.com.cn, dichan.sina.com.cn and esf.sina.com.cn.

Software License and Support Services. On 7 March 2014, SINA.com Technology (China) Co. Ltd. (新浪網技術(中國)有限公司) (“**Licensor**”) and Shanghai SINA Leju Information Technology Co. Ltd. (上海新浪樂居信息科技有限公司) (“**Licensee**”) entered into the amended and restated software license and support services agreement for a term from 7 March 2014 to 7 March 2024. Under the amended and restated software license and support services agreement, Licensor granted to Licensee a non-exclusive license to use (i) the proprietary software used for, among other things, internet content publishing, advertising publishing, sales management, procurement reimbursement, financial management flow, statistics, monitoring and censoring; (ii) certain current software products and interfaces necessary to facilitate Leju’s use of such current software products; (iii) the databases; (iv) certain improvements to the licensed software; and (v) related documentation and hardware, in each case to the extent such items (other than licensor improvements) exist and have been delivered to us under the software license and support service agreement executed in 2009. The Licensor also provided to Leju infrastructure necessary to operate Leju’s websites and facilitate Leju’s use of the licensed software. In addition, the Licensor also provided support services, including routine maintenance, technical support and hardware support. The licenses are free of any fees (subject to certain exceptions). However, to the extent that there are any reasonable, incremental costs for use of the licensed software or the infrastructure, or provision of the support services, due to a change in the business needs, we are required to reimburse the licensor for all such costs.

Registration Rights. On 21 March 2017, SINA and Leju entered into the registration rights agreement for a term from 21 March 2017 until the earliest of (i) SINA, and any affiliate transferee of SINA and their affiliates ceasing to own any Equity Securities (as defined therein), or (ii) termination by the parties in writing. The investor rights agreement granted SINA, among other things, certain registration rights with respect to Leju's ordinary shares owned by it, including demand registration rights, shelf registration rights, and piggyback registration rights in relation to securities laws of the United States.

Advertising Agency. In January 2019, Leju entered into a series of exclusive advertising agency agreements with Tencent. Pursuant to the exclusive advertising agency agreements, Leju are the exclusive real property advertising agent of Tencent for selling advertising to real estate advertisers in certain areas of China, including, Tianjin and Sichuan, Anhui, Shanxi, Guangxi and Fujian provinces. In March 2019, Leju entered into an advertising agency agreement with Tencent, pursuant to which Leju is the real property advertising agent of Tencent in certain other areas of China. In January 2020, Leju renewed and entered into advertising agency agreements with Tencent, pursuant to which we are the real property advertising agent of Tencent in many areas of China. Pursuant to the exclusive advertising agency agreements signed in April 2020, such areas of China were Heilongjiang, Shanxi, Tianjin, Fujian, Guangxi, Guizhou, Chongqing, Sichuan and some cities in Jiangsu Province.

Investor Rights. On 31 March 2014, E-House Holdings, THL O Limited and Leju entered into the investor rights agreement for a term from 31 March 2014 until the earliest of (i) Tencent, and any affiliate transferee of Tencent and their affiliates ceasing to own any Equity Securities (as defined therein), or (ii) termination by the parties in writing. The investor rights agreement granted Tencent, among other things, certain registration rights with respect to Leju's ordinary shares owned by it, including demand registration rights, shelf registration rights, and piggyback registration rights in relation to securities laws of the United States.

View of Directors and Listing Rule implications. The Board, including the independent non-executive directors, have reviewed and approved such transactions, have determined that these transactions are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole (including to facilitate the continuation of business by Leju without interruption).

As all such transactions were entered into prior to completion of the Equity Transfer Agreements, pursuant to Rule 14A.60 of the Listing Rules, the Company is only required to comply with the annual review and disclosure requirements. SINA and Tencent are each a connected person at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, it is anticipated that at the time of any future renewal or variation of the terms of such transactions, the exemption under Rule 14A.101 of the Listing Rules for transactions between the Group and persons connected at the subsidiary level would apply, such that the renewal or variation would be exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules, provided that (i) the Board approves the relevant renewal or variation and (ii) the independent non-executive Directors are of the opinion that the terms of the transaction are fair and reasonable and the transactions are on normal commercial terms or better and in the interests of the Company and its shareholders as a whole.

Transactions with E-House Holdings

Master Transaction Agreement. On 10 March 2014, E-House Holdings and Leju entered into the master transaction agreement for a term from 10 March 2014 until the date that is five (5) years after the first date upon which members of the E-House Group (as defined therein) no longer collectively own at least twenty percent (20%) of the voting power of the then outstanding securities of Leju. The master transaction agreement contains provisions relating to Leju's carve-out from E-House. The master transaction agreement provides for cross-indemnities that generally will place the financial responsibility on Leju for all liabilities associated with the current and historical real estate online services business and operations that have been conducted by or transferred to Leju, and generally will place on E-House Holdings the financial responsibility for liabilities associated with all of E-House Holding's other current and historical businesses and operations, in each case regardless of the time those liabilities arise. The master transaction agreement also contains indemnification provisions under which Leju and E-House Holdings will indemnify each other with respect to breaches of the master transaction agreement or any related agreement.

Offshore Transitional Services Agreement. On 10 March 2014, as amended on 4 November 2020, E-House Holdings and Leju entered into the offshore transitional services agreement for a term until 31 December 2025. Under the offshore transitional services agreement, E-House Holdings agrees that, during the service period, E-House Holdings will provide Leju with various corporate support services, including: accounting support; administrative support; marketing support; internal control support; customer service support; and legal support. The price to be paid for the services provided under the offshore transitional service agreement shall be the actual direct costs and indirect costs of providing such services. Direct costs include compensation and travel expenses attributable to employees, temporary workers, and contractors directly engaged in performing the services as well as materials and supplies consumed in performing the services. Indirect costs include occupancy, information technology supervision and other overhead costs of the department incurring the direct costs of providing the service.

Onshore Transitional Services Agreement. On 10 March 2014, as amended on 4 November 2020, Shanghai Real Estate Sales (Group) Co., Ltd. ("**E-House Shanghai**"), Shanghai SINA Leju Information Technology Co., Ltd., Beijing Yisheng Leju Information Services Co., Ltd., Shanghai Yi Yue Information Technology Co., Ltd., Shanghai Yi Xin E-Commerce Co., Ltd., Beijing Maiteng Fengshun Science and Technology Co., Ltd., Beijing Jiajujiu E-Commerce Co., Ltd., and Rehouse Real Estate Broker (Shanghai) Co., Ltd. ("**Leju Subsidiaries**"), entered into the onshore transitional services agreement for a term until 31 December 2025. The onshore transitional services agreement adopts terms and conditions similar to those of the offshore transitional services agreement. Under the onshore transitional services agreement, E-House Shanghai, an indirectly wholly owned subsidiary of E-House Holdings, agrees, during the applicable service period, to provide the Leju Subsidiaries or the Leju PRC Entities (as defined therein), and/or their designated PRC affiliates, with various corporate support services, including accounting support, administrative support, internal control and internal audit support, marketing support, customer service support and legal support. The price to be paid for the services provided under the onshore transitional services agreement shall be the actual direct costs and indirect costs of providing such services. Direct costs include compensation and travel expenses attributable to employees, temporary workers, and contractors directly engaged in performing the services as well as materials and supplies consumed in performing the services. Indirect costs include occupancy, information technology supervision and other overhead costs of the department incurring the direct costs of providing the service.

Non-competition Agreement. On 10 March 2014, E-House Holdings and Leju entered into the non-competition agreement for a term from 10 March 2014 until the later of (i) three years after the first date when E-House Holdings ceases to own in aggregate at least 20% of the voting power of Leju's then outstanding securities and (ii) five years after the date that the registration statement on Form F-1 for Leju's initial public offering is first publicly filed with the SEC. E-House Holdings agreed not to compete with Leju during the non-competition period in the business of providing real estate e-commerce, online advertising and listing services, anywhere in the world. Leju agreed not to compete with E-House Holdings during the non-competition period in any business conducted by E-House Holdings as described in its periodic filings with the SEC, other than the businesses Leju are engaged in as described in the prospectus for Leju's initial public offering. The non-competition agreement also provides for a mutual non-solicitation obligation.

View of Directors and Listing Rule implications. The Board, including the independent non-executive directors, have reviewed and approved such transactions, have determined that these transactions are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole (including to facilitate the continuation of business by Leju without interruption).

As all such transactions were entered into prior to completion of the Equity Transfer Agreements, pursuant to Rule 14A.60 of the Listing Rules, the Company is only required to comply with the annual review and disclosure requirements. When any such agreements are renewed or their terms are varied, the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules.

(3) LEJU CONTRACTUAL ARRANGEMENTS

Upon completion of the Equity Transfer Agreements, Leju will become a subsidiary of the Company and its financial results will be consolidated into those of the Group. Due to PRC restrictions on foreign investment in the internet industry and advertising industries, Leju conducts part of its business through the Contractual Arrangements with its affiliated PRC entities, the details of which were described in the section headed “Appendix II – Financial Information of Leju – VIE Arrangements” in the Circular. On 4 November 2020 prior to completion of the Equity Transfer Agreements, Leju entered into the Contractual Arrangements, which have been updated to comply with the applicable requirements of HKEX Guidance Letter GL77-14 and are further described below.

Reasons for Use of Contractual Arrangements

Leju is a leading online-to-offline real estate services provider in China, offering real estate e-commerce, online advertising, and online listing services through its online platform. Leju integrates its online platform with complementary offline services to facilitate residential property transactions.

Leju’s e-commerce business with respect to new residential properties is operated through its contractual arrangements with Shanghai Yi Xin and its shareholders. Leju’s e-commerce business with respect to home furnishing is operated through its contractual arrangements with Beijing Jiajujiu and its shareholders. Leju’s online advertising business for new residential properties websites and its secondary listings business are operated through its contractual arrangements with Beijing Leju and its shareholders.

PRC laws and regulations or their implementation by relevant government authorities, generally prohibit or restrict foreign ownership in the businesses conducted through the Contractual Arrangements. As a result of such restrictions, Leju is unable to own or hold any direct equity interest in the Consolidated Affiliated Entities and has adopted the Contractual Arrangements to exercise control of, and enjoy the economic benefits of, the Consolidated Affiliated Entities.

PRC laws and regulations

Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Edition) (外商投資准入特別管理措施(負面清單)(2020)) (the “**Negative List**”), provision of value-added telecommunications services falls within the ‘restricted’ category. As such, the shareholding percentage of a foreign investor in companies engaged in value-added telecommunications services shall not exceed 50%. Moreover, pursuant to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), a commercial provider of internet information services (namely services involving the provision of information or website-design services through the internet to internet-users for a fee) is required to obtain an ICP license.

Since Leju’s e-commerce business, online advertising business and secondary listings business involve the operation of commercial internet information services, which is a sub-category of valued-added telecommunications business, for which an ICP licence is required, Leju’s e-commerce business, online advertising business and secondary listings business are subject to foreign ownership restrictions.

Currently, PRC laws and regulations restrict foreign ownership of value-added telecommunications service providers (in addition to imposing a qualification requirement on the foreign owners). In addition, PRC laws and regulations currently do not allow foreign entities with less than two years of direct experience operating an advertising business outside China to invest in an advertising business in China.

Qualification Requirements under FITE Regulations

Article 10 of the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the “**FITE Regulations**”) further provides that a major foreign investor which invests in a value-added telecommunications business in the PRC must possess prior experience in, and a proven track record of good performance of, operating value-added telecommunications businesses overseas (the “**Qualification Requirements**”). Foreign investors that meet these requirements must obtain approvals from the MIIT which retain discretion in granting such approvals.

The MIIT issued a Guidance Memorandum on the Application Requirements for Establishing Foreign-invested Value-added Telecommunications Enterprises in the PRC (外商投資經營電信業務審批服務指南) (“**Guidance Memorandum**”). According to this Guidance Memorandum, a foreign investor applicant is required to provide, as proof of the satisfaction of the Qualification Requirements, a description of the value-added telecommunications services previously provided by itself or its direct shareholder, supported by, among other things, screenshots of license and filings previously obtained and websites and apps previously operated, as well as previous telecommunication business licenses issued by the relevant local authorities (unless where no license is required in the relevant jurisdiction). The Guidance Memorandum, however, does not provide any further guidance on the proof, records or documents required to support the proof satisfying the Qualification Requirements. Further, this Guidance Memorandum does not purport to provide an exhaustive list on the application requirement.

The PRC Legal Adviser has advised that at present, the Guidance Memorandum has no legal or regulatory effect under PRC laws and no applicable PRC laws, regulations or rules provided clear guidance or interpretation on the Qualification Requirements. Moreover, they have advised that the foreign shareholders of the Company do not have the necessary good performance and operational experience of value-added telecommunication services. Therefore, they are unable to engage in value-added telecommunication business in the PRC. We are unable to establish a Sino-foreign equity joint venture and obtain an ICP license for the time being based on the current policy of relevant PRC governmental authorities, and even if we meet the Qualification Requirement, it would still be difficult to obtain approval to establish a Sino-foreign equity joint venture.

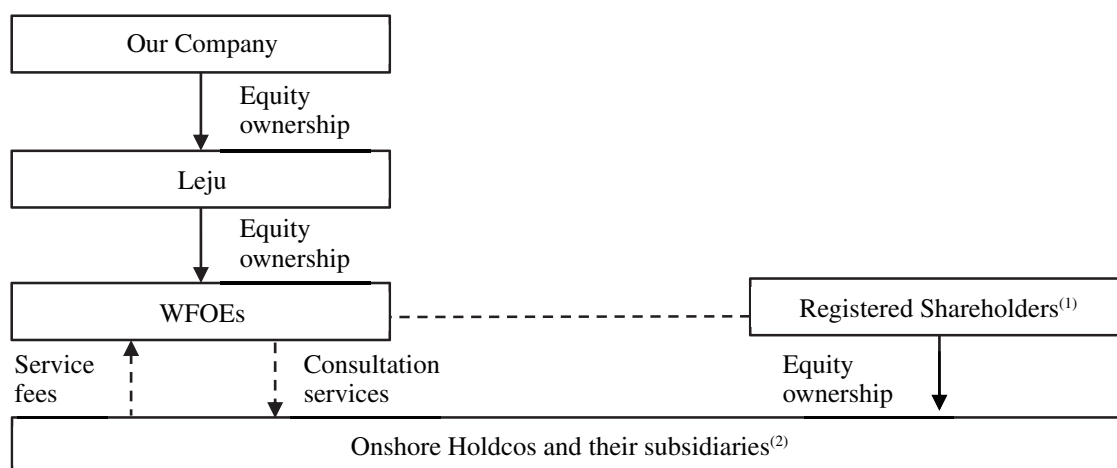
We will actively manage the operations of Leju and procure it to continue carrying out steps (including leveraging its and our offshore operations) after closing for the purpose of being qualified, as early as possible, to acquire the entire shareholding in our Onshore Holdcos when the relevant PRC laws and regulations and authorities allow foreign investors to invest and hold interest in enterprises which engage in the restricted businesses. Considering the time since acquiring a majority interest in Leju, the PRC Legal Adviser is of the view that we have taken all reasonable steps towards fulfilling the Qualification Requirements subject to the discretion of competent authority.

Circumstances in which we will unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable, to the extent permissible, and we will directly hold the maximum percentage of ownership interest permissible under the relevant PRC laws and regulations if the relevant government authority grants ICP licences to the Sino-foreign entities currently held and to be established by our Company. In this event, each WFOE will exercise its rights under the relevant Exclusive Option Agreement to unwind and terminate the Contractual Arrangements to the extent permissible and we will directly operate the underlying businesses without using the Contractual Arrangements.

Overview of Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to our Group under the Contractual Arrangements:



Notes:

- (1) Beijing Leju is currently 80% owned by Mr. Xudong Zhu and 20% owned by Mr. Yinyu He. Shanghai Yi Xin and Beijing Jiajujiu are each currently 70% owned by Mr. Yinyu He and 30% owned by Mr. Weijie Ma. Mr. Xudong Zhu is an employee of E-House Holdings. Mr. Yinyu He is the chief executive officer of Leju. Mr. Weijie Ma is an employee of E-House Holdings.
- (2) “—>” denotes direct legal and beneficial ownership in the equity interest.
- (3) “--->” denotes contractual relationship.
- (4) “----” denotes the control by WFOEs over the Registered Shareholders and the Onshore Holdcos through (i) powers of attorney to exercise all shareholders’ rights in the Onshore Holdcos, (ii) exclusive options to acquire all or part of the equity interests in the Onshore Holdcos and (iii) equity pledges over the equity interests in the Onshore Holdcos.

Exclusive Business Cooperation Agreements

Under the exclusive business cooperation agreements dated 4 November 2020, between the Onshore Holdcos and the WFOEs (the “**Exclusive Business Cooperation Agreements**”), pursuant to which, in exchange for a monthly service fee, the Onshore Holdcos agreed to engage the WFOEs as its exclusive provider of technical support, consultation and other services, including the following services:

- (i) the use of any relevant software legally owned by the WFOEs;
- (ii) development, maintenance and updating of software in respect of the Onshore Holdcos’ business;
- (iii) design, installation, daily management, maintenance and updating of network systems, hardware and database design;
- (iv) providing technical support and staff training services to relevant employers of the Onshore Holdcos;
- (v) providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under the laws of China);
- (vi) providing business management consultation;
- (vii) providing marketing and promotional services;
- (viii) providing customer order management and customer services;
- (ix) transfer, leasing and disposal of equipment or properties; and
- (x) other relevant services requested by the Onshore Holdcos from time to time to the extent permitted under the laws of China.

Under the Exclusive Business Cooperation Agreements, the service fee shall consist of 100% of the total consolidated profit of the Onshore Holdcos, after the deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, the WFOEs may adjust the scope and amount of services fees according to China tax law and tax practices, and the Onshore Holdcos will accept such adjustments. The WFOEs shall calculate the service fee on a monthly basis and issue a corresponding invoice to the Onshore Holdcos. Notwithstanding the payment arrangements in the Exclusive Business Cooperation Agreements, the WFOEs may adjust the payment time and payment method, and the Onshore Holdcos will accept any such adjustment.

In addition, absent the prior written consent of the WFOEs, during the term of the Exclusive Business Cooperation Agreements, with respect to the services subject to the Exclusive Business Cooperation Agreements and other matters, the Onshore Holdcos shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreements with any third party. The WFOEs may appoint other parties, who may enter into certain agreements with the Onshore Holdcos, to provide the Onshore Holdcos with the services under the Exclusive Business Cooperation Agreements.

The Exclusive Business Cooperation Agreements also provide that the WFOEs have the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the Onshore Holdcos during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreements shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Cooperation Agreements; (b) in writing by the WFOEs; or (c) renewal of the expired business period of either the WFOEs or the Onshore Holdcos is denied by relevant government authorities, at which time the Exclusive Business Cooperation Agreements will terminate upon termination of that business period.

Exclusive Option Agreements

Under the exclusive option agreements dated 4 November 2020, among the Onshore Holdcos, the WFOEs and the Registered Shareholders (the “**Exclusive Option Agreements**”), the WFOEs have the rights to require the Registered Shareholders to transfer any or all their equity interests in the Onshore Holdcos to the WFOEs and/or a third party designated by it, in whole or in part at any time and from time to time, for considerations equivalent to the respectively outstanding loans owed to the Registered Shareholders (or part of the loan amounts in proportion to the equity interests being transferred) or, if applicable, for a nominal price, unless the relevant government authorities or the China laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request.

The Onshore Holdcos and the Registered Shareholders, among other things, have covenanted that:

- (i) without the prior written consent of the WFOEs, they shall not in any manner supplement, change or amend the constitutional documents of the Onshore Holdcos, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- (ii) they shall maintain the Onshore Holdcos’ corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling their affairs;
- (iii) without the prior written consent of the WFOEs, they shall not at any time following the signing of the Exclusive Option Agreements sell, transfer, pledge or dispose of in any manner any material assets of the Onshore Holdcos or legal or beneficial interest in the material business or revenues of the Onshore Holdcos of more than RMB1,000,000, or allow the encumbrance thereon of any security interest;
- (iv) without the prior written consent of the WFOEs, the Onshore Holdcos shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business other than payables incurred by a loan;
- (v) the Onshore Holdcos shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect the Onshore Holdcos’ operating status and asset value;

- (vi) without the prior written consent of the WFOEs, they shall not cause the Onshore Holdcos to execute any material contract with a value above RMB1,000,000, except the contracts executed in the ordinary course of business;
- (vii) without the prior written consent of the WFOEs, they shall not cause the Onshore Holdcos to provide any person with any loan or credit;
- (viii) they shall provide the WFOEs with information on the Onshore Holdcos' business operations and financial condition at the request of the WFOEs;
- (ix) if requested by the WFOEs, they shall procure and maintain insurance in respect of the Onshore Holdcos' assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- (x) without the prior written consent of the WFOEs, they shall not cause or permit the Onshore Holdcos to merge, consolidate with, acquire or invest in any person;
- (xi) they shall immediately notify the WFOEs of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the Onshore Holdcos' assets, business or revenue;
- (xii) to maintain the ownership by the Onshore Holdcos of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- (xiii) without the prior written consent of the WFOEs, the Onshore Holdcos shall not in any manner distribute dividends to their shareholders, provided that upon the written request of the WFOEs, the Onshore Holdcos shall immediately distribute all distributable profits to their shareholders;
- (xiv) at the request of the WFOEs, they shall appoint any persons designated by the WFOEs as the directors and/or senior management of the Onshore Holdcos; and
- (xv) unless otherwise mandatorily required by China laws, the Onshore Holdcos shall not be dissolved or liquidated without prior written consent by the WFOEs.

In addition, the Registered Shareholders, among other things, have covenanted that:

- (i) without the written consent of the WFOEs, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in the Onshore Holdcos, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreements and the interests prescribed in the Powers of Attorney, and procure the shareholders' meeting and the board of directors of the Onshore Holdcos not to approve such matters;
- (ii) for each exercise of the equity purchase option, to cause the shareholders' meeting of the Onshore Holdcos to vote on the approval of the transfer of equity interests and any other action requested by the WFOEs;

- (iii) they shall relinquish the pre-emptive right (if any) he/she is entitled to in relation to the transfer of equity interest by any other shareholders to the Onshore Holdcos and give consent to the execution by each other shareholder of the Onshore Holdcos with the WFOEs and the Onshore Holdcos exclusive option agreements, equity interest pledge agreements and powers of attorney similar to the Exclusive Option Agreements, the Equity Pledge Agreements and the Powers of Attorney, and accept not to take any action in conflict with such documents executed by the other shareholders (if any); and
- (iv) each of the Registered Shareholders will transfer to the WFOEs or its appointee(s) by way of gift any profit or dividend in accordance with the China law.

The Registered Shareholders have also undertaken that, subject to the relevant laws and regulations, they will return to the WFOEs any consideration they receive in the event that the WFOEs exercise the options under the Exclusive Option Agreements to acquire the equity interests in the Onshore Holdcos.

The Exclusive Option Agreements shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders in the Onshore Holdcos have been transferred to the WFOEs or their appointee(s).

Equity Pledge Agreements

Under the equity pledge agreements dated 4 November 2020, entered into between the WFOEs, the Registered Shareholders and the Onshore Holdcos (the “**Equity Pledge Agreements**”), the Registered Shareholders agreed to pledge all their respective equity interests in the Onshore Holdcos that they own, including any interest or dividend paid for the shares, to the WFOEs as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in respect of the Onshore Holdcos 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 Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), the WFOEs shall have the right to require the Onshore Holdcos’ shareholders (i.e. the Registered Shareholders) to immediately pay any amount payable by the Onshore Holdcos under the Exclusive Business Cooperation Agreement, repay any loans and pay any other due payments, and the WFOEs shall have the right to exercise all such rights as a secured party under any applicable China law and the Equity Pledge Agreements, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered Shareholders.

The registration of the Equity Pledge Agreements as required by the relevant laws and regulations will be completed in accordance with the terms of the Equity Pledge Agreements and China laws and regulations.

Powers of Attorney

The Registered Shareholders have executed powers of attorney dated 4 November 2020, (the “**Powers of Attorney**”). Under the Powers of Attorney, the Registered Shareholders irrevocably appointed the WFOEs and their designated persons (including but not limited to Directors and their successors and liquidators replacing the Directors but excluding those non-independent or who may give rise to conflict of interests) as their attorneys-in-fact to exercise on their behalf, and agreed and undertook not to exercise without such attorneys-in-fact’s prior written consent, any and all right that they have in respect of their equity interests in the Onshore Holdcos, including without limitation:

- (i) to convene and attend shareholders’ meetings of the Onshore Holdcos;
- (ii) to file documents with the relevant companies registry;
- (iii) to exercise all shareholder’s rights and shareholder’s voting rights in accordance with law and the constitutional documents of the Onshore Holdcos, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in the Onshore Holdcos;
- (iv) to execute any and all written resolutions and meeting minutes and to approve the amendments to the articles of associations in the name and on behalf of such shareholder; and
- (v) to nominate or appoint the legal representatives, directors, supervisors, general manager and other senior management of the Onshore Holdcos.

Further, the Powers of Attorney shall remain effective for so long as each shareholder holds equity interest in the Onshore Holdcos.

Loan Agreements

Under the loan agreements entered into between the WFOEs and the relevant Registered Shareholders dated 4 November 2020, (the “**Loan Agreements**”), pursuant to which the WFOEs agreed to provide loans to the Registered Shareholders, to be used exclusively as investment in the relevant Onshore Holdcos. The loans must not be used for any other purposes without the relevant lender’s prior written consent.

The term of each loan commences from the date of the agreement and ends on the date the lender exercises its exclusive call option under the relevant Exclusive Option Agreement, or when certain defined termination events occur, such as if the lender sends a written notice demanding repayment to the borrower, or upon the default of the borrower, whichever is earlier.

After the lender exercises his exclusive call option, the borrower may repay the loan by transferring all of its equity interest in the relevant Onshore Holdco to the lender, or a person or entity nominated by the lender, and use the proceeds of such transfer as repayment of the loan. If the proceeds of such transfer is equal to or less than the principal of the loan under the relevant Loan Agreement, the loan is considered interest-free. If the proceeds of such transfer is higher than the principal of the loan under the relevant Loan Agreement, any surplus is considered interest for the loan under the relevant Loan Agreement.

Confirmations from the Registered Shareholders

Each of the Registered Shareholders has confirmed to the effect that: (i) his/her spouse does not have the right to claim any interests in the respective Onshore Holdcos (together with any other interests therein) or exert influence on the day-to-day management of the respective Onshore Holdcos; and (ii) in the event of his/her death, incapacity, divorce or any other event which causes his/her inability to exercise his/her rights as a shareholder of the respective Onshore Holdcos, he/her will take necessary actions to safeguard his/her interests in the respective Onshore Holdcos (together with any other interests therein) and his/her successors (including his/her spouse) will not claim any interests in the respective Onshore Holdcos (together with any other interests therein) to the effect that the Registered Shareholders' interests in the Onshore Holdcos shall not be affected.

Spouse undertakings

The spouse of each of the Registered Shareholders, where applicable, has signed an undertaking (the "**Spouse Undertakings**") to the effect that (i) the respective Registered Shareholder's interests in the respective Onshore Holdcos (together with any other interests therein) do not fall within the scope of communal properties, and (ii) he/she has no right to or control over such interests of the respective Registered Shareholder and will not have any claim on such interests.

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission Shanghai Sub-Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets (including dealing with such assets) of our Onshore Holdcos or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of our Onshore Holdcos; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the China and the places where the principal assets of the WFOEs or our Onshore Holdcos are located for interim remedies or injunctive relief.

However, the PRC Legal Adviser has advised that the above provisions may not be enforceable under the China laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entities pursuant to the current China laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China.

As a result of the above, in the event that the Onshore Holdcos or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected.

Conflict of Interest

Each of the Registered Shareholders has given their irrevocable undertakings in the Powers of Attorney which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. For further details, see the sub-paragraph headed “– Powers of Attorney” above.

Loss Sharing

Under the relevant China laws and regulations, none of our Company and the WFOEs is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, our Consolidated Affiliated Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. The WFOEs intend to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in China through our Consolidated Affiliated Entities, which hold the requisite China operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses.

Liquidation

Pursuant to the Exclusive Option Agreements, in the event of a mandatory liquidation required by the China laws, the shareholders of our Consolidated Affiliated Entities shall give the proceeds they received from liquidation as a gift to the WFOEs or its designee(s) to the extent permitted by the China laws.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Confirmation on Interference and Encumbrance

As of the date of this announcement, Leju has not encountered any interference or encumbrance from any China governing bodies in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangements based on public information.

Legality of the Contractual Arrangements

Subject to “– Reasons for use of Contractual Arrangements” and “– Risk factors” herein, our PRC Legal Adviser is of the opinion that:

1. the ownership structure of each of the Onshore Holdcos does not violate applicable PRC laws;
2. each of the Contractual Arrangements has been duly executed and delivered by the relevant parties;

3. each of such Contractual Arrangements is valid and binding;
4. the execution, delivery and performance of the Contractual Arrangements by each of the relevant parties to which it is a party do not violate any PRC laws and would not be deemed as ‘concealment of illegal intentions with a lawful form’ or void under PRC Contract Law and the General Principles of the PRC Civil Law;
5. all necessary PRC governmental authorizations that are required to ensure the legality, validity and enforceability of each Contractual Arrangement in the PRC have been made or obtained and remain in full force and effect, except that the exercise of the call options under the relevant call option agreements among the Contractual Arrangements and the foreclosure of the pledge under the relevant equity pledge agreements among the Contractual Arrangements should be approved, filed with, and/or registered with the relevant PRC authorities; and
6. subject to (a) the requirements and procedures of the admission of evidence under the PRC laws, and (b) the discretion of the courts of competent jurisdiction in the PRC, for the purpose of the admissibility in evidence of each of the Contractual Arrangements in the PRC, it is not necessary that any such document be filed or recorded with any court or other authority in the PRC, except for the purpose of the registration of the equity pledges contemplated thereunder.

We have been advised by our PRC Legal Adviser, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC Legal Adviser. We have been further advised by our PRC Legal Adviser that if the PRC government finds that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the relevant business, we could be subject to severe penalties.

Based on all of the above, our Directors are of the view that the Contractual Arrangements are enforceable, narrowly tailored to achieve our business purpose and minimise the potential for conflict with relevant PRC laws and regulations because the Contractual Arrangements are only used to enable our Company to control our Consolidated Affiliated Entities that engage in the operation of the restricted businesses where PRC laws and regulations restrict foreign ownership and impose Qualification Requirements on the foreign owners that are currently impracticable for us to meet.

Accounting Aspects of the Contractual Arrangements

Although our Company does not directly or indirectly own the Consolidated Affiliated Entities, the Contractual Arrangements enable our Company to exercise control over the Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities’ results of operations, assets and liabilities, and cash flows are consolidated into our Company’s financial statements. The Company has confirmed such consolidation with the Company’s auditors.

Internal Control of the Contractual Arrangements

Our Group has adopted the following measures to ensure the effective internal control and operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

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

Risk Factors

A summary of the risks associated with the Contractual Arrangements was set out in the section headed “Appendix II – Financial Information of Leju – Risks in relation to the VIE structure” in the Circular. Further details of these risks, including those detailed in Leju’s annual report on Form 20-F filed with the United States Securities and Exchange Commission on 15 July 2020, are set out below.

If the PRC government finds that the agreements that establish the structure for operating our advertising services business and real estate online business in China do not comply with PRC governmental restrictions on foreign investment in the advertising industry or the internet information service industry, we could be subject to severe penalties.

Leju Holdings Limited is a Cayman Islands exempted company and a foreign person under PRC law. Due to PRC government restrictions on foreign investment in the internet industry and the uncertainty over administrative practice in advertising industries, we conduct part of our business through contractual arrangements with our affiliated PRC entities. Our e-commerce business with respect to new residential properties is operated through our contractual arrangements with Shanghai Yi Xin and its shareholders. Our e-commerce business with respect to home furnishing is operated through our contractual arrangements with Beijing Jiajujiu and its shareholders. Our online advertising business for new residential properties websites and our secondary listings business are operated through our contractual arrangements with Beijing Leju and its shareholders. Beijing Leju and its subsidiaries, Shanghai Yi Xin, and Beijing Jiajujiu and its subsidiaries and branches hold the licenses and approvals that are essential for our business operations.

We have entered into, through our PRC subsidiaries, Shanghai SINA Leju, Shanghai Yi Yue and Beijing Maiteng, a series of contractual arrangements with Beijing Leju, Shanghai Yi Xin, Beijing Jiajujiu and their respective shareholders. These contractual arrangements enable us to (i) direct the activities that most significantly affect the economic performance of Beijing Leju, Shanghai Yi Xin, Beijing Jiajujiu and their subsidiaries and branches; (ii) receive substantially all of the economic benefits from the three consolidated variable interest entities and their subsidiaries in consideration for the services provided by our PRC subsidiaries; and (iii) have an exclusive option to purchase all or part of the equity interests in the consolidated variable interest entities, when and to the extent permitted by PRC law, or request any existing shareholder of the consolidated variable interest entities to transfer all or part of the equity interest in the consolidated variable interest entities to another PRC person or entity designated by us at any time in our discretion.

If the PRC government finds that these contractual arrangements do not comply with its restrictions on foreign investment in the internet business or advertising industry, or if the PRC government otherwise finds that we, Beijing Leju, Shanghai Yi Xin or Beijing Jiajujiu, or any of their subsidiaries and branches is in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the State Administration for Industry and Commerce, which regulates advertising companies, and the MIIT, which regulates internet information service companies, would have broad discretion in dealing with such violations, including:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or our PRC subsidiaries and affiliates may not be able to comply;
- requiring us or our PRC subsidiaries and affiliates to restructure the relevant ownership structure or operations; or
- taking other regulatory or enforcement actions that could be harmful to our business.

The imposition of any of these penalties could have a material and adverse effect on our business, financial condition and results of operations. If any of these penalties results in our inability to direct the activities of any of Beijing Leju, Shanghai Yi Xin or Beijing Jiajujiu that most significantly impact its economic performance, and/or our failure to receive the economic benefits from any of Beijing Leju, Shanghai Yi Xin or Beijing Jiajujiu, we may not be able to consolidate the entity in our consolidated financial statements.

We rely on contractual arrangements with Beijing Leju, Shanghai Yi Xin and Beijing Jiajujiu and their respective shareholders for a portion of our operations, which may not be as effective as direct ownership in providing operational control.

We rely on contractual arrangements with Beijing Leju, Shanghai Yi Xin and Beijing Jiajujiu and their respective shareholders to operate our online real estate business. These contractual arrangements may not be as effective as direct ownership in providing us with control over Beijing Leju, Shanghai Yi Xin or Beijing Jiajujiu. These contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. If any of the other parties fails to perform their obligations under these contractual arrangements, we may have to incur substantial costs and resources to enforce such arrangements, and we would have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages, which we cannot assure you will be effective. Furthermore, the legal environment in China is not as developed as in other jurisdictions, such as the United States or Hong Kong. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements, which may make it difficult to exert effective control over Beijing Leju, Shanghai Yi Xin and Beijing Jiajujiu, and our ability to conduct our business may be negatively affected.

In 2017, 2018 and 2019, Beijing Leju, Shanghai Yi Xin, Beijing Jiajujiu and their respective subsidiaries and branches contributed in aggregate 98.7%, 99.5% and 99.9% of Leju's total net revenues, respectively, based on public information. In the event we are unable to enforce the contractual arrangements, we may not be able to have the power to direct the activities that most significantly affect the economic performance of Beijing Leju, Shanghai Yi Xin, Beijing Jiajujiu and their respective subsidiaries and branches, and our ability to conduct our business may be negatively affected, and we may not be able to consolidate the financial results of Beijing Leju, Shanghai Yi Xin, Beijing Jiajujiu and their respective subsidiaries and branches into our consolidated financial statements.

The shareholders of our consolidated variable interest entities may have potential conflicts of interest with us, and if any such conflicts of interest are not resolved in our favor, our business may be materially and adversely affected.

Designated individuals who are PRC nationals are the shareholders of our consolidated variable interest entities in China. These individuals may have conflicts of interest with us. We cannot assure you that when conflicts of interest arise, they will act in the best interests of our company or that conflicts of interests will be resolved in our favor. In addition, they may breach or cause our variable interest entities and their subsidiaries to breach or refuse to renew the existing contractual arrangements that allow us to effectively control our consolidated variable interest entities and their subsidiaries and receive economic benefits from them. Currently, we do not have arrangements to address potential conflicts of interest between the shareholders of our consolidated variable interest entities and our company. We rely on them to abide by the laws of the Cayman Islands and China, which provide that directors and/or officers owe a fiduciary duty to our company, which requires them to act in good faith and in the best interests of our company and not to use their positions for personal gain. If we cannot resolve any potential conflicts of interest or disputes between us and the individual shareholders of our consolidated variable interest entities which may arise, we would have to rely on legal proceedings to enforce our rights, which could be costly and unsuccessful.

Our ability to enforce the equity pledge agreements between us and the shareholders of Beijing Leju, Shanghai Yi Xin or Beijing Jiajujiu may be subject to limitations based on PRC laws and regulations.

Pursuant to the equity pledge agreements relating to our consolidated variable interest entities, Beijing Leju, Shanghai Yi Xin and Beijing Jiajujiu, the shareholders of the consolidated variable interest entities pledge their equity interest in the consolidated variable interest entities to our subsidiaries to secure their and the relevant consolidated variable interest entities' performance of the obligations under the relevant contractual arrangements. The equity pledges under these equity pledge agreements have been registered with the relevant local branch of the State Administration for Industry and Commerce. According to the PRC Property Law and PRC Guarantee Law, the pledgee and the pledgor are prohibited from making an agreement prior to the expiration of the debt performance period to transfer the ownership of the pledged equity to the pledgee when the obligor fails to pay the debt due. However, under the PRC Property Law, when an obligor fails to pay its debt when due, the pledgee may choose to either conclude an agreement with the pledgor to obtain the pledged equity or seek payments from the proceeds of the auction or sell-off of the pledged equity. If any of the consolidated variable interest entities or its shareholders fails to perform its obligations secured by the pledges under the equity pledge agreements, one remedy in the event of default under the agreements is to require the pledgor to sell the equity interests in the relevant consolidated variable interest entity in an auction or private sale and remit the proceeds to our subsidiaries in China, net of related taxes and expenses. Such an auction or private sale may not result in our receipt of the full value of the equity interests in the relevant consolidated variable interest entity. We consider it very unlikely that the public auction process would be undertaken since, in an event of default, our preferred approach would be to ask our PRC subsidiary that is a party to the exclusive call option agreement with the consolidated variable interest entity's shareholder, to designate another PRC person or entity to acquire the equity interest in the consolidated variable interest entity and replace the existing shareholder pursuant to the exclusive call option agreement.

In addition, in the registration forms of the local branch of State Administration for Industry and Commerce for the pledges over the equity interests under the equity pledge agreements, the amount of registered equity interests pledged to our PRC subsidiaries was stated as the pledgor's portion of the registered capital of the consolidated variable interest entity. The equity pledge agreements with the shareholders of the consolidated variable interest entities provide that the pledged equity interest constitutes continuing security for any and all of the indebtedness, obligations and liabilities under the relevant contractual arrangements, and therefore the scope of pledge should not be limited by the amount of the registered capital of the consolidated variable interest entities. However, there is no guarantee that a PRC court will not take the position that the amount listed on the equity pledge registration forms represents the full amount of the collateral that has been registered and perfected. If this is the case, the obligations that are supposed to be secured in the equity pledge agreements in excess of the amount listed on the equity pledge registration forms could be determined by the PRC court to be unsecured debt, which takes last priority among creditors and often does not have to be paid back at all. We do not have agreements that pledge the assets of the consolidated variable interest entities and their subsidiaries for the benefit of us or our PRC subsidiaries, although the consolidated variable interest entities grant our PRC subsidiaries options to purchase the assets of the consolidated variable interest entities and their equity interests in their subsidiaries under the exclusive call option agreement.

Contractual arrangements we have entered into with Beijing Leju, Shanghai Yi Xin and Beijing Jiajujiu may be subject to scrutiny by the PRC tax authorities and a finding that we, Beijing Leju, Shanghai Yi Xin or Beijing Jiajujiu owe additional taxes could reduce our net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be audited or challenged by the PRC tax authorities. We could face material and adverse consequences if the PRC tax authorities determine that the contractual arrangements we have entered into with Beijing Leju, Shanghai Yi Xin or Beijing Jiajujiu do not represent an arm's-length price and adjust the taxable income of Beijing Leju, Shanghai Yi Xin, Beijing Jiajujiu or their subsidiaries and branches in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by Beijing Leju, Shanghai Yi Xin, Beijing Jiajujiu or their subsidiaries and branches, which could in turn increase their PRC tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties on our consolidated variable interest entities for underpayment of taxes. Our consolidated net income may be materially and adversely affected if our consolidated variable interest entities' tax liabilities increase or if they are found to be subject to late payment fees or other penalties.

Substantial uncertainties exist with the PRC foreign investment legal regime and may have a significant impact on our corporate structure and business operations.

On 15 March 2019, the National People's Congress adopted the Foreign Investment Law (外商投資法), which came into effect on 1 January 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (中外合資經營企業法), the Sino-Foreign Cooperative Joint Venture Enterprise Law (中外合作經營企業法) and the Wholly Foreign-Invested Enterprise Law (外資企業法) to become the legal foundation for foreign investment in the PRC. On 26 December 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on 1 January 2020.

To obtain and maintain necessary licenses and permits in industries that are currently subject to foreign investment restrictions or prohibitions in China, many PRC-based companies including us have adopted the approach of conducting operations through contractual arrangements. The Foreign Investment Law currently does not explicitly categorize contractual arrangements as a form of foreign investment. However, the Foreign Investment Law also provides that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council" without elaboration on the meaning of "other methods". The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. There is no assurance that future laws, administrative regulations or provisions of the State Council would not count contractual arrangements as a form of foreign investment. Therefore, it is currently uncertain how our Contractual Arrangements will be identified as and whether it will meet the requirements of foreign investment access.

In the worst-case scenario, we may be required to unwind the Contractual Arrangements and/or dispose of our Consolidated Affiliated Entities, which could have a material and adverse effect on our business operations. In the event that our Company no longer has a sustainable business after the aforementioned unwinding of the Contractual Arrangements or disposal, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares or even result in delisting of our Company.

Waiver from Strict Compliance with the Listing Rules

Reasons for the transaction and the waiver application

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations following the acquisition of a controlling interest in Leju. Our Directors also believe that our structure, whereby the financial results of the Consolidated Affiliated Entities will be consolidated into our financial statements as if they were our Company's wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the connected transactions rules. 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 our Consolidated Affiliated Entities and any member of our Group from time to time (including Consolidated Affiliated Entities) (the "**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all such transactions to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and independent shareholders' approval requirements.

The Directors (including independent non-executive Directors) are of the view that: (i) the Contractual Arrangements have been entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; and (ii) it is normal business practice for the Contractual Arrangements to be of a term greater than three years.

Fortune Financial Capital Limited, the Independent Financial Adviser, is also of the view that in relation to the Contractual Arrangements, it is normal business practice for agreements of this type to be of such duration exceeding three years based on all the matters set out above, including in particular: (i) its discussion with the Directors, including regarding the advice of the PRC Legal Adviser about, and the necessity of, the Contractual Arrangement for the business of Leju, which requires ICP licenses for its operations at a time when PRC laws and regulations restrict foreign ownership of value-added telecommunications service providers (in addition to imposing a qualification requirement on the foreign owners); (ii) the fact that as the contractual arrangement structure thereunder is a long-term arrangement, it would be unduly burdensome and impracticable, and would add unnecessary administration costs for the Company to renew Contractual Arrangements every three years or less; and (iii) the fact that the duration of similar arrangements of other listed issuers on the Stock Exchange are normally 10 years or infinite until termination.

Listing Rules implications and waiver application

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review and announcement approval requirements under Chapter 14A of the Listing Rules but are exempt under Listing Rule 14A.101 from the circular, independent financial advice and shareholders' approval requirements.

In respect of the Contractual Arrangements and New Intergroup Agreements, we have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the requirements of (i) Rule 14A.52 of the Listing Rules for setting a fixed term for the Contractual Arrangements, and (ii) Rule 14A.53 of the Listing Rules for setting annual caps for the transactions contemplated under the Contractual Arrangements, for so long as our Shares are listed on the Stock Exchange subject to the following conditions.

No change without independent non-executive Directors' approval

Save as described below, no change to the Contractual Arrangements (including with respect to any fees payable to the WFOEs thereunder) will be made without the approval of our independent non-executive Directors.

No change without independent Shareholders' approval

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will however continue to be applicable.

Economic benefits and flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests in the Consolidated Affiliated Entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOEs by our Consolidated Affiliated Entities under the Contractual Arrangements, and (iii) our Group's right to control the management and operation of, as well as, in substance, a substantial portion of the voting rights of the Consolidated Affiliated Entities.

Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between, on the one hand, our Company and the subsidiaries in which our Company has direct shareholding and, on the other hand, the Consolidated Affiliated Entities, this framework may be renewed and/or reproduced without an announcement, circular, or obtaining the approval of our Shareholders (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the shareholders or directors of, or of their shareholdings in, the Consolidated Affiliated Entities, or (iii) in relation to any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group.

The directors, chief executive or substantial shareholders of any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of our Group and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

This condition is subject to relevant PRC laws, regulations and approvals. Any such renewed or reproduced agreements will be on substantially the same terms and conditions as the existing Contractual Arrangements.

Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report that for the relevant year (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole;
- our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have been approved by our Board, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of 'connected person', our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities themselves), and therefore transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- our Consolidated Affiliated Entities will, for so long as our Shares are listed on the Stock Exchange, provide our Group's management and our Company's auditors with full access to its relevant records for the purpose of reporting on the connected transactions.

(4) DEFINITIONS

Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Circular and the following expressions shall have the following meanings.

“Beijing Jiajujiu”	Beijing Jiajujiu E-Commerce Co., Ltd., a variable interest entity established in China in 22 March 2012 and a Consolidated Affiliated Entity
“Beijing Leju”	Beijing Yisheng Leju Information Services Co., Ltd., a variable interest entity established in China in 8 May 2008 and a Consolidated Affiliated Entity
“Beijing Maiteng”	Beijing Maiteng Fengshun Science and Technology Co., Ltd., a company established in China on 4 January 2012 and a subsidiary of our Company
“Circular”	the circular of the Company dated 14 October 2020 regarding the extraordinary general meeting of the Company held at Meeting Room 1, Shanghai Marriott Hotel Parkview, 333 Guang Zhong Road West, Jing’an District, Shanghai, China, 200072 on Friday, 30 October 2020, at 9:30 a.m.
“Consolidated Affiliated Entity(ies)”	Beijing Leju, Shanghai Yi Xin, Beijing Jiajujiu and their respective subsidiaries and affiliate entities
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry of the PRC (中華人民共和國信息產業部))
“Onshore Holdco” or “consolidated variable interest entities”	Beijing Leju, Shanghai Yi Xin, Beijing Jiajujiu
“PRC Legal Adviser”	Fangda Partners, PRC legal counsel to the Company in relation to the Contractual Arrangements
“Shanghai SINA Leju”	Shanghai SINA Leju Information Technology Co., Ltd., a company established in China on 8 May 2008 and a wholly owned subsidiary of our Company
“Shanghai Yi Xin”	Shanghai Yi Xin E-Commerce Co., Ltd., a variable interest entity established in China in 5 December 2011 and a Consolidated Affiliated Entity
“Shanghai Yi Yue”	Shanghai Yi Yue Information Technology Co., Ltd., a company established in China on 16 September 2011 and a wholly owned subsidiary of our Company

“Tencent” Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange (stock code: 700)

“WFOE(s)” Shanghai SINA Leju, Shanghai Yi Yue and Beijing Maiteng

By order of the Board
E-House (China) Enterprise Holdings Limited
Zhou Xin
Chairman

Hong Kong, 4 November 2020

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Zhou Xin as Chairman and Executive Director, Mr. Huang Canhao, Dr. Cheng Li-Lan and Dr. Ding Zuyu as Executive Directors, Mr. Li Silong, Mr. Zhang Hai, Ms. Xie Mei and Mr. Huang Haojun as Non-executive Directors, and Mr. Zhang Bang, Mr. Zhu Hongchao, Mr. Wang Liqun and Mr. Li Jin as Independent Non-executive Directors.