



貝殼控股有限公司

KE Holdings Inc.

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

Stock Code : 2423

LISTING BY WAY OF INTRODUCTION

JOINT SPONSORS

Goldman Sachs 高盛

 **CICC 中金公司**

IMPORTANT

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.



KE Holdings Inc. 貝殼控股有限公司

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

LISTING BY WAY OF INTRODUCTION ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Stock code : 2423

Joint Sponsors

Goldman Sachs 高盛

 **CICC 中金公司**

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This document is published in connection with the listing by way of introduction on the Main Board of The Stock Exchange of Hong Kong Limited of the Class A ordinary shares of KE Holdings Inc.. This document contains particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to our Company and subsidiaries.

This document does not constitute an offer of, nor is it calculated to invite offers for, Class A ordinary shares or other securities of our Company, nor has any such Class A ordinary shares or other securities been allotted with a view to any of them being offered for sale to or subscription by members of the public. No new Shares will be allotted and issued in connection with, or pursuant to, this document.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors." Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, our Class A ordinary shares following the Introduction is set out in "Market Arrangements to Facilitate Dealings in Hong Kong" in this document.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS DOCUMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Company is controlled through weighted voting rights. Prospective investors should be aware of the potential risks of investing in a company with a WVR structure, in particular that the WVR Beneficiaries, whose interests may not necessarily be aligned with those of our Shareholders as a whole, will be in a position to exert significant influence over the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote. For further information about the risks associated with our WVR structure, see the section headed "Risk Factors — Risks Related to Our Shares and ADSs" in this document. Prospective investors should make the decision to invest in us only after due and careful consideration.

May 5, 2022

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Introduction, we will issue an announcement to be published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk, and our Company at investors.ke.com.

Commencement of investor education activities as described
in “Market Arrangements to Facilitate Dealings in
Hong Kong – Investor Education” from Thursday, May 5, 2022

- dissemination of electronic copies of this listing document through the respective websites of our Company at investors.ke.com and the Hong Kong Stock Exchange at www.hkexnews.hk

Daily announcement released on the respective websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at investors.ke.com, disclosing the previous day closing price (in both US dollars and Hong Kong dollars for reference) of our ADSs (each representing three Class A ordinary shares) on the New York Stock Exchange, and developments and updates, if any, with regard to bridging arrangements described in “Market Arrangements to Facilitate Dealings in Hong Kong” on Thursday, May 5, 2022,
Friday, May 6, 2022,
Monday, May 9, 2022,
Tuesday, May 10, 2022
and no later than 8:30 a.m.
on Wednesday, May 11, 2022

Dealings in the Class A ordinary shares on the Hong Kong
Stock Exchange expected to commence at 9:00 a.m. on Wednesday, May 11, 2022

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) Particulars of the Introduction are set out in “Information About this Document and the Introduction.”

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IMPORTANT NOTICE TO INVESTORS

We have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained nor made in this document must not be relied on by you as having been authorised by the Company, the Joint Sponsors, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Introduction. Information contained in our website located at investors.ke.com does not form part of this document.

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full document. You should read the whole document before you decide to invest in our Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Shares are set forth in the section headed “Risk Factors” of this document. You should read that section carefully before you decide to invest in our Shares.

OVERVIEW

Who We Are

Beike is the leading integrated online and offline platform for housing transactions and services. We are a pioneer in building infrastructure and standards to reinvent how service providers and housing customers efficiently navigate and complete housing transactions in China, ranging from existing and new home sales, home rentals, to home renovation and furnishing, and other services. We believe our proactive engagement with platform participants both online and offline enables us to know them better and serve them better. In 2021, we facilitated over 4.5 million housing transactions on our platform with an aggregate GTV of RMB3,853.5 billion, making us the largest housing transactions and services platform in China, and a top three commerce platform across all industries globally, both in terms of GTV, according to the CIC Report.

We own and operate *Lianjia*, China’s leading real estate brokerage brand and an integral part of our *Beike* platform. We believe the success and proven track record of *Lianjia* pave the way for us to build our infrastructure and standards and drive the rapid and sustainable growth of *Beike*. We have more than 20 years of operating experience through *Lianjia* since our inception in 2001. Such extensive industry experience has provided us with distinct insights into markets, business conditions and customer needs, which we believe are critical for us to offer effective solutions, expand market footprint and capture adjacent opportunities.

Industry Opportunities and Challenges

According to the CIC Report, China’s housing related market reached RMB39.6 trillion in terms of GTV in 2021, and is expected to grow to RMB55.7 trillion by 2026, at a CAGR of 7.1%, remaining to be the world’s largest market in terms of spending. While demand is expected to stay resilient as a result of continuous urbanization, smaller family size and higher disposable income, customers have new engagement and service expectations. At the same time, existing home sales and home rentals are playing an increasingly important role in the total housing supply. As China continues to refine its long-term mechanism for the housing

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market and pushes for stable and balanced growth, there are significant market opportunities for real estate brokerage services serving both ends. According to the CIC Report, the total GTV of home sales and rental transacted through real estate brokerage services in China is expected to grow from RMB12.7 trillion in 2021 to RMB19.4 trillion by 2026, representing a growing penetration rate from 49.8% in 2021 to 61.6% in 2026. Moreover, the market of other housing related services, including home renovation and furnishing, among other things, also has high growth potential and is expected to reach RMB24.2 trillion by 2026.

Despite the massive market size, the housing related industry remains digitally disconnected and has been struggling with low efficiency. For example, it is common in China for a home seller to contact multiple brokerage stores and agents as there is no industry framework for exclusive engagement. At the same time, a home buyer has to deal with a number of brokerage stores and agents in the decision-making process. Without an assurance mechanism for their economic interests, brokerage stores and agents are unwilling to share information and resources. Over time, information isolation and vicious competition in customer acquisition become prevalent in the industry. In addition, the industry is short of professional agents with experiences and tenure due to the historical lack of recognition for the housing brokerage profession. These challenges hinder service quality and lead to lack of trust from housing customers.

Our Solutions – ACN and Beyond

We believe the key to capturing market opportunities while solving industry challenges lies in the ability to build an infrastructure that fundamentally redefines relationships among industry participants. To that end, we introduced Agent Cooperation Network, or ACN, as the operating system underpinning our infrastructure. ACN has been transforming the housing transactions and services industry in China through the following three reinventions: (i) fostering information and resources sharing among service providers to demolish the walls among isolated information islands, (ii) assigning cooperative roles to achieve cross-store and cross-brand collaboration, and (iii) creating a professional network for agents, stores, brands and other service providers to get connected and engaged on the platform. Through over 20 years of refinement and evolvement under *Lianjia* and *Beike*, ACN has enabled us to foster a culture of transparency, collaboration and shared success.

Leveraging ACN, we have been promoting standardization across information, transaction process, and service quality, and building our core competencies that level up the industry playfield. In particular, to effectively motivate agents to share information and resources, ACN consists of standard protocols and practices to specify roles and prescribe agents' rights and obligations through proper commission allocation mechanism. To that end, ACN partitions a housing transaction into various steps and allows multiple agents to cooperate, which creates more opportunities for agents to participate and earn allocated commission, increases transaction efficiency, and enhances agent retention. This is particularly important in the midst of market volatility, as specialization and collaboration ensure better strategy execution and team stability. As agents serving both home buyers and sellers, or landlords and tenants, are connected through our ACN, these housing customers at different

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locations can be efficiently matched through collective efforts. After pioneering a prototype ACN in Beijing and becoming the leading brand locally, *Lianjia* extended the power of ACN to Shanghai and other first- and second-tier cities in China and achieved leading positions in local markets.

Built on the success of our time-tested ACN, we horizontally extended the core competencies of *Lianjia* to *Beike* platform in April 2018 to serve the broad housing related market. As of December 31, 2021, the number of real estate brokerage brands and active stores on *Beike* platform reached 300 and over 45,000 respectively, demonstrating the compatibility of our infrastructure. The adoption of ACN has also brought shared success. In 2021, approximately 76% and 37% of the existing home sales completed on *Beike* platform involved cross-store and cross-brand collaborations, respectively. As of December 31, 2021, approximately 86% of existing home listings on *Beike* platform were posted by agents affiliated with connected stores. In addition, leveraging our extensive presence and local insights, we have become real estate developers' partner of choice and helped them effectively improve sell-through and cash cycle. As our scale grows, we enjoy a powerful network effect that draws more participants, improves efficiency and quality, and allows us to capture more transactions and expand service offerings.

Our Competencies – Technologies and Beyond

We aspire to lead the innovations in the new era of China's housing related industry. Our integrated online and offline operations give us unparalleled insight into the entire industry value chain. Our constantly advancing technology platform allows us to become a pioneer in the industry to streamline and digitalize manual and time-consuming workflows through combining technologies, such as artificial intelligence and machine learning, with our operational know-hows – a characteristic that has now become iconic to *Beike* and followed by our peers. Through modularizing our vertical skills and creating integrated solutions, we have been able to continuously improve operational efficiency and empower platform participants.

Our solutions are purpose-driven and user-oriented. We believe virtual reality will fundamentally redefine the way people interact with the spaces around them. As such, we introduced VR experience to the housing transactions and services industry in China in 2018 to capture and track hundreds of interactions that a home tour may involve and support the home-searching journey in the age of “connected consumer.” Our *RealSee* VR technology integrates industry-leading computer vision and AI to provide three-dimensional walkthroughs of properties and real-time agent interaction, therefore significantly accelerating customers' decision making and enhancing agents' productivity and reach. With instant rendering of home renovation and furnishing effects, *RealSee* also creates high-quality visual experience and makes “what you see is what you get” possible. In 2021, our housing customers had approximately 1.6 billion views and spent over 66 million hours on VR property showings. As we further advance our VR capabilities and set the standard for visualizing residential spaces, *RealSee* is well positioned to deliver value across a diverse set of industries and use cases.

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We continuously innovate and enhance our digital realm with large scale investments in talents and technology. In 2019, 2020 and 2021, our research and development expenses were RMB1,571 million, RMB2,478 million and RMB3,194 million, significantly higher than our peers. The caliber and pedigree of our technology leadership helps us attract and retain software engineers, AI and VR talent, reinforcing our core value of innovation and creating a competitive moat.

Our Path Forward – Transactions and Beyond

China's housing market is moving towards a new equilibrium with stable home prices. While the housing transactions and services industry is expected to remain robust in the foreseeable future on favorable demographic trends, the underlying shift from “buying a right home” to “living a joyful life” has spurred the demand for other housing related services, which are consumption-driven and recurring in nature. In particular, home renovation and furnishing industry presents a massive opportunity driven by a growing share of existing homes in the overall housing supply and Chinese families' pursuit of better living conditions. According to the CIC Report, the market size of home renovation and furnishing in China grew from RMB4.5 trillion in 2016 to RMB6.9 trillion in 2021, and is expected to grow further to RMB10.4 trillion in 2026. Despite its size and resilience, the home renovation and furnishing industry is highly fragmented and lacks a digital infrastructure, industry-wide standards and qualified service providers – the same pain points that we have successfully solved for existing and new home sales.

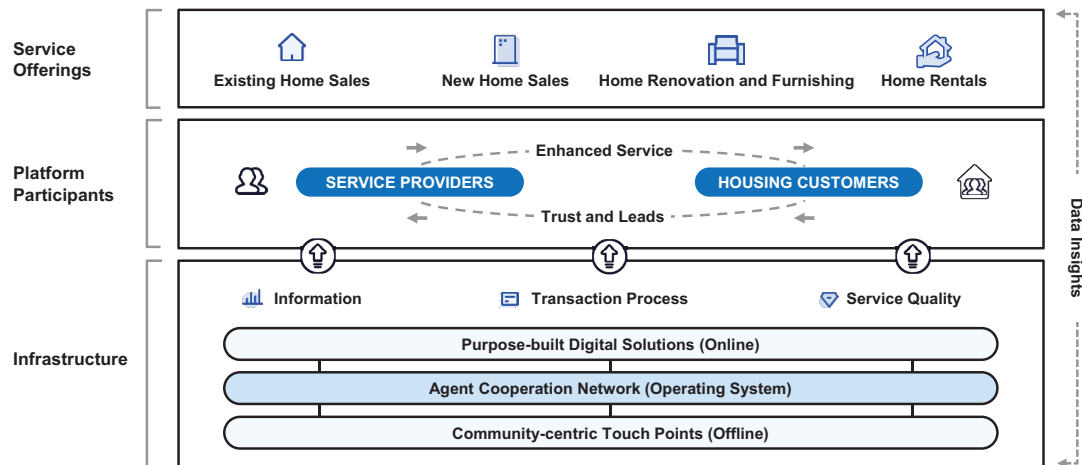
As such, we have adopted our proven “vertical to horizontal” playbook, underpinned by industry-leading standardization and digitalization capabilities, to reinvent home renovation and furnishing industry. We introduced our own home renovation brand, *Beiwoo*, to create an informed, connected and personalized customer experience. As part of our efforts to develop vertical skills, we launched our proprietary *Home SaaS* for renovation and furnishing in 2021, fully modularizing, standardizing and digitalizing the key steps of the home renovation process. These efforts, together with a series of pioneering service commitments, have helped us build our brand and increase its awareness. In 2021, *Beiwoo* has delivered over 3,500 property units to customers. In addition, our acquisition of Shengdu, a full-service home renovation service provider in China with 20 years of operation history, will further strengthen the breadth and depth of our product offerings and extend our presence along the value chain.

We believe that as our business continues to scale and diversify, our increasingly comprehensive solutions will arm us with the ability to address a wider range of housing related consumer needs and serve as further growth drivers.

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Our Platform

The diagram below illustrates the major components of our technology driven *Beike* platform and synergies among them.



Our Purpose and Commitment in Environmental, Social and Governance (ESG)

Beike is a brand rooted in purpose and communities. Our purpose is to achieve “admirable service, joyful living.” We founded our company with the belief that we can transform the housing related industry in China by improving the quality and efficiency of service providers and enhancing customer experience. The three pillars of our belief are that digitalization catalyzes industry transformation, service providers are indispensable, and service quality builds customer trust that transcends market cycles. We are excited and firmly committed to pursuing our purpose by leveraging our people, insights, technology and platform. We aspire to provide comprehensive and trusted housing services to 300 million families.

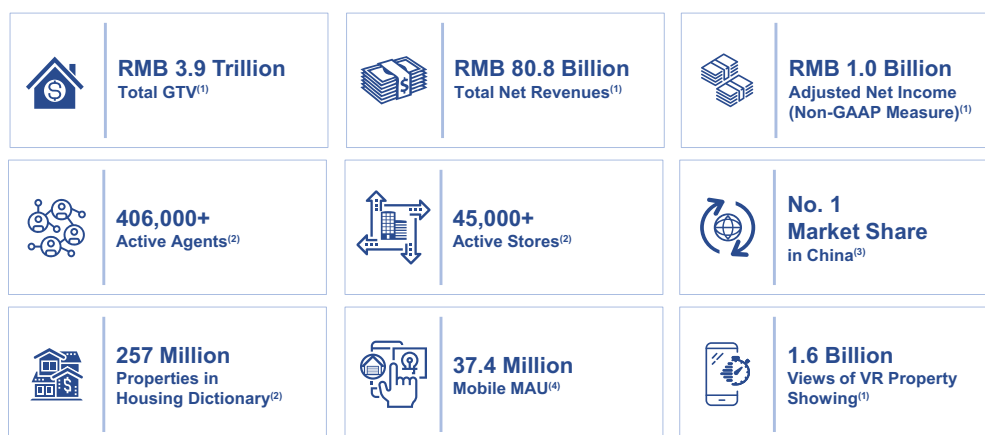
Led by our purpose and the core values, *Beike* integrates ESG criteria into our corporate strategies and stands up for housing customers and service providers on our platform. We are dedicated to helping build and maintain a healthy economy with sustainable growth, common prosperity, and continued innovation. We believe a practical method is more important than mere willingness, therefore we strive to engage through our social impact initiatives. In particular, we have provided funding support for the education of nearly 80,000 students in rural areas in China, and have donated over 600,000 books to 201 charity libraries and contributed to funds that built 12 primary schools in less developed areas in China as of December 31, 2021. As an integral part of the communities, we collaborated with other industry participants to give back to the communities, including providing comprehensive on-the-ground supports for students and parents during the National College Entrance Examination. We initiated an ongoing elderly care program where our agents teach elderly in the community to use smart phones through regular workshops and free Q&A sessions. As of December 31, 2021, the program has been established in over 2,000 communities in 48 cities

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nationwide, providing over 300,000 times of services to the elderly. These initiatives not only bring warmth to the residents in the communities, but also give us greater strength to uphold our purpose – “admirable service, joyful living.”

As our business scale grows, we will continue to leverage the power of our online and offline integrated platform and strive to become a driving force in promoting elderly care and enhancing community welfare.

Our Scale and Financial Performance



Notes:

- (1) For the year ended December 31, 2021.
- (2) As of December 31, 2021.
- (3) In terms of housing related GTV in 2021, according to the CIC Report.
- (4) Average mobile MAU in the three months ended December 31, 2021.

Our industry leadership is further underpinned by the solid operating and financial performance. We continue to grow at scale with GTV increased from RMB3,499.1 billion in 2020 to RMB3,853.5 billion in 2021, representing a year-over-year growth rate of 10.1%.

We generate revenues mainly from fees and commissions in housing transactions and services. We have experienced substantial growth since the commencement of our operations, and our management team has a strong track record of executing our strategies. Our net revenues increased by 14.6% from RMB70.5 billion in 2020 to RMB80.8 billion in 2021.

OUR STRENGTHS

We believe that the following competitive strengths contribute to our success.

- Largest integrated online and offline platform for housing transactions and services

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- Pioneer in developing infrastructure and promoting digitalization and standardization across information, transaction process and service quality
- Brand of choice for industry participants
- Proprietary technology with powerful and purpose-built applications
- Robust platform with significant network effects to serve the ecosystem
- Visionary management team with proven track record of innovations and execution

OUR STRATEGIES

We will focus on the following key growth strategies to realize our vision.

- Continue to develop our infrastructure to enhance efficiency and customer experience
- Further enhance our service quality and invest in talents
- Continue to invest in our technology
- Enrich our service offerings and expand into adjacent opportunities
- Selectively pursue strategic investments and acquisitions

WEIGHTED VOTING RIGHTS STRUCTURE AND OUR CONTROLLING SHAREHOLDERS

Weighted Voting Rights Structure

The Company has a weighted voting rights structure. Under our weighted voting rights structure, our share capital comprises Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share entitles the holder to exercise one vote, and each Class B ordinary share entitles the holder to exercise ten votes, respectively, on any matters subject to the vote at general meetings of the Company, subject to Rule 8A.24 of the Listing Rules that requires the Reserved Matters to be voted on a one vote per share basis (save for the specified exception for the compliance of Rule 8A.24 of the Listing Rules).

SUMMARY

Immediately upon the completion of the Introduction, the WVR Beneficiaries will be the following:

Name of WVR Beneficiaries	Number of Class A ordinary shares	Number of Class B ordinary shares	Approximate percentage of issued share capital⁽¹⁾	Approximate percentage of voting rights⁽¹⁾⁽²⁾
Mr. Yongdong Peng (“ Mr. Peng ”) ⁽³⁾	71,824,250	110,116,275	4.8%	22.5%
Mr. Yigang Shan (“ Mr. Shan ”) ⁽⁴⁾	53,868,189	47,777,775	2.7%	10.2%
Total	125,692,439	157,894,050	7.5%	32.7%

Notes:

- (1) Assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans; and (ii) except for the conversion of 727,407,230 Class B ordinary shares held by Propitious Global into Class A ordinary shares, no other Class B ordinary shares are converted into Class A ordinary shares.
- (2) On the basis that Class A ordinary shares entitle the Shareholder to one vote per share and Class B ordinary shares entitle the Shareholder to ten votes per share, without taking into consideration the voting rights of 885,301,280 Class A ordinary shares held by Propitious Global.
- (3) 110,116,275 Class B ordinary shares and 71,824,250 Class A ordinary shares are held by Ever Orient International Limited, which is wholly-controlled by Mr. Peng.
- (4) 47,777,775 Class B ordinary shares and 53,868,189 Class A ordinary shares are held by Clover Rich Limited, which is wholly-owned by Sapient Rich Holdings Limited. Sapient Rich Holdings Limited is wholly-owned by Trident Trust Company (HK) Limited as the trustee of De Chang Trust, a discretionary trust established by Mr. Shan (as the settlor). The beneficiaries of De Chang Trust are Mr. Shan and his family members.

The Company’s WVR structure enables the WVR Beneficiaries to hold shares with a higher voting power than the holders of Class A ordinary shares. Mr. Peng, the co-founder, the chairman, an executive Director and the chief executive officer of the Company, and Mr. Shan, the co-founder and an executive Director of the Company, are the WVR Beneficiaries holding the Class B ordinary shares. Such shareholding will enable the Company to benefit from the continuing vision and leadership of Mr. Peng and Mr. Shan, who will exercise their voting power with a view to promoting the Company’s long-term prospects and strategy.

Prospective investors are advised to be aware of the potential risks of investing in companies with weighed voting rights structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exercise their higher voting power to influence the affairs of our Company and the outcome of Shareholders’ resolutions, irrespective of how other Shareholders vote.

SUMMARY

Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to “Risk Factors – Risks related to Our Shares and ADSs”. Save for the weighted voting rights attached to Class B ordinary shares, the rights attached to both classes of Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A ordinary shares and Class B ordinary shares, please see “Summary of the Constitution of the Company and Cayman Islands Companies Law – 2. Articles of Association” in Appendix III to this document for further details.

Controlling Shareholders

Immediately following the completion of the Introduction and assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans, and (ii) except for the conversion of 727,407,230 Class B ordinary shares held by Propitious Global into Class A ordinary shares, no other Class B ordinary shares are converted into Class A ordinary shares,

- (a) Propitious Global will directly hold 885,301,280 Class A ordinary shares, representing approximately 17.0% voting power in the Company. Such voting power will be exercised by Baihui Partnership pursuant to the POA Arrangement. See “History, Development and Corporate Structure – Compliance of the Company with Rule 8.05(3)(C) of the Listing Rules”;
- (b) Mr. Peng will control 71,824,250 Class A ordinary shares and 110,116,275 Class B ordinary shares, representing approximately 22.5% voting power in the Company; and
- (c) Mr. Shan will control 53,868,189 Class A ordinary shares and 47,777,775 Class B ordinary shares, representing approximately 10.2% voting power in the Company.

Accordingly, the Controlling Shareholders, in aggregate, will control approximately 49.7% voting power in the Company.

Propitious Global is wholly owned by Grain Bud, which is in turn wholly owned by Z&Z Trust, a discretionary trust the beneficiaries of which are immediate family members of Mr. Zuo. Mrs. Zuo controls the disposition right over the Shares of the Company beneficially owned by the Z&Z Trust. Accordingly, Z&Z Trust, Grain Bud, Propitious Global, Mrs. Zuo, Baihui Partnership, Mr. Peng and Mr. Shan are considered to be a group of Controlling Shareholders of the Company.

SUMMARY

Memorandum and Articles of Association

The Company is seeking a listing with a WVR structure, and is subject to: (a) the shareholder protection measures and governance safeguards under Chapter 8A of the Listing Rules (Weighted Voting Rights), including Rule 8A.44 of the Listing Rules, which requires the Company's WVR structure to give force to the requirements of certain rules under Chapter 8A of the Listing Rules by incorporating them into the Company's Articles of Association; and (b) the requirements for articles of association set out in Appendix 3 of the Listing Rules. The Company's Articles do not currently comply with some of the Listing Rules Articles Requirements.

In addition, to (i) further enhance its shareholder protection measures, (ii) incorporate the WVR Fall Away Provision, and (iii) remove all special rights that Baihui Partnership is entitled to under the Memorandum and Articles of Association, the Company will also propose additional amendments to its Memorandum and Articles of Association.

The Company has undertaken to put forth resolutions to incorporate the above amendments to its Memorandum and Articles of Association at an extraordinary general meeting to be convened within 6 months of Listing and in connection with such amendments, the Company, the Directors and the WVR Beneficiaries, among others, have provided various undertakings to the Company and/or the Stock Exchange.

The Company has set out the details of the proposed amendments, the undertakings and the waiver in the sections titled "Waivers – Waiver in relation to the Articles of Association of the Company" and "Share Capital" of this Listing Document. Shareholders and investors should refer to such disclosure for details.

Waiver in relation to Rule 10.08 of the Listing Rules

While the Company will not issue new Shares in connection with the Listing, it has applied for a waiver from strict compliance with the requirements under Rule 10.08 of the Listing Rules so that the Company will be permitted to issue new Shares within six months after the Listing under a general mandate or be subject to the Shareholders' approval as required under Rule 13.36 with the total number of Class A ordinary shares that are issued or may be issued not exceeding 20% of the total number of Class A ordinary shares in issue as at the Listing Date. Please refer to "Waivers – Waiver in relation to share issuance within six months from the Listing Date" for more details. Solely for illustration purpose, assuming a maximum issue of 20% of the total number of Class A ordinary shares in issue as at the Listing Date, (i) the total number of issued Shares of the Company may be enlarged by approximately 19.2% and (ii) the Controlling Shareholders are expected to control approximately 43.6% of the total voting power in the Company immediately upon the completion of such issue.

SUMMARY

RISK FACTORS

Our operations and the Listing involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us or the value of your investment. See “Risk Factors” for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. Some of the major risks we face include:

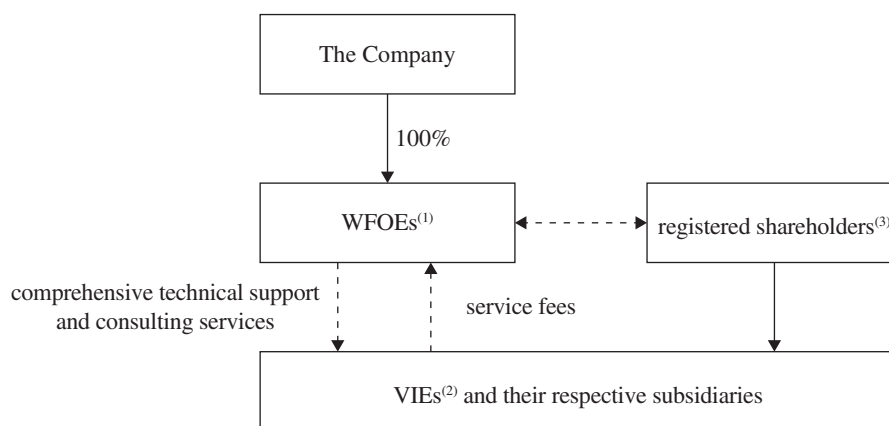
- Our business is susceptible to fluctuations in China’s general economic conditions and housing related industry.
- Our business is subject to government regulations and policies guiding China’s economy in general and, specifically, on existing and new home transactions.
- If we are unable to continue to provide satisfactory experience to housing customers, our business and reputation may be materially and adversely affected.
- We may not succeed in continuing to maintain, protect and strengthen our brands, and any negative publicity about us, our business, our management, our business partners or the housing related industry in general may materially and adversely affect our reputation, business, results of operations and growth.
- If our platform is unable to continue to offer comprehensive authentic property listings, our business, financial condition and results of operations could be materially and adversely affected.
- We have a limited operating history under our platform business model, and our historical growth and performance may not be indicative of our future growth and financial results.
- If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.
- Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business and operations.
- Our ADSs will be prohibited from trading in the United States under the HFCAA in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

SUMMARY

CONTRACTUAL ARRANGEMENTS

Taking into account the restrictions of foreign investment under the PRC laws and regulations, we have entered into a series of contractual arrangements with each of the VIEs and their respective shareholders, which collectively enables us to (i) exercise effective control over the Consolidated Affiliated Entities; (ii) receive substantially all the economic benefits of the Consolidated Affiliated Entities; and (iii) have an exclusive option to purchase all or part of the equity interests in or all or part of the assets of or inject registered capital into the Consolidated Affiliated Entities when and to the extent permitted by PRC laws and regulations. For further details, please see the section headed “Contractual Arrangements” in this document.

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



Notes:

- (1) The WFOEs refer to Beike Tianjin, Jinbei Tianjin and Beike Jinke.
- (2) The VIEs refer to Beijing Lianjia, Tianjin Xiaowu, Yiju Taihe, Beijing Beijia and Beijing Beihao. Each of Tianjin Wuke and Beike Zhaofang Web is a subsidiary of Tianjin Xiaowu. Each of Beijing Zhongrongxin, Beijing Ehomepay, Anli Insurance Brokerage and Beike Small Loan is a subsidiary of Yiju Taihe.
- (3) The registered shareholders of Beijing Lianjia are (i) Mrs. Zuo, Mr. Shan, Mr. Wangang Xu and entities controlled by Mr. Peng or Mr. Shan, holding 81% equity interests in aggregate and (ii) several other individuals and entities affiliated with us holding 19% equity interests in aggregate and those individuals and entities were existing shareholders of Beijing Lianjia and, except for one entity which was established for holding equity interests on behalf of employees, the remaining entities and individuals had become shareholders of the Company upon the completion of the reorganization of Beijing Lianjia. Mrs. Zuo is one of the Controlling Shareholders of the Company and each of Mr. Peng, Mr. Shan and Mr. Wangang Xu is a Director. Save for Mrs. Zuo, Mr. Peng, Mr. Shan and Mr. Wangang Xu holding 81% equity interests and Shanghai Zhanben Investment Management Centre (Limited Partnership) (上海站本投資管理中心(有限合伙)) holding 11% equity interests in Beijing Lianjia, each of the other shareholders of Beijing Lianjia are minority shareholders holding less than 5% equity interests.

The registered shareholders of Tianjin Xiaowu are Mrs. Zuo and Mr. Shan, holding 94% and 6% equity interests, respectively.

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The registered shareholders of Yiju Taihe are (i) Beijing Lianjia, holding 80% equity interests; (ii) Mrs. Zuo, Mr. Shan, Mr. Wangang Xu and entities controlled by Mrs. Zuo or Mr. Shan, holding 17% equity interests in aggregate and (iii) several other individuals and entities affiliated with us holding 3% equity interests in aggregate and those individuals and entities were existing shareholders of Yiju Taihe and had become shareholders of the Company upon the completion of the reorganization of Yiju Taihe.

The registered shareholders of Beijing Beijia are (i) Mr. Peng and Mr. Tao Xu, holding 50% equity interests in aggregate and (ii) Mr. Junquan Lin (25%) and Mr. Yongqun Wang (25%) holding 50% equity interests in aggregate and such individuals were shareholders of the Company and became registered shareholders of Beijing Beijia for the purpose of effecting reorganization in relation to the Company's listing on NYSE.

The registered shareholders of Beijing Beihao are (i) Mr. Wangang Xu, holding 4% equity interests; and (ii) several other individuals affiliated with us holding 96% equity interests in aggregate, each of whom is a minority shareholder of Beijing Beihao holding less than 5% equity interests, and such individuals were shareholders of the Company and became registered shareholders of Beijing Beihao for the purpose of effecting reorganization in relation to the Company's listing on NYSE.

- (4) “ \longrightarrow ” denotes beneficial ownership in the equity interest.
- (5) “ \dashrightarrow ” denotes contractual relationship.
- (6) “ $\blacktriangleleft\text{---}\blacktriangleright$ ” denotes the control by WFOEs over the registered shareholders of the VIEs and the VIEs through (i) power of attorney to exercise the shareholders' rights in the VIEs, (ii) exclusive options to acquire all or part of the equity interests and assets of the VIEs and (iii) equity pledges over the equity interests held by the registered shareholders in the VIEs.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information for the Track Record Period and as of the applicable period ends, extracted from the Accountant's Report set out in Appendix I to this document. The summary consolidated financial information set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this document, including the related notes, as well as the section headed “Financial Information.” Our consolidated financial information was prepared in accordance with U.S. GAAP.

Summary Consolidated Results of Operations

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
(in thousands, except for percentages, share and per share data)							
Net revenues:							
Existing home transaction services	24,568,508	53.4	30,564,584	43.4	31,947,953	5,013,331	39.6
New home transaction services	20,273,860	44.1	37,937,886	53.8	46,472,378	7,292,530	57.5
Emerging and other services	1,172,538	2.5	1,978,508	2.8	2,332,108	365,959	2.9
Total net revenues	46,014,906	100.0	70,480,978	100.0	80,752,439	12,671,820	100.0

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	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages, share and per share data)						
Cost of revenues⁽¹⁾							
Commission-split	(11,154,698)	(24.2)	(24,847,023)	(35.3)	(31,826,634)	(4,994,293)	(39.4)
Commission and compensation-internal	(19,444,127)	(42.3)	(23,324,145)	(33.1)	(26,306,569)	(4,128,075)	(32.6)
Cost related to stores	(3,078,672)	(6.7)	(3,206,601)	(4.5)	(3,809,757)	(597,834)	(4.7)
Others	(1,069,365)	(2.3)	(2,243,352)	(3.2)	(2,990,064)	(469,206)	(3.7)
Total cost of revenues	(34,746,862)	(75.5)	(53,621,121)	(76.1)	(64,933,024)	(10,189,408)	(80.4)
Gross profit	11,268,044	24.5	16,859,857	23.9	15,819,415	2,482,412	19.6
Sales and marketing expenses ⁽¹⁾	(3,105,899)	(6.7)	(3,715,278)	(5.3)	(4,309,116)	(676,194)	(5.3)
General and administrative expenses ⁽¹⁾	(8,376,531)	(18.2)	(7,588,809)	(10.8)	(8,924,470)	(1,400,444)	(11.1)
Research and development expenses ⁽¹⁾	(1,571,154)	(3.4)	(2,477,911)	(3.5)	(3,193,988)	(501,206)	(4.0)
Impairment of goodwill, intangible assets and other long-lived assets	—	—	(236,050)	(0.3)	(746,705)	(117,174)	(0.9)
Total operating expenses	(13,053,584)	(28.3)	(14,018,048)	(19.9)	(17,174,279)	(2,695,018)	(21.3)
Income (loss) from operations	(1,785,540)	(3.8)	2,841,809	4.0	(1,354,864)	(212,606)	(1.7)
Interest income, net	230,339	0.5	163,600	0.2	354,567	55,639	0.4
Share of results of equity investees	11,382	0.0	(37,574)	(0.1)	36,606	5,744	0.0
Fair value changes in investments, net	(109,193)	(0.2)	369,124	0.5	564,804	88,631	0.7
Impairment loss for equity investments accounted for using measurement alternative	—	0.0	(9,000)	0.0	(183,789)	(28,841)	(0.2)
Foreign currency exchange gain (loss)	(54,052)	(0.1)	3,506	0.0	20,988	3,293	0.0
Other income, net	431,300	0.9	1,055,654	1.6	1,702,414	267,146	2.2
Income (loss) before income tax expense	(1,275,764)	(2.7)	4,387,119	6.2	1,140,726	179,006	1.4
Income tax expense	(904,363)	(2.0)	(1,608,796)	(2.3)	(1,665,492)	(261,352)	(2.0)
Net income (loss)	(2,180,127)	(4.7)	2,778,323	3.9	(524,766)	(82,346)	(0.6)

SUMMARY

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages, share and per share data)						
Net loss (income)							
attributable to							
non-controlling interests							
shareholders	(3,419)	(0.0)	(731)	(0.0)	637	100	0.0
Net income (loss)							
attributable to							
KE Holdings Inc.	(2,183,546)	(4.7)	2,777,592	3.9	(524,129)	(82,246)	(0.6)
Weighted average number							
of ordinary shares used							
in computing net income							
(loss) per share, basic							
and diluted							
– Basic	1,378,235,522		2,226,264,859		3,549,121,628	3,549,121,628	
– Diluted	1,378,235,522		2,267,330,891		3,549,121,628	3,549,121,628	
Net income (loss) per share							
attributable to ordinary							
shareholders							
– Basic	(2.94)		0.32		(0.15)	(0.02)	
– Diluted	(2.94)		0.32		(0.15)	(0.02)	

Note:

- (1) Share-based compensation expenses were allocated as follows:

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Cost of revenues	–	511,637	406,131	63,731
Sales and marketing expenses	–	77,574	110,446	17,331
General and administrative expenses	2,955,590	1,131,335	595,732	93,483
Research and development expenses	–	532,043	425,978	66,845
Total	2,955,590	2,252,589	1,538,287	241,390

Non-GAAP Measure: Adjusted Net Income (Loss)

In addition to net income (loss), we also use adjusted net income (loss) (Non-GAAP measure) to evaluate our business. We have included this non-GAAP financial measure in this document because it is a key measure used by our management to evaluate our operating performance, as it facilitates comparisons of operating performance from period to period and with peer companies. Accordingly, we believe that it provides useful information to investors

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and others in understanding and evaluating our operating results in the same manner as our management team and board of directors do. Our calculation of the non-GAAP financial measure may differ from similarly-titled non-GAAP measures, if any, reported by our peer companies. It should not be considered in isolation from, or as a substitute for, our financial information prepared in accordance with U.S. GAAP.

We define adjusted net income (loss) (Non-GAAP measure) as net income (loss) excluding share-based compensation expenses.

Share-based compensation are non-cash in nature and do not result in cash outflow, and the adjustment has been made during the Track Record Period for consistency. We believe the exclusion of share-based compensation provides investors and our management with greater visibility to the underlying performance of our business operations, facilitates comparison of our results of different periods, and may also facilitate comparison with the results of other companies in our industry.

The following table presents a reconciliation of net income (loss) to adjusted net income (Non-GAAP measure) for each of the periods indicated:

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net income (loss)	(2,180,127)	2,778,323	(524,766)	(82,346)
Add:				
Share-based compensation expenses	2,955,590	2,252,589	1,538,287	241,390
Adjusted net income (Non-GAAP measure)	775,463	5,030,912	1,013,521	159,044

During the Track Record Period, in addition to our core operating activities, our financial performance has also been affected by (i) amortization of intangible assets resulting from acquisitions and business cooperation agreement, (ii) changes in fair value from long-term investments, loan receivables measured at fair value and contingent consideration, (iii) impairment of goodwill, intangible assets and other long-lived assets, and (iv) impairment of investments.

We have three main revenue streams, namely existing home transaction services, new home transaction services, and emerging and other services. For existing home transaction services, we generate revenues (i) from our own *Lianjia* brand where we charge commissions for existing home sales and home rentals, and split of commissions from other brokerage firms that operate brokerage stores on our *Beike* platform in collaboration with *Lianjia* agents to complete transactions, (ii) from brokerage firms which own and operate brokerage stores on

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our *Beike* platform where we receive platform service fees, and those under our franchise brands such as *Deyou* to which we charge an additional franchise fee, and (iii) by providing other value-added services including transaction closing services, field work assistance such as on-site verification, agent recruiting and training services. For new home transaction services, we recognize revenues from sales commissions charged to real estate developers. In addition, we generate revenues from a variety of other housing related services, such as home renovation and furnishing services.

Our net revenues increased by 53.2% from RMB46.0 billion in 2019 to RMB70.5 billion in 2020 and further increased by 14.6% to RMB80.8 billion (US\$12.7 billion) in 2021, primarily attributable to the increase in revenues from new home transaction services and existing home transaction services, which are in turn driven by the robust GTV growth from RMB2,127.7 billion in 2019 to RMB3,499.1 billion in 2020, and further to RMB3,853.5 billion in 2021. Our cost of revenue also increased across the periods, primarily due to the increases in both split commission to connected agents and other sales channels and internal commission and compensation. Our total operating expenses increased moderately from RMB13.1 billion in 2019 to RMB14.0 billion in 2020 and further to RMB17.2 billion (US\$2.7 billion) in 2021, primarily attributable to increases in sales and marketing expenses and research and development expenses. We also recognized one-time government grants of RMB916.6 million in 2020, which is related to the temporary reduction or exemption of payments to the government-mandated employee welfare benefit plans as part of Chinese government's effort to ease the burden of businesses affected by COVID-19 in 2020. As a result, we recorded a net loss of RMB2,180 million in 2019, a net income of RMB2,778 million in 2020, and a net loss of RMB525 million (US\$82 million) in 2021. For a discussion on our financial performance since the second half of 2021, please see “– Recent Developments – Regulations and Policies of Housing Related Industry: Impact and Outlook.”

Summary Consolidated Balance Sheets

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Cash and cash equivalents	24,319,332	40,969,979	20,446,104	3,208,440
Restricted cash	7,380,341	8,567,496	6,286,105	986,427
Short-term investments	1,844,595	15,688,321	29,402,661	4,613,919
Total current assets	51,912,486	87,539,101	69,926,354	10,972,970
Right-of-use assets	5,625,015	6,821,100	7,244,211	1,136,775
Long-term investments, net	2,333,745	3,140,315	17,038,171	2,673,661
Intangible assets, net	2,560,442	1,642,651	1,141,273	179,091
Goodwill	2,477,075	2,467,497	1,805,689	283,352
Total non-current assets	15,352,826	16,756,435	30,392,511	4,769,250
Total assets	67,265,312	104,295,536	100,318,865	15,742,220

SUMMARY

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Accounts payable	4,212,705	6,594,846	6,008,765	942,906
Employee compensation and welfare payable	9,113,011	11,231,800	9,834,247	1,543,208
Customer deposits payable	4,382,803	6,743,256	4,181,337	656,143
Total current liabilities	27,797,675	33,633,346	28,936,137	4,540,711
Lease liabilities non-current portion	2,914,240	3,833,914	4,302,934	675,224
Total non-current liabilities	7,932,045	3,869,674	4,327,235	679,038
Total liabilities	35,729,720	37,503,020	33,263,372	5,219,749
Net current assets	24,114,811	53,905,755	40,990,217	6,432,259
Net assets	31,535,592	66,792,516	67,055,493	10,522,471
Total mezzanine equity	40,372,895	—	—	—
Non-controlling interests	87,203	27,069	81,517	12,792
Total shareholders' equity (deficit)	(8,837,303)	66,792,516	67,055,493	10,522,471
Total liabilities, mezzanine equity and shareholders' equity (deficit)	67,265,312	104,295,536	100,318,865	15,742,220

We had an accumulated deficit of RMB8.0 billion as of January 1, 2019, primarily due to accretion on convertible redeemable preferred shares to redemption value and charges to accumulated deficit upon re-designation of ordinary shares to preferred shares before the Track Record Period. Our net asset position increased from RMB31.5 billion as of December 31, 2019 to RMB66.8 billion as of December 31, 2020, primarily due to the proceeds from ordinary shares issuance upon IPO and follow-on public offering, net of issuance costs, in 2020. Our net asset position slightly increased to RMB67.1 billion as of December 31, 2021, primarily due to our income generated during the year excluding share-based compensation, partially offset by currency translation adjustments in 2021. Please see the consolidated statements of changes in shareholders' equity (deficit) on pages I-14 to I-16 of the Accountant's Report in Appendix I to this document.

Our net current assets decreased from RMB53.9 billion as of December 31, 2020 to RMB41.0 billion (US\$6.4 billion) as of December 31, 2021, primarily due to (i) a decrease of RMB20.5 billion (US\$3.2 billion) in cash and cash equivalents primarily due to net cash used in investing activities, and (ii) a decrease of RMB3.9 billion (US\$0.6 billion) in accounts receivable, net of allowance for credit losses, partially offset by an increase of RMB13.7 billion (US\$2.2 billion) in short-term investments.

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Our net current assets increased from RMB24.1 billion as of December 31, 2019 to RMB53.9 billion as of December 31, 2020, primarily due to (i) an increase of RMB16.7 billion in cash and cash equivalents primarily due to net cash provided by financing activities, (ii) an increase of RMB13.8 billion in short-term investments, and (iii) an increase of RMB5.1 billion in accounts receivable, net of allowance for credit losses, partially offset by (i) an increase of RMB2.4 billion in accounts payable, (ii) an increase of RMB2.4 billion in customer deposits payable, and (iii) an increase of RMB2.1 billion in employee compensation and welfare payable.

For a detailed discussion on our key balance sheet items and material changes in the various working capital items, see “Financial Information – Discussion of Certain Key Balance Sheet Items” and “– Liquidity and Capital Resources.”

Summary Consolidated Statements of Cash Flows

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash provided by operating activities	112,626	9,361,949	3,595,122	564,153
Net cash used in investing activities	(3,873,722)	(14,977,618)	(24,884,074)	(3,904,854)
Net cash provided by (used in) financing activities	23,026,396	25,406,250	(1,074,173)	(168,561)
Effect of exchange rate change on cash, cash equivalents and restricted cash	(94,922)	(2,183,682)	(442,141)	(69,382)
Net increase (decrease) in cash, cash equivalents and restricted cash	19,170,378	17,606,899	(22,805,266)	(3,578,644)
Cash, cash equivalents and restricted cash at the beginning of the year	12,760,198	31,930,576	49,537,475	7,773,511
Cash, cash equivalents and restricted cash at the end of the year	<u>31,930,576</u>	<u>49,537,475</u>	<u>26,732,209</u>	<u>4,194,867</u>

We had net cash provided by operating activities of RMB113 million, RMB9.4 billion and RMB3.6 billion in 2019, 2020 and 2021, respectively. For more details, see “Financial Information – Liquidity and Capital Resources.”

SUMMARY

RECONCILIATION BETWEEN U.S. GAAP AND IFRS

It should be noted that the consolidated financial statements are prepared in accordance with U.S. GAAP, which differ in certain respects from IFRS. Preferred shares, provision for credit losses, lease accounting, share-based compensation, issuance costs in relation to the IPO are the five material reconciling items.

The effects of material differences between our historical financial information prepared under U.S. GAAP and IFRS are as follows:

Reconciliation of net income (loss) attributable to KE Holdings Inc. in the consolidated statements of comprehensive income (loss)

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Net income (loss) attributable to KE Holdings Inc. in the consolidated statements of comprehensive income (loss) as reported under U.S. GAAP	(2,183,546)	2,777,592	(524,129)
IFRS adjustments			
Preferred Shares	(4,931,024)	(25,292,015)	–
Provision for credit losses	(49,592)	(7,364)	(9,734)
Lease accounting	18,774	10,841	(18,899)
Share-based compensation	(230,341)	196,663	(325,454)
Issuance costs in relation to the IPO	–	(45,338)	(24,810)
Net loss attributable to KE Holdings Inc. in the consolidated statements of comprehensive income (loss) as reported under IFRS	<u>(7,375,729)</u>	<u>(22,359,621)</u>	<u>(903,026)</u>

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Reconciliation of total shareholders' equity (deficit) in the consolidated balance sheets

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Total shareholders' equity (deficit) as reported under U.S. GAAP	(8,837,303)	66,792,516	67,055,493
IFRS adjustments			
Preferred Shares	(4,771,008)	—	—
Provision for credit losses	(49,592)	33,561	23,827
Lease accounting	(145,709)	(134,868)	(153,767)
Share-based compensation	—	—	—
Issuance costs in relation to the IPO	—	—	(24,810)
Total shareholders' equity (deficit) as reported under IFRS	<u>(13,803,612)</u>	<u>66,691,209</u>	<u>66,900,743</u>

For more details, see “Financial Information – Reconciliation Between U.S. GAAP and IFRS.”

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2021, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this document, and there is no event since December 31, 2021 which would materially affect the information shown in the Accountant's Report in Appendix I to this document. The Directors also confirm that, up to the date of this document, there has been no development in relation to the Muddy Waters Report that resulted in any material adverse change in our financial position or prospects since December 31, 2021.

RECENT DEVELOPMENTS

Regulations and Policies of Housing Related Industry: Impact and Outlook

We are susceptible to government regulations and policies of China's housing related industry, where we primarily conduct our business. Moves in regulations and policies on the housing related industry were more often made during the times when the housing prices are increasing overwhelmingly, in line with the central government's principle that “houses are for living in, not for speculation”. For instance, in response to the accelerating housing price

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appreciation in the first half of 2021, the PRC regulatory authorities have subsequently tightened policy and credit environment. A number of municipal governments, considering their specific circumstances, have also issued market control policies targeting at, among other things, curbing speculative demand and reducing leverage. See “Risk Factors – Risks Related to Our Business and Industry – Our business is subject to government regulations and policies guiding China’s economy in general and, specifically, on existing and new home transactions” for more details.

While the measures as mentioned above reflected the PRC regulatory authorities’ focus on long-term stability, some of them have affected the growth rate of the housing related industry in the near term and led to a decline in both existing home and new home transactions since the second half of 2021. According to the CIC Report, the GTV of nationwide existing home sales decreased by 42% and 43% year-on-year in the third and fourth quarter of 2021, respectively, while the GTV of nationwide new home sales decreased by 15% and 20% year-on-year during the same periods. The market weakness negatively affected our financial results. For the second half of 2021, our net revenues decreased by 17.0% to RMB35.9 billion from RMB43.2 billion in the same period of 2020, which was primarily attributable to the decline in total GTV of 28.0% to RMB1.6 trillion from RMB2.2 trillion in the same period of 2020. Due to relatively flat recurring operating costs and expenses as well as additional provisions, we recognized adjusted net loss (Non-GAAP measure) of RMB1,416 million and RMB613 million in the third and fourth quarter of 2021, respectively, compared to adjusted net income (Non-GAAP measure) of RMB1,744 million and RMB1,680 million in the same periods of 2020. Nonetheless, our full-year GTV and net revenues reached RMB3,853.5 billion and RMB80.8 billion respectively, representing a year-over-year growth rate of 10.1% and 14.6%, as a result of robust performance in the first half of 2021 and resilience of our business amid market downturn in the second half of 2021.

Since the fourth quarter of 2021, PRC regulatory authorities have been signaling easing for the housing related industry, aiming to adjust the previously tightened policies and improve the credit environment, such as cutting mortgage rates, lowering home purchase barriers, and introducing supportive measures for developers’ refinancing activities. With market conditions stabilizing and gradually moving towards a new equilibrium in 2022, together with our continuous focus on operational efficiency and service quality, our business operations and financial performance are also expected to benefit. However, we may continue to incur a net loss under U.S. GAAP in 2022 due to share-based compensation expenses and relatively flat recurring operating costs and expenses as the potential impact of the regulations and policies on housing related industry discussed above may continue to adversely affect our business and net revenues in the short-term. For example, as disclosed in our press release titled “KE Holdings Inc. Announces Fourth Quarter and Fiscal Year 2021 Unaudited Financial Results” issued on March 9, 2022, we expect total net revenues for the first quarter of 2022 to experience a fair decline year-on-year, which was primarily due to a high base in the first quarter of 2021 and the emergence of COVID-19 variants in certain cities in China. As a result, we expect to incur a net loss under U.S. GAAP in the first quarter of 2022. The forecast reflects our preliminary view on the business situation and market condition, which is subject to change. Over the long term, consumers’ demands for housing remain resilient and expectations under “joyful living” continue to upgrade. As China further refines its long-term mechanism

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for the housing related industry, significant market opportunities are expected to arise for real estate brokerage services to serve both supply and demand, with the value of service providers becoming increasingly prominent in a rebalancing market.

Impact of COVID-19 on Our Operations and Financial Performance

Substantially all of our revenues and workforce are concentrated in China. In response to the intensifying efforts to contain the spread of COVID-19, the Chinese government took a number of actions, which included extending the Chinese New Year holiday, quarantining individuals suspected of having COVID-19, asking residents in China to stay at home and to avoid public gathering, among other things. During the early part of 2020, COVID-19 caused temporary closure of many corporate offices and store fronts across China, and put significant strain on the operation and accessibility of the real estate brokerage stores on our platform. Primarily as a result of the COVID-19 pandemic, our net revenues decreased by 12.7% from RMB8.2 billion in the first quarter of 2019 to RMB7.1 billion in the first quarter of 2020. Business activities, including housing transactions, quickly recovered in China during the second quarter, which led to a 39.0% increase of our net revenues for the first half of 2020, compared to the same period in 2019. Although our results of operations have substantially recovered since the second quarter of 2020 and the impact of COVID-19 has declined in China, there remains substantial uncertainty about the dynamic of the COVID-19 pandemic, which may have potential continuing impacts on subsequent periods if the global pandemic and the resulting disruption were to extend over a prolonged period or if a wide spread of COVID-19 happens again in China.

After the initial outbreak of COVID-19, from time to time, some instances of COVID-19 infections have emerged in various regions of China, including the infections caused by the Omicron variants in early 2022. With varying levels of temporary restrictions and other measures reinstated in such regions to contain the infections, our operations in these regions may be adversely affected when these restrictive measures are in force, under which our local stores may be forced to close temporarily or our home tour activities may be restricted in certain communities. For example, a wave of infections caused by the Omicron variants emerged in Shanghai in early 2022, and a series of restrictions and quarantines were implemented to contain the spread. Our brokerage stores in Shanghai were temporarily closed, pending the development of the COVID-19 situation which is uncertain. The emergence of such regional instances, the potential spread in other areas in which we operate and the corresponding restrictive measures are beyond our control and may continue to adversely affect our operations. See also “Risk Factors – Risks Related to Our Business and Industry – Our business has been and may continue to be adversely affected by the outbreak of COVID-19.”

As part of Chinese government’s effort to ease the burden of businesses affected by COVID-19, the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration temporarily reduced or exempted payments to the government-mandated employee welfare benefit plans since February 2020. In 2020, we recognized government grants related to the above support program of approximately

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RMB916.6 million, which reduced the costs of employee benefits in the consolidated statements of comprehensive income (loss). There was no such program in 2021. It is uncertain whether such government support program will continue in the future.

Cash, cash equivalents, restricted cash, and short-term investments constitute our most liquid assets. Short-term investments include bank term deposit and investments in wealth management products issued by financial institutions. As of December 31, 2021, we had cash, cash equivalents, restricted cash and short-term investments of RMB56.1 billion (US\$8.8 billion). We believe that this level of liquidity is sufficient to successfully navigate an extended period of uncertainty. Our Directors believe that the COVID-19 pandemic would not materially affect our growth plan under the current situation.

RECENT REGULATORY DEVELOPMENTS

Cybersecurity and Data Privacy

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect in September 2021. The Data Security Law, among other things, provides for a security review procedure for the data activities that may affect national security. On August 20, 2021, the State Council promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), effective from November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Entities handling personal information shall bear responsibilities for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to rectify, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties. See “Regulatory Environment—Regulations Related to Internet Security and Privacy Protection.”

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》) which became effective on February 15, 2022. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that procure internet products and services, and network platform operators engaging in data processing activities, must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further stipulate that network platform operators holding over one million users' personal information shall apply with the Cybersecurity Review Office for a cybersecurity review before listing on a foreign stock exchange (國外上市). Our PRC Legal Adviser is of the view that the term of “listing on a foreign stock exchange (國外上市)” under the Cybersecurity Review Measures exempts listing in Hong Kong from the mandatory

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obligation of ex-ante declaration of cybersecurity review. However, given the Cybersecurity Review Measures were recently promulgated, there are substantial uncertainties as to the interpretation, application and enforcement of the Cybersecurity Review Measures. In particular, pursuant to the Cybersecurity Review Measures, the relevant government authorities may initiate the cybersecurity review against the relevant operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security. The Article 10 of the Cybersecurity Review Measures provide the key factors that the CAC would consider when assessing the national security risks of the relevant activities in the cybersecurity review. See “Regulatory Environment – Regulations Related to Internet Security And Privacy Protection” for more details.

As of the Latest Practicable Date, (i) we have not been notified by any PRC government authorities of being classified as a critical information infrastructure operator which may be subject to cybersecurity review in certain circumstances that may affect national security in accordance with the Cybersecurity Review Measures; (ii) we have implemented comprehensive policies and rules and taken necessary measures on cybersecurity and data protection, which are in compliance with the mandatory requirements of the PRC government authorities in all material respects; (iii) the data we collect and generate within the territory of mainland China is stored within the territory of mainland China, and our daily operations and the Listing are not involved in cross-border transfer of identified core data, important data or a large amount of personal information; (iv) we have not received any inquiry, notice, warning from any PRC government authorities, or have not been subject to any investigation, sanctions or penalties made by any PRC government authorities regarding national security risks caused by our business operations or the proposed Listing; and (v) we had not been involved in any service, product or data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures and have not been inquired, investigated, warned or penalized by any PRC authorities in this respect. Based on foregoing, our PRC Legal Adviser is of the view that, as of the Latest Practicable Date, the likelihood that our business operations and/or the Listing give rise to national security risks which subject us to cybersecurity review under the Cybersecurity Review Measures is relatively low. However, our PRC Legal Adviser has also advised us that, given that (i) there is no clear explanation or interpretations as to how to determine what constitutes “affecting national security” under the current effective PRC laws and regulations, (ii) the identification of critical information infrastructure operators and the scope of network products or services and data processing activities that affect or may affect national security remain unclear and are subject to interpretation by relevant PRC government authorities, and (iii) the PRC government authorities have discretion in interpreting the regulations, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC Legal Adviser.

On August 17, 2021, the State Council promulgated the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), effective on September 1, 2021, which defined critical information infrastructure as any important network facilities or information systems of the important industry or field such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger

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national security, people's livelihood and public interest in case of damage, function loss or data leakage. In addition, according to the Regulations on Protection of Critical Information Infrastructure, relevant administration departments of each critical industry and sector shall be responsible to formulate eligibility criteria and determine the critical information infrastructure operator in the respective industry or sector. The operators shall be informed about the final determination as to whether they are categorized as critical information infrastructure operators.

As of the Latest Practicable Date, no detailed rules or guidance with respect to the implementation of such regulations has been issued by any government authorities and we have not been informed as a critical information infrastructure operator by any government authorities. Furthermore, the exact scope of "critical information infrastructure operators" under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws. Therefore, it is uncertain whether we would be deemed as a critical information infrastructure operator under PRC law.

Furthermore, on November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Regulations on Cyber Data Security, which reiterate the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for listing on a foreign stock exchange; and (ii) the data processors' proposed listing in Hong Kong affects or may possibly affect national security. However, it provides no further explanation or interpretation as to how to determine what constitutes "affecting national security", and there remain uncertainties whether we would be subject to the cybersecurity review for this Listing pursuant to such measures. The Draft Regulations on Cyber Data Security also provide specific requirements for data processors in conducting data processing activities in China. See "Regulatory Environment – Regulations Related to Internet Security and Privacy Protection" for details. As of the date of this document, there is no schedule as to when the Draft Regulations on Cyber Data Security will be enacted. Substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. We cannot predict the impact of these draft measures, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If the enacted versions of the draft measures mandate clearance of cybersecurity review and other specific actions to be completed by China-based companies listed on a U.S. stock exchange, such as us, we face uncertainties as to whether such clearance can be timely obtained, or at all. See "Risk Factors – Risks Related to Our Business and Industry – Our business generates and processes a large amount of data and is subject to various evolving PRC laws and regulations regarding cybersecurity and data privacy. Failure of cybersecurity and data privacy concerns could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential customers from using our services" for more details.

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As of the Latest Practicable Date, we have not been involved in any formal investigations on cybersecurity review made by the CAC on such basis. During the Track Record Period and up to the Latest Practicable Date, (i) there had been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations or investigation or other legal proceeding, pending or threatened against us initiated by competent government authorities or third parties, that will materially and adversely affect the business of us; and (ii) we have not been subject to any material fines, administrative penalties, or other sanctions by any relevant regulatory authorities in relation to violation of cybersecurity and data protection laws and regulations. In addition, we have maintained a comprehensive and rigorous data protection program and implemented comprehensive and strict internal policies, procedures and measures to ensure our compliance practice in data protection. See “Business – Risk Management and Quality Control – Data and Technology System Risk Management” for details. Moreover, we will (a) closely monitor and assess any regulatory development in relation to cybersecurity and data protection; (b) adjust and optimize our practice in data protection in a timely manner to comply with the new requirements imposed by the new laws and regulations; (c) continuously improve our data security protection technologies and internal control procedures and engage external professional consultants to advise us on cybersecurity and data protection requirements, if needed; and (d) proactively maintain communications with the local branches of CAC and apply for cybersecurity review as applicable.

Based on the foregoing, our PRC Legal Adviser and Directors are of the view that we are in compliance with the existing PRC laws and regulations on cybersecurity, data security and personal data protection in all material aspects, and if the Draft Regulations on Cyber Data Security were implemented in the current form, our Directors and our PRC Legal Adviser do not foresee any material impediments for us to comply with the requirements under the Draft Regulations on Cyber Data Security in all material aspects. Based on the foregoing analysis and the advice of our PRC Legal Adviser, our Directors are of the view that the Draft Regulations on Cyber Data Security, if implemented in the current form, would not have a material adverse impact on our business operations or the proposed Listing. Having taken into the account of the view and analysis of the Directors and the PRC Legal Advisers as described above, and the due diligence work conducted by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors as non-legal expert that would cause them to disagree with the reasonableness of the above-mentioned view of the Directors.

Filings and Approvals from PRC Governmental Authorities

On December 24, 2021, the CSRC published the draft Regulations of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), or the Administrative Provisions, and the draft Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》), or the Draft Measures, for public comments. Pursuant to these drafts, PRC domestic companies that directly or indirectly seek to offer or list their securities on an overseas stock exchange, including a PRC company

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limited by shares and an offshore company whose main business operations are in China and intends to offer securities or be listed on an overseas stock exchange based on its onshore equities, assets, incomes or other similar interests, are required to file with the CSRC within three business days after submitting their application documents to the regulator in the place of intended listing or offering. Failure to complete the filing under the Administrative Provisions may subject the domestic company to a warning and a fine of RMB1 million to RMB10 million. In serious circumstances, the domestic company may be ordered to suspend its business or suspend its business pending rectification, or its permits or businesses licenses may be revoked. The Draft Measures also provide that when determining whether an offering and listing shall be deemed as “an indirect overseas offering and listing by a Chinese company,” the principle of “substance over form” shall be followed, and if the issuer meets the following conditions, its offering and listing shall be determined as an “indirect overseas offering and listing by a Chinese company” and is therefore subject to the filing requirement: (a) the revenues, profits, total assets or net assets of the Chinese operating entities in the most recent financial year accounts for more than 50% of the corresponding data in the issuer’s audited consolidated financial statements for the same period; (b) the majority of senior management in charge of business operation are Chinese citizens or domiciled in the PRC, and its principal place of business is located in the PRC or main business activities are conducted in the PRC.

Further, at the press conference held for these draft regulations on December 24, 2021, officials from the CSRC clarified that only the initial public offerings by PRC domestic companies and financing by existing overseas-listed PRC domestic companies will be required to complete the filing process if these drafts become effective in the current forms, and the existing overseas-listed companies that do not have subsequent financing activities will be allowed to complete the filing within the transition period. Therefore, if these draft regulations become effective in their current forms before this Listing is completed, our PRC Legal Adviser is of the view that we may be required to complete the filing procedures with the CSRC in connection with this Listing. The officials from the CSRC also confirmed that if complying with applicable PRC laws and regulations, companies with VIE structure may conduct overseas offering and listing. As advised by our PRC Legal Adviser, as of the date of this document, each of the agreements under the Contractual Arrangements is valid, legal and binding under the PRC laws, and is not in violation of explicit provisions of PRC laws and regulations currently in effect. Based on foregoing, we are of the view that if these draft regulations become effective in their current forms, the Contractual Arrangements are expected to remain compliant after these draft regulations come into effect.

In addition, pursuant to the Administrative Provisions, an overseas offering and listing of a PRC company is prohibited under any of the following circumstances, if (i) it is prohibited by PRC laws, (ii) it may constitute a threat to or endanger national security determined by competent PRC authorities, (iii) it has material ownership disputes over equity, major assets, and core technology, (iv) in recent three years, the Chinese operating entities and their controlling shareholders and actual controllers have committed relevant prescribed criminal offenses or are currently under investigations for suspicion of criminal offenses or major violations, (v) the directors, supervisors, or senior executives have been subject to

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administrative punishment for severe violations, or are currently under investigations for suspicion of criminal offenses or major violations, or (vi) it has other circumstances as prescribed by the State Council. As advised by our PRC Legal Adviser, there is no explicit PRC laws and regulations which prohibit us from offering and listing on an overseas stock exchange. Furthermore, based on legal due diligence and public search against the Company's PRC subsidiaries and Consolidated Affiliated Entities, their controlling shareholders and actual controllers, and their directors, supervisors and senior executives conducted by our PRC Legal Adviser and to the best of our knowledge, as of the date of this document, our PRC subsidiaries and the Consolidated Affiliated Entities, their controlling shareholders and actual controllers, as well as our directors, supervisors and senior executives has not been involved in relevant criminal offences or administrative penalties that would prohibit us from conducting overseas offering and listing under the Administrative Provisions. Based on the foregoing, if the Administrative Provisions and the Draft Measures become effective in their current forms before the Listing is completed, we do not foresee any material impediment for us to comply with these regulations in any material respect. However, as advised by our PRC Legal Adviser, there are substantial uncertainties as to the implementation and interpretation of these draft regulations. In particular, it remains uncertain if the overseas offering and listing would be considered "constituting a threat to or endanger national security," and the governmental authorities may have discretion in the interpretation and enforcement of these rules, if enacted. The period for which the CSRC solicits comments on these drafts ended on January 23, 2022. As of the date of this document, the Administrative Provisions and the Draft Measures are still in draft form and there is no schedule for the adoptions of such drafts, and it remains unclear whether the versions adopted will have any further material changes. There remains substantial uncertainties about how these drafts will be enacted, interpreted or implemented and how they will affect our operations and the Listing.

As of the Latest Practicable Date, we have not received any formal inquiry, notice, warning, sanction, or any regulatory objection to the Listing from the CSRC, the CAC, or any other PRC regulatory agencies that have jurisdiction over our operations, nor have we received any enquiries, comments, instructions, guidance or other concerns from any PRC authorities, including the CSRC, with respect to our Listing plan or Contractual Arrangements. If it is determined in the future that filings or approvals from the CSRC, the CAC, or other governmental requirements are required for the Listing, it is uncertain whether we can or how long it will take us to complete such filings or obtain such approvals, and any such approval could be rescinded even obtained. Any failure to complete such filings, or failure to obtain or delay in obtaining such approvals for the Listing, or a rescission of any such approval if obtained by us, would subject us to sanctions by the CSRC, the CAC, or other PRC regulatory agencies. See "Risk Factors – Risks Related to Doing Business in China – The filing, approval or other administration requirements of the CSRC, the CAC or other PRC governmental authorities may be required in connection with the Listing under PRC law" for more details.

Based on the foregoing, our PRC Legal Adviser is of the view that the Draft Measures allow PRC domestic companies with a VIE structure which comply with applicable PRC laws and regulations to conduct overseas offerings and listings, and do not raise additional compliance requirements for business operations of such PRC companies. Based on the

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foregoing analysis, with the advice of our PRC Legal Adviser, the Directors do not foresee the Administrative Provisions and the Draft Measures, if become effective in their current forms, would have a material adverse impact on our ability to operate our business under the Contractual Arrangements. Having taken into the account of the view and analysis of the Directors and the PRC Legal Advisers as described above, and the due diligence work conducted by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors as non-legal expert that would cause them to disagree with the view of the Directors that (i) if the Administrative Provisions and the Draft Measures become effect in their current forms, the Directors do not foresee any material impediment for the Company to comply with these regulations in any material respect; and (ii) the Directors do not foresee the Administrative Provisions and the Draft Measures, if become effective in their current forms, would have a material adverse impact on our ability to operate our business under the Contractual Arrangements.

THE LISTING

Our ADSs have been listed and traded on the NYSE since August 13, 2020. Each ADS represents three Class A ordinary shares. Dealings in our ADSs on the NYSE are conducted in U.S. dollars. We have applied for a listing of our Class A ordinary shares on the Main Board pursuant to Rule 8.05(3) as well as Chapter 8A (Weighted Voting Rights) of the Hong Kong Listing Rules. Dealings in our Class A ordinary shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars. Our Class A ordinary shares will be traded on the Hong Kong Stock Exchange in board lots of 100 Class A ordinary shares. For additional information, see “Information about this Document and the Introduction.”

Bridging Arrangements

In connection with the Listing, the Designated Dealer and/or the Alternate Designated Dealer have been appointed as bridging dealer and alternate bridging dealer respectively and intend to implement certain bridging arrangements during the Bridging Period (being three months from and including the Listing Date). The Designated Dealer and the Alternate Designated Dealer have been appointed for a period of three months commencing from the Listing Date. The Bridging Period will end on August 10, 2022.

In connection with the bridging arrangements, on May 5, 2022, Goldman Sachs International as borrower, entered into a stock borrowing and lending agreement (collectively, the “**Stock Borrowing Agreement**”) with Tencent Mobility Limited as lender (the “**Lender**”). Pursuant to the Stock Borrowing Agreement, the Lender will make available to the borrowers stock lending facilities of up to 152,000,000 Class A ordinary share (the “**Borrowed Shares**”), or approximately 4.2% of the Class A ordinary shares in issue immediately upon Listing (assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans, and (ii) except for the conversion of 727,407,230 Class B ordinary shares held by Propitious Global into Class A ordinary shares, no other Class B ordinary shares are converted into Class A ordinary shares), on one or more occasions, subject to applicable Laws. The Borrowed

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Shares will be registered on our Hong Kong share register and admitted into CCASS prior to and upon Listing. The Borrowed Shares shall be returned to the Lender within 15 Business Days after the expiry of the Bridging Period. For further details, see “Market Arrangements to Facilitate Dealings in Hong Kong – Bridging Arrangements.”

Investor Education

Prior to Listing, our Company and the Joint Sponsors will cooperate to inform the investor community of general information about our Company, as well as developments and/or changes to the market arrangements disclosed in this document. After Listing, our Company and the Joint Sponsors may continue to take measures to educate the public. The measures, including but not limited to media briefings and press interviews, analyst briefings to local brokerages/research houses that cover Hong Kong-listed companies and publication of announcements containing, among other matters, information on the developments and updates of the liquidity arrangements, may be taken to enhance transparency of our Company and the bridging arrangements as appropriate. For further details, see “Market Arrangements to Facilitate Dealings in Hong Kong – Investor Education”.

LISTING EXPENSES

We expect to incur listing expenses of approximately RMB89.4 million comprising of (1) fees and expenses of legal advisers and accountants of approximately RMB63.0 million and (2) other fees and expenses of approximately RMB26.4 million. Listing expenses are recognised in our consolidated statements of comprehensive income (loss) as and when they are incurred.

DIVIDEND POLICY

Our board of directors has discretion on whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. Even if we decide to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future after this Listing. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. During the Track Record Period, no dividends have been paid or declared by us.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this document.

“2018 Share Option Plan”	the Pre-IPO Share Option Scheme adopted by the Shareholders in August 2018, which permits the grant of awards in the form of options to purchase Class A ordinary shares
“2020 Share Incentive Plan”	the 2020 Global Share Incentive Plan adopted by the Shareholders in July 2020 and amended in April 2022, which permits the grant of awards in the forms of options, restricted shares, and restricted share units or other types of awards approved by the Board or compensation committee of the Board
“2022 Share Incentive Plan”	the 2022 Global Share Incentive Plan adopted by the Board, which permits the grant of awards in the forms of options, restricted shares, and restricted share units or other types of awards approved by the Board or compensation committee of the Board or persons authorized by the Board
“Accountant’s Report”	Accountant’s report for the three years ended December 31, 2019, 2020 and 2021 in Appendix I to this document
“ADSs”	American depositary shares, each of which represents three Class A ordinary shares
“Anli Insurance Brokerage”	Beijing Anli Insurance Brokerage Co., Ltd. (北京安理保險經紀有限公司), a limited liability company established under the laws of the PRC on December 2, 2015 and a Consolidated Affiliated Entity as of the Latest Practicable Date
“Articles” or “Articles of Association”	the articles of association of the Company adopted on November 8, 2021, as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Islands Companies Law – 2. Articles of Association” in Appendix III to this document

DEFINITIONS

“Baihui Partnership”	Baihui Partners L.P., an exempted limited partnership established in Cayman Islands and a controlling shareholder of the Company as of the Latest Practicable Date, which takes instructions from its general partner, Ample Platinum Holdings Limited (as at the Latest Practicable Date, each of Mr. Peng and Mr. Shan controlled 50% of the equity interests in Ample Platinum Holdings Limited), when exercising the voting rights in respect of the Shares under the POA Arrangement
“Beijing Baoshanhu”	Beijing Baoshanhu Technology Co., Ltd. (北京寶珊瑚科技有限公司), a limited liability company established under the laws of the PRC on December 11, 2018 and a Consolidated Affiliated Entity as of the Latest Practicable Date
“Beijing Beihao”	Beijing Beihao Commercial Consultancy Co., Ltd. (北京貝好商務諮詢有限公司), a limited liability company established under the laws of the PRC on August 21, 2018 and a VIE as of the Latest Practicable Date
“Beijing Beijia”	Beijing Beijia Commercial Consultancy Co., Ltd. (北京貝嘉商務諮詢有限公司), a limited liability company established under the laws of the PRC on August 24, 2018 and a VIE as of the Latest Practicable Date
“Beijing Ehomepay”	Beijing Ehomepay Technologies Co., Ltd. (北京理房通支付科技有限公司), a limited liability company established under the laws of the PRC on August 8, 2013 and a Consolidated Affiliated Entity as of the Latest Practicable Date
“Beijing Lianjia”	Beijing Lianjia Real Estate Brokerage Co., Ltd. (北京鏈家房地產經紀有限公司), a limited liability company established under the laws of the PRC on September 30, 2001 and a VIE as of the Latest Practicable Date
“Beijing Zhongrongxin”	Beijing Zhongrongxin Financing Guarantee Co., Ltd. (北京中融信融資擔保有限公司), a limited liability company established under the laws of the PRC on November 10, 2006 and a Consolidated Affiliated Entity as of the Latest Practicable Date

DEFINITIONS

“Beike,” “Group,” “our Group,” “the Group,” “we,” “us,” or “our”	the Company and its subsidiaries and Consolidated Affiliated Entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“Beike Beijing”	Beike Zhaofang (Beijing) Technology Co., Ltd. (貝殼找房(北京)科技有限公司), or Ke.com (Beijing) Technology Co., Ltd., a limited liability company established under the laws of the PRC on August 3, 2015 and an indirect wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Beike Jinke”	Beike Jinke (Tianjin) Technology Co., Ltd. (貝殼金科(天津)技術有限公司), a limited liability company established under the laws of the PRC on October 30, 2018 and an indirect wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Beike Small Loan”	Beijing Beike Small Loan Co., Ltd. (北京貝殼小額貸款有限公司), a limited liability company established under the laws of the PRC on November 1, 2017 and a Consolidated Affiliated Entity as of the Latest Practicable Date
“Beike Tianjin”	Beike (Tianjin) Investment Co., Ltd. (貝殼(天津)投資有限公司), a limited liability company established under the laws of the PRC on September 29, 2018 and an indirect wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Beike Zhaofang Web”	Beike Zhaofang Web (Beijing) Information & Technology Co., Ltd. (貝殼找房網(北京)信息技術有限公司), a limited liability company established under the laws of the PRC on October 9, 2016 and a Consolidated Affiliated Entity as of the Latest Practicable Date
“Board” or “Board of Directors”	the board of directors of the Company

DEFINITIONS

“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong or other relevant jurisdictions are generally open for normal banking business and for the purpose of the Stock Borrowing Agreement only, any day (other than a Saturday, Sunday or public holiday) on which banks are open for business generally in the PRC and Hong Kong
“Bridging Period”	the period of three months commencing on the Listing Date
“BVI”	the British Virgin Islands
“CAC”	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“CAGR”	compound annual growth rate
“Cantrust”	Cantrust (Far East) Limited, a company incorporated in British Virgin Islands, a professional trustee appointed by Mr. Hui Zuo to act as the trustee of the Z&Z Trust
“Cayman Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“China” or “PRC”	the People’s Republic of China, excluding, for the purposes of this document only, Taiwan, the Hong Kong Special Administrative Region and the Macao Special Administrative Region
“CIC”	China Insights Industry Consultancy Limited, our industry consultant
“CIC Report”	the industry report we commissioned CIC to prepare on our industry and our market position in China
“Class A ordinary shares”	Class A ordinary shares of the share capital of the Company with a par value of US\$0.00002 each, conferring a holder of a Class A ordinary share one vote per share on all matters subject to the vote at general meetings of the Company
“Class B ordinary shares”	Class B ordinary shares of the share capital of the Company with a par value of US\$0.00002 each, conferring weighted voting rights in the Company such that a holder of a Class B ordinary share is entitled to ten votes per share on all matters subject to the vote at general meetings of the Company, subject to the requirements under Rule 8A.24 of the Hong Kong Listing Rules that the Reserved Matters shall be voted on a one vote per share basis. See “Share Capital – Weighted Voting Rights Structure” for the specified exception for the compliance of Rule 8A.24 of the Hong Kong Listing Rules for further details
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company,” or “the Company”	KE Holdings Inc., an exempted company with limited liability incorporated in the Cayman Islands on July 6, 2018

DEFINITIONS

“Company Law”	the Company Law of the PRC (《中華人民共和國公司法》) enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time
“Consolidated Affiliated Entity(ies)”	entities we control through the Contractual Arrangements, the financial results of which are consolidated into our consolidated financial statements as if they were our subsidiaries
“Contractual Arrangements”	the series of contractual arrangements entered into among our WFOEs, the VIEs and/or their respective registered shareholders, details of which are set out in the section headed “Contractual Arrangements” in this document
“Controlling Shareholders”	has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context otherwise requires, refers to Z&Z Trust, Grain Bud, Propitious Global, Mrs. Zuo, Baihui Partnership, Mr. Peng and Mr. Shan as a group of controlling shareholders of the Company, details of which are set out in the section headed “Relationship with the Controlling Shareholders” in this document
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deyou”	a real estate brokerage brand owned by the Company
“Director(s)”	the director(s) of the Company
“DTC”	The Depository Trust Company, the central book-entry clearing and settlement system for equity securities in the United States and the clearance system for our ADSs

DEFINITIONS

“Foreign Investment Law”	the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), promulgated by the National People’s Congress in March 2019, which became effective on January 1, 2020
“FRC”	Financial Reporting Council of Hong Kong
“GDP”	Gross Domestic Product
“Grain Bud”	Grain Bud Holding Limited, a company incorporated in British Virgin Islands on July 10, 2020 and wholly owned by Z&Z Trust, and a controlling shareholder of the Company as of the Latest Practicable Date
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollar(s)” or “HK dollar(s)” or “HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ICP License”	the value-added telecommunications business operation license (《增值電信業務經營許可證》) for internet information service

DEFINITIONS

“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
“independent third party(ies)”	party(ies) who is(are) not connected person(s) of the Company as far as our Directors are aware after having made all reasonable enquiries
“Introduction” or “Listing”	the listing of Class A ordinary share on the Main Board of the Hong Kong Stock Exchange by way of introduction pursuant to the Hong Kong Listing Rules
“Jinbei Tianjin”	Jinbei (Tianjin) Technology Co., Ltd. (金貝(天津)技術有限公司), a limited liability company established under the laws of the PRC on August 22, 2018 and an indirect wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Joint Sponsors”	the joint sponsors of the listing of the Class A ordinary shares on the Main Board of the Hong Kong Stock Exchange as named in the section headed “Directors and Parties Involved in the Introduction” in this document
“Latest Practicable Date”	April 26, 2022, being the latest practicable date prior to the date of this document for the purpose of ascertaining certain information contained in this document
“Lianjia”	a real estate brokerage brand directly operated by the Company since 2001 and an integral part of Beike platform
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about May 11, 2022, on which the Class A ordinary shares are to be listed and on which dealings in the Class A ordinary shares are to be first permitted to take place on the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange

DEFINITIONS

“Memorandum” or “Memorandum of Association”	our memorandum of association (as amended from time to time), the current form of which was adopted on November 8, 2021, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Islands Companies Law – 2. Articles of Association” in Appendix III to this document
“MIIT”	the 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
“MOHURD”	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
“Mr. Zuo”	Mr. Hui Zuo, the founder and permanent chairman emeritus of the Company
“Mrs. Zuo”	Ms. Yan Zhu, the spouse of Mr. Zuo and a controlling shareholder of the Company as of the Latest Practicable Date
“Nasdaq”	Nasdaq Global Select Market
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“NYSE”	New York Stock Exchange
“Onshore Holdcos”	Beike Tianjin, Jinbei Tianjin, Beike Jinke and Beike (China) Investment Holdings Limited
“PBOC”	People’s Bank of China
“POA Arrangement”	an irrevocable proxy and power of attorney executed and delivered by Propitious Global on July 28, 2021 (as supplemented on November 8, 2021), pursuant to which Propitious Global irrevocably authorized Baihui Partnership to exercise the voting rights represented by the Shares held by Propitious Global

DEFINITIONS

“PRC government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“PRC Legal Adviser(s)”	Han Kun Law Offices, our legal adviser as to PRC laws and regulations
“Principal Share Registrar”	Harneys Fiduciary (Cayman) Limited
“Propitious Global”	Propitious Global Holdings Limited, a company incorporated in British Virgin Islands on November 20, 2017 and is ultimately controlled by Mrs. Zuo, and a controlling shareholder of the Company as of the Latest Practicable Date
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to Rule 8A.24 of the Hong Kong Listing Rules, being: (i) any amendment to the Memorandum and Articles of Association, (ii) the variation of the rights attached to any class of Shares, (iii) the appointment or removal of an independent non-executive Director, (iv) the appointment or removal of the Company’s auditors, and (v) the voluntary winding-up of the Company
“RMB” or “Renminbi”	Renminbi, the legal currency of China
“RSU(s)”	restricted share units
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAFE Circular 37”	the Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE with effect from July 4, 2014

DEFINITIONS

“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) (“SAIC”)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SAT Circular 82”	the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the basis of de facto management bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), issued on April 22, 2009 and further amended on December 29, 2017
“SEC”	the Securities and Exchange Commission of the United States
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	the Class A ordinary shares and Class B ordinary shares in the share capital of the Company, as the context so requires
“Share Incentive Plans”	the 2018 Share Option Plan, 2020 Share Incentive Plan and 2022 Share Incentive Plan
“Shareholder(s)”	holder(s) of Shares and, where the context requires, ADSs
“Shengdu”	Shengdu Home Renovation Co., Ltd. (聖都家居裝飾有限公司), a limited liability company established under the laws of the PRC on August 24, 2016, together with its subsidiaries and affiliates, a subsidiary of the Company
“State Council”	State Council of the PRC (中華人民共和國國務院)

DEFINITIONS

“subsidiary(ies)”	has the meaning set out in section 15 of the Companies Ordinance
“Tencent”	Tencent Holdings Limited, its subsidiaries and/or its controlled affiliated entities, as the context requires. Tencent Holdings Limited (Stock Code: 0700), was incorporated in the Cayman Islands with limited liability and is currently listed on Hong Kong Stock Exchange
“Tianjin Wuke”	Tianjin Wuke Internet & Technology Co., Ltd. (天津屋客網絡科技有限公司), a limited liability company established under the laws of the PRC on August 2, 2016 and a Consolidated Affiliated Entity as of the Latest Practicable Date
“Tianjin Xiaowu”	Tianjin Xiaowu Information & Technology Co., Ltd. (天津小屋信息科技有限公司), a limited liability company established under the laws of the PRC on November 14, 2017 and a VIE as of the Latest Practicable Date
“Track Record Period”	the three years ended December 31, 2019, 2020 and 2021
“United States,” “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollar(s),” “US\$” or “USD”	United States dollars, legal currency of the United States
“U.S. Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
“U.S. GAAP”	accounting principles generally accepted in the United States
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“VAT”	value-added tax; all amounts are exclusive of VAT in this document except where indicated otherwise
“VATS License”	the value-added telecommunications business operation licenses, including, among others, ICP License and SP License

DEFINITIONS

“VIEs,” and each a “VIE”	Beijing Lianjia, Tianjin Xiaowu, Yiju Taihe, Beijing Beijia and Beijing Beihao
“WFOEs,” and each a “WFOE”	Beike Tianjin, Jinbei Tianjin and Beike Jinke
“WVR Beneficiaries’ Holding Vehicles”, and each a “WVR Beneficiary Holding Vehicle”	Ever Orient International Limited, Clover Rich Limited, Sapient Rich Holdings Limited and De Chang Trust
“WVR Beneficiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context otherwise requires, refers to Mr. Peng and Mr. Shan, being the holders of the Class B ordinary shares upon the Listing, entitling each to weighted voting rights, details of which are set out in the section headed “Share Capital” in this document
“WVR structure”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Yiju Taihe”	Beijing Yiju Taihe Technology Co., Ltd. (北京宜居泰和科技有限公司), a limited liability company established under the laws of the PRC on July 23, 2010 and a VIE as of the Latest Practicable Date
“Z&Z Trust”	a discretionary trust established by Mr. Hui Zuo on July 13, 2020 and a controlling shareholder of the Company as of the Latest Practicable Date, the beneficiaries of which are immediate family members of Mr. Hui Zuo
“%”	per cent

In this document, the terms “associate(s),” “close associate(s),” “connected person(s),” “connected transaction(s)” and “substantial shareholder(s)” have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

In this document, should there be any discrepancy between the Chinese names of the entities or enterprises established in China and its English translation, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

“ACN”	Agent Cooperation Network
“active agents”	agents on our platform as of a given date excluding the agents who (i) delivered notice to leave but have not yet completed the exit procedures, (ii) have not engaged in any critical steps in housing transactions (including but not limited to introducing new properties, attracting new customers and conducting property showings) during the preceding 30 days, or (iii) have not participated in facilitating any housing transaction during the preceding three months
“active stores”	stores on our platform as of a given date excluding the stores which (i) have not facilitated any housing transaction during the preceding 60 days, (ii) do not have any agent who has engaged in any critical steps in housing transactions (including but not limited to introducing new properties, attracting new customers and conducting property showings) during the preceding seven days, or (iii) have not been visited by any agent during the preceding 14 days
“agents”	agents on our platform include <i>Lianjia</i> agents and connected agents as of a given date
“AI”	artificial intelligence
“connected agents”	agents affiliated with our connected stores and connected brands as employees, contractors, or through other service arrangements, as of a given date
“connected stores”	non- <i>Lianjia</i> stores connected through our ACN
“dispatched workers”	workers managed by the Group and to whom the Group assumes liability under the PRC employment laws
“eHomePay”	a licensed online payment platform established by the Company in 2014, providing digital payment processing services in housing transactions

GLOSSARY OF TECHNICAL TERMS

“GTV”	gross transaction value, which is calculated, for a given period, as the total value of all transactions the Company facilitated on <i>Beike</i> platform and evidenced by signed contracts as of the end of the period, including the value of the existing home transactions, new home transactions and emerging and other services, and including transactions that are contracted but pending closing (i.e. completion of title transfer and registration) at the end of period. For the avoidance of doubt, if the transactions are not closed afterwards, the corresponding GTV will be offset accordingly
“ <i>Housing Dictionary</i> ”	a real estate database launched in 2008 by the Company, containing a wide range of home-related information from the neighborhoods, the communities, the buildings, to the floors and rooms
“ <i>Lianjia</i> agents”	the sum of agents affiliated with <i>Lianjia</i> stores that are employed, dispatched or outsourced by us as of a given date
“mobile monthly active users” or “mobile MAU”	the sum of (i) the number of accounts that have accessed <i>Beike</i> platform through <i>Beike</i> or <i>Lianjia</i> mobile app (with duplication eliminated) at least once during a month, and (ii) the number of Weixin users that have accessed <i>Beike</i> platform through the Company’s Weixin mini programs at least once during a month. The number of mobile MAU is calculated using internal company data that have not been independently verified, and the Company treat such mobile app account and Weixin user account as a separate user for the purpose of calculating mobile MAU, although some individuals may use more than one accounts, may share the same account with other individuals, and/or may use both mobile apps and Weixin mini programs to access <i>Beike</i> platform. Average mobile MAU is calculated as the arithmetic average of the mobile MAU on monthly basis across the months covered in the applicable period
“NLP”	natural language processing
“NTS”	a comprehensive online transaction support system available on our platform

GLOSSARY OF TECHNICAL TERMS

“OCR”	optical character recognition
“outsourced workers”	workers under the service agreements between the Group and third-party companies who are not managed by the Group and to whom the Group does not assume employer’s liability under the PRC employment laws
“SaaS”	software-as-a-service
“total labor force”	employees with whom the Group has directly entered into employment agreements and the dispatched workers employed by labor dispatching service providers and managed by the Group
“VR”	virtual reality

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “projection,” “potential,” “vision,” “goal,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” “going forward,” “ought to,” “aspire,” “objective,” “target,” “schedules” and “outlook” or similar expressions or the negative thereof, are not historical facts and are forward-looking statements. These forward-looking statements involve estimates and assumptions and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control and could influence actual results, include, among other things:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies and our ability to develop and manage our operations and business;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;

FORWARD-LOOKING STATEMENTS

- all other risks and uncertainties described in the section headed “Risk Factors” in this document; and
- various business opportunities that we may pursue.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements contained in this document are expressly qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

An investment in our Class A ordinary shares or ADSs involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Class A ordinary shares or ADSs. Any of the following risks could have a material adverse effect on our business, financial condition, and results of operations. In any such case, the market price of our Class A ordinary shares or ADSs could decline, and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business is susceptible to fluctuations in China's general economic conditions and housing related industry.

Our business depends substantially on the general economic conditions of China. Changes in international, regional or domestic economic conditions, rising interest rates, fiscal or political uncertainty, policy adjustments, market volatility, disruption to the global capital or credit markets, or the public perception that any of these events is likely to occur may have a negative impact on the housing related industry in the PRC, which in turn will have material and adverse effects on us. See also “– Our business is sensitive to economic conditions. A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business, financial condition and operating results.”

Meanwhile, we are also susceptible to market conditions of China's housing related industry, where we primarily conduct our business. The demand for residential real estate in China has grown steadily in recent years, but such growth is often coupled with volatility and fluctuations in housing transaction volume and prices. Fluctuations of China's housing related industry are caused by economic, social, political and other factors outside our control. Any prolonged slowdown in China's economy, which leads to a decline or fluctuation in the housing related industry, may materially and adversely affect our business, financial condition and results of operations. Furthermore, there may be situations where China's housing related industry becomes over-heated, and our platform becomes less appealing to housing customers, brokerage brands, stores and agents and other business partners, which could potentially adversely affect our business of facilitating housing transactions.

Our business is subject to government regulations and policies guiding China's economy in general and, specifically, on existing and new home transactions.

The housing related industry in China is also subject to government regulations and policies. The PRC government has in recent years announced a series of measures aimed to stabilize the growth of the PRC economy and specific sectors, including the housing related industry, to a more sustainable level. Moves in regulations and policies on the housing related industry were more often made during the times when the housing prices are increasing overwhelmingly, in line with the central government's principle that “housing is for living in,

RISK FACTORS

not for speculation,” which was clearly emphasized in the Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035 for the People’s Republic of China (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), or the 14th Five-year Plan. The 14th Five-year Plan was formulated in October 2020 and approved by the National People’s Congress of the PRC, or the NPC, in March 2021.

With the implementation of the 14th Five-Year Plan, the PRC governmental authorities have taken steps to strengthen the regulation of the real estate industry, including by promulgating new regulations and policies on the housing related industry aiming at achieving dynamic balance between demand and supply in the housing related industry, regulating speculative housing investment, and promoting social stabilization and welfare. For instance, in response to the highly volatile housing prices starting from the fourth quarter of 2020, the MOHURD, jointly with other seven PRC regulatory authorities, issued the Notice on Continuous Improvement and Regulation of the Real Estate Market Order (《關於持續整治規範房地產市場秩序的通知》) on July 13, 2021, which aimed to strengthen the rectification of improper or illegal behaviors in real estate development, sales and leasing of properties, and property services by ways including, among others, rectifications of publishing false information of properties and illegal advertisements, which reflected the PRC regulatory authorities’ focus on stabilization and long-term healthy growth of the housing related industry.

On October 23, 2021, the NPC authorized the State Council to launch a five-year pilot property tax reform program in selected regions where the owners of residential and non-residential properties (excluding rural households) will be required to pay property tax. The State Council has the discretion in deciding where and how the property tax will be implemented and administrated. We believe the pilot property tax reform program will also contribute to a healthier, more stable development of China’s housing related industry and the formulation of a long-term mechanism for growth.

At the municipal level, many municipal governments have issued market control policies targeting at, among other things, restoring or strengthening restrictions on residential property speculation and tightening credit policy, over the past five years. In particular, central and local government authorities introduced the policies to specifically stabilize the housing related industry, including limiting the maximum amount of monthly mortgages and the maximum amount of total monthly debt service payments of an individual borrower; imposing a value-added tax on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties; increasing the minimum amount and percentage of down payment of the purchase price of the residential property of a family; tightening the availability of individual housing loans in the housing related industry to individuals and their family members with more than one residential properties; imposing a 20.0% individual income tax on the gain from the sale of second-hand properties; limiting the availability of individual housing provident fund loans for the purchase of second (or more) residential properties by employees and their family members; mandating the banks to contain their balance of all real estate loans and balance of all individual housing loans under a certain capped percentage of the total balance of all Renminbi loans provided by the bank; and publishing reference sale

RISK FACTORS

prices for existing home transactions at different regions in a city. In 2021, the housing authorities of several cities, such as Beijing and Shanghai, issued notices on enhancing comprehensive management on housing related industry or agents with respect to advertising, sale of real estate properties, and financing for housing transactions. The housing authorities of some cities also established a mechanism of reference sale prices for existing home transactions, such as Shenzhen and Xi'an. In particular, the circular and the list of reference sale prices on existing home transactions issued by the housing authorities in Shenzhen in early 2021 specified a tailored reference price for each of the nearly 3,600 residential communities in the city, and, as a result of this new policy, the transaction volume of existing homes in Shenzhen has dropped significantly.

The measures as mentioned above have affected the growth rate of the housing related industry, some of which have dissuaded potential purchasers from making purchases, causing a decline in transaction volumes and average selling prices in both existing home sales and new home sales. Specifically, certain measures regulating the conduct of real estate developers have a particular impact on the transaction volumes and prices of new home sales. The measures in turn not only have caused reduction in our customers' demand for our platform services, but also prevented real estate developers from raising the capital they need, increased their costs to start new projects, and changed the sales and marketing strategy of the developers in a way that reduces their demand for our platform services. Such measures may continue to affect the housing related industry and in turn our business, and the PRC governmental authorities may continue to adopt new laws, regulations and policies from time to time with an aim to stabilize and support the long-term healthy development of the housing related industry in certain regions in China, which might potentially affect our business.

We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future, nor can we assure you when or whether the existing policies and regulations will be eased or reversed, or otherwise enhanced to some extent in their implementations. Changes in government policies may also create uncertainty that could discourage investment in real estate. If these changes in government policies result in decreasing transaction volumes in the housing related industry in China or require us to make necessary changes to our businesses in compliance of new regulations and policies, our business and results of operations may be materially and adversely affected. In addition, the existing and future government regulations and policies may positively or negatively affect different segments of our business operations in varied ways and degrees, such as restricting our business practices and fee rates. As a result, we may adjust our strategies and business models in response to the evolving regulations and policies. We cannot assure you that these adjustments will be successful or materialize in positive business prospects and financial performance.

RISK FACTORS

If we are unable to continue to provide satisfactory experience to housing customers, our business and reputation may be materially and adversely affected.

The success of our business substantially hinges on our ability to provide quality customer experience, which in turn depends on a variety of factors, including our ability to continue to offer integrated online and offline access to an extensive and authentic property listing database and to, together with the brokerage brands, stores and agents on our platform, provide convenient and secure housing service experience and satisfactory services to our housing customers.

Interruptions or failures in the proper functioning of our platform hamper our delivery of satisfactory customer experience. These interruptions may be due to unforeseen events that are beyond our control or the control of the participants on our platform such as intensified competition due to market entry of new players with financial and other resources stronger than us, additional regulatory requirements which we cannot satisfy on a timely basis, or at all, or adverse development or negative publicity involving our platform participants. Moreover, although we endeavor to implement various service protocols and train the real estate agents and other related service providers on our platform to ensure the quality of their service, we cannot guarantee that we will effectively manage all the agents and other service providers to ensure satisfactory customer experience in all service settings. We have received customer complaints about various services on our platform from time to time. If we are unable to continue to provide satisfactory customer experience, housing customers may choose other service providers over our platform for their intended housing transactions, which could materially and adversely impact our reputation, business and results of operations.

We may not succeed in continuing to maintain, protect and strengthen our brands, and any negative publicity about us, our business, our management, our business partners or the housing related industry in general may materially and adversely affect our reputation, business, results of operations and growth.

We believe that the recognition and reputation of our brands among real estate agents, customers, real estate developers and the industry in general have significantly contributed to the success of our business. Our ability to maintain, protect and strengthen our brands is critical to our market position. Maintaining and strengthening our brands will likely depend significantly on, among others, our ability to provide high-quality housing transaction services on our platform. We market our brands through efforts such as word-of-mouth marketing, sponsoring events, advertising and marketing through a variety of media. These efforts may not always achieve the desired results. If we fail to maintain a strong brand, our business, results of operations and prospects will be materially and adversely affected.

Our reputation and brands may be impacted by various factors, some of which are difficult or impossible to predict, control and costly or impossible to remediate. Negative publicity about us, such as alleged misconduct by our employees, connected agents or other business partners on our platform, inauthentic property listings on our platform, unethical business practices, rumors relating to our business, management, employees, real estate agents

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on our platform, our shareholders and affiliates, our business partners or our competitors and peers, or negative publicity about other companies that use similar brand names as ours, can harm our reputation, business and results of operations. These allegations, even if factually incorrect or based on isolated incidents, may lead to inquiries, regulatory investigations or legal actions against us. Such actions could substantially damage our reputation and cause us to incur significant costs to defend ourselves. Any negative public perception or publicity regarding our business partners that we cooperate with, or any regulatory inquiries or investigations and lawsuits initiated against them, may also have an adverse impact on our brand and reputation. Moreover, any negative media publicity about the housing transactions and services industry, service quality problems of other players in our industry, including our competitors, or even negative sentiments against China-based listed companies as a group due to fraud or misbehavior of certain bad actors, may also negatively impact our reputation and undermine the trust and credibility of our platform. If we fail to maintain positive reputation, our ability to attract and retain housing customers, real estate agents, business partners and key employees could be harmed.

If our platform is unable to continue to offer comprehensive authentic property listings, our business, financial condition and results of operations could be materially and adversely affected.

We believe that our authentic property listings inventory is critical for us to gain trust from our housing customers, improve agent operating efficiency and maintain our competitive advantages. We have an obligation under PRC laws to review, monitor and verify the content of the listing information to ensure it is not fraudulent or misleading and is in compliance with applicable laws. We are not allowed to list certain property information for various reasons, including intellectual property infringement, non-compliance with real estate regulations and policies and non-compliance with advertising laws and competition laws, and we are legally required to delete such listing information that is reported by our customers as illegal or may constitute an infringement to others. Although we thrive to maintain the authenticity and accuracy of our property listings by enforcing strict authentic listing rules, constantly monitoring and checking the authenticity of property listings, timely updating or deleting unqualified listings and awarding customers for accurate reporting of incorrect information, we cannot assure you that all the real estate properties listed on our platform are authentic, accurate, up-to-date and not misleading at all times. See “Business – Agent Cooperation Network (ACN) – Authentic Property Listings.” To the extent we fail to monitor and maintain the quality and authenticity of the listings in our property listing database, and the authenticity and accuracy of our property listings deteriorate, our platform could be less attractive to both housing customers and real estate agents and our transaction volume may decrease. We may also be subject to regulatory investigations or penalties if the issues raise regulatory concerns. A public perception that inauthentic property information is displayed on our platform, even if factually incorrect or based on a few isolated incidents, could damage our reputation, diminish the value of our brand and negatively impact our business, financial condition and results of operations.

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We have a limited operating history under our platform business model, and our historical growth and performance may not be indicative of our future growth and financial results.

Although we have a long and successful operating track record in operating *Lianjia*, we have a limited history for operating *Beike* platform which was launched in 2018. Although we have experienced a relatively high growth in operating *Beike* platform, and our GTV grew from RMB3,499.1 billion in 2020 to RMB3,853.5 billion in 2021, we may fail to continue our growth or maintain our historical growth rates. You should not consider our historical growth and profitability as indicative of our future financial performance. You should consider our future operations in light of the challenges and uncertainties that we may encounter, which include our ability to, among other things:

- navigate an uncertain and evolving regulatory environment and adapt our operations to new policies, regulations and measures that may come into effect from time to time;
- develop our infrastructure to enhance service efficiency and customer experience;
- attract real estate brokerage brands and their affiliated stores and agents, real estate developers, other service providers as well as housing customers to our platform; and retain existing platform participants;
- continue to implement and optimize our ACN rules;
- continue to develop our technology and enhance our data insights;
- maintain an extensive and authentic property listing database on our platform;
- manage a large base of geographically dispersed employees, agents, housing customers and business partners;
- deliver compelling value propositions to participants on our platform and ecosystem;
- expand service or product offerings and expand into new businesses; and
- realize the contemplated synergies from our proposed acquisitions.

If the demand for completing housing transactions on an integrated offline and online platform does not develop as we expect, or if we fail to enhance efficiency and customer experience as we expect, our business and financial conditions may be materially and adversely affected.

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Any failure or perceived failure by us to comply with the anti-monopoly and competition laws and regulations in the PRC may result in governmental investigations, enforcement actions, litigation or claims against us and could have an adverse effect on business, reputation, results of operations and financial condition.

The PRC anti-monopoly regulators have in recent years strengthened enforcement under the anti-monopoly and competition laws and regulations. In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the Ministry of Commerce, the NDRC, and the SAIC (the predecessor of the SAMR), respectively. On November 18, 2021, the State Council inaugurated the National Anti-monopoly Bureau, which aims to further implement the fair competition policies and strengthen anti-monopoly supervision in the PRC, especially to strengthen supervision and law enforcement in areas involving platform economy, innovation, science and technology, information security and people's well-being.

The PRC anti-monopoly regulators may also issue implementation rules or guidelines from time to time to reinforce their regulation on certain industrial sectors. On September 11, 2020, Anti-monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》) was issued, which requires, under the PRC Anti-monopoly Law, operators to establish anti-monopoly compliance management system to prevent anti-monopoly compliance risks. On February 7, 2021, the Anti-monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Platform Economy Sector (《關於平台經濟領域的反壟斷指南》), which is aimed at enhancing anti-monopoly administration on businesses that operate under the platform model and the overall platform economy. The Anti-Monopoly Guidelines for the Platform Economy Sector is consistent with the PRC Anti-Monopoly Law and prohibits monopolistic conduct such as entering into monopolistic agreements, abusing market dominance and concentration of undertakings that may have the effect to eliminate or restrict competition in the field of platform economy. More specifically, the Anti-Monopoly Guidelines for the Platform Economy Sector outlines certain practices that may, if without justifiable reasons, constitute abuse of market dominance, including without limitation, discriminating customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements, using technology means to block competitors' interface, favorable positioning in search results of goods displays, using bundled services to sell services or products, compulsory collection of unnecessary user data. In addition, the Anti-Monopoly Guidelines for the Platform Economy Sector also reinforces antitrust merger review for internet platform related transactions to safeguard market competition.

In addition, on November 15, 2021, the SAMR published the Overseas Anti-monopoly Compliance Guidelines for Enterprises (《企業境外反壟斷合規指引》), which is aimed at helping PRC companies establish and strengthen overseas anti-monopoly compliance systems to reduce overseas anti-monopoly compliance risks. The Guidelines applies to both PRC enterprises that conduct business and operation overseas and PRC enterprises that conduct business and operations in the PRC and may have certain impacts on overseas markets, in

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particular for those that conduct import and export trade, overseas investments, acquisition, transfer or license of intellectual properties and tendering and bidding activities. See “Regulatory Environment – Regulations Related to Anti-Monopoly and Anti-unfair Competition.”

As the aforementioned guidelines were newly promulgated, there remains uncertainties as to how these guidelines will be implemented and whether these guidelines will have a material impact on our business, financial condition, results of operations and prospects. We cannot assure you that our business operations comply with such regulations and authorities’ requirements in all respects. If any non-compliance is raised by relevant authorities and determined against us, we may be subject to fines and other penalties.

Furthermore, on October 23, 2021, the Standing Committee of the National People’s Congress issued a discussion draft of the amended Anti-Monopoly Law, which proposes to increase the fines for illegal concentration of business operators to no more than ten percent of its last year’s sales revenue if the concentration of business operator has or may have an effect of excluding or limiting competitions, or a fine of up to RMB5 million if the concentration of business operator does not have an effect of excluding or limiting competition. The draft also proposes that the relevant authorities shall investigate a transaction where there is any evidence that the concentration has or may have the effect of eliminating or restricting competitions, even if such concentration does not reach the filing threshold.

We may be involved in investigations, inquiries, claims, complaints or other administrative requirements in relation to anti-monopoly and competition laws and regulations in the PRC from time to time, which regulate various potential monopolistic actions or arrangements, such as monopoly agreements, bundling or tie-in sales, unfair pricing practices, imposing unreasonable terms on the counterparties, requiring the operators on the platform to choose “one out of two” competitive platforms, charging additional and unreasonable fees, refusing to transact with certain counterparties without any reasonable ground, as well as concentrations of undertaking, and these investigations, claims and complaints are subject to the uncertainties associated with the evolving legislative activities and varied local enforcement practices. We are committed to complying with the foregoing laws, regulations and government guidelines and we continuously assess and evaluate our compliance status accordingly.

In the case of our failure or perceived failure to comply with these laws and regulations and new legislations or guidelines to be promulgated from time to time, governmental agencies and regulators may, among other things, prohibit or rescind our acquisitions, divestitures, or combinations, impose significant fines or penalties, require divestiture of certain of our assets, or impose other restrictions that limit or require us to modify our operations. It may be costly to adjust some of our business practice in order to comply with these laws, regulations, rules, guidelines and implementations, and any incompliance or associated inquiries, investigations

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and other governmental actions may divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, and materially and adversely affect our financial conditions, results of operations, and business prospects.

Our business generates and processes a large amount of data and is subject to various evolving PRC laws and regulations regarding cybersecurity and data privacy. Failure of cybersecurity and data privacy concerns could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential customers from using our services.

Our business generates and processes a large quantity of data. We face risks inherent in handling and protecting a large amount of data that our business generates and processes from the significant number of housing transactions our platform facilitates. In particular, we face a number of challenges relating to data from transactions and other activities on our platform, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behavior or improper use by our employees;
- addressing concerns related to privacy and sharing, safety, security and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, storage, transfer, disclosure and security of personal information, including any requests from regulatory and government authorities relating to these data.

In general, we expect that data security and data protection compliance will receive greater attention and focus from regulators as well as attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, we could become subject to penalties, including fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

We are subject to various cybersecurity and data privacy laws and regulations in China, including without limitation, the PRC Civil Code and the PRC Cybersecurity Law. See “Regulatory Environment – Regulations Related to Internet Security and Privacy Protection.” Moreover, different regulatory bodies in China, including the MIIT, the CAC, the Ministry of Public Security, the SAMR, and the MOHURD, have enforced data privacy and protections laws and regulations with various standards and applications. The various standards in enforcement of data privacy and protection laws have caused us difficulties in ensuring full compliance and increase our operating cost, as we need to spend time and resources to deal with various inspections for compliance. While we have adopted a rigorous and comprehensive policy for the collection, processing, sharing, disclosure authorization and other aspects of data

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use and privacy and taken necessary measures to comply with all applicable data privacy and protection laws and regulations, we cannot guarantee the effectiveness of these policies and measures undertaken by us, or by the agents, brokerage brands and stores or other business partners on our platform. Any failure or perceived failure to comply with all applicable data privacy and protection laws and regulations, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with our internal control measures, may result in negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation, discourage current and potential agents, housing customers and subject us to fines and damages, which could have a material adverse effect on our business and results of operations.

Furthermore, the PRC regulatory and enforcement regime with regard to cybersecurity and data protection is still evolving. PRC regulators have been increasingly focused on regulation in the areas of cybersecurity and data protection. The following are examples of recent PRC regulatory activities in this area.

Personal Information and Data Privacy

On August 20, 2021, the State Council promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), effective from November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Entities handling personal information shall bear responsibilities for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to rectify, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties. See “Regulatory Environment – Regulations Related to Privacy Protection.” The Anti-monopoly Guidelines for the Platform Economy Sector published by the Anti-monopoly Committee of the State Council also prohibits collection of user information through coercive means by online platform operators.

Data Security

On June 10, 2021, the Standing Committee of the National People’s Congress promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect in September 2021. The Data Security Law, among other things, provides for a security review procedure for the data activities that may affect national security. In addition, on December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》), which further restate and expand the applicable scope of the cybersecurity review. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that procure internet products and

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services, and network platform operators engaging in data processing activities, must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further stipulate that network platform operators holding over one million users' personal information shall apply with the Cybersecurity Review Office for a cybersecurity review before listing on a foreign stock exchange (國外上市). In addition, the relevant government authorities may initiate the cybersecurity review against the relevant operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security. However, given the Cybersecurity Review Measures were recently promulgated, there are substantial uncertainties as to the interpretation, application and enforcement of the Cybersecurity Review Measures. The PRC government authorities have discretion in interpretation and implementation of the Cybersecurity Review Measures, including cybersecurity review on certain activities of critical information infrastructure operators and other circumstances that affect or may affect national security. The exact scope of "critical information infrastructure operators" under the current regulatory regime remains unclear and the identification of critical information infrastructure operators is subject to specific identification rules stipulated by relevant industry regulators and the notice from the relevant regulators pursuant to the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》). See "Regulatory Environment – Regulations Related to Internet Security and Privacy Protection."

As of the Latest Practicable Date, no detailed rules or guidance with respect to the implementation of such regulations has been issued by any government authorities and we have not been informed as a critical information infrastructure operator by any government authorities. Therefore, it is uncertain whether we would be deemed as a critical information infrastructure operator under PRC law, or be subject to the cybersecurity review. The PRC government authorities may have discretion in the interpretation and enforcement of these laws, rules and regulations. We cannot assure you that relevant regulators will not interpret or implement the laws or regulations in ways that negatively affect us. Our different lines of business are subject to evolving data security and protection laws and regulations regulating different businesses, such as the financial services business and internet-related business, which may lead to inconsistency and cause difficulties in compliance. In addition, it is possible that we may become subject to additional or new laws and regulations in this regard, particularly to cybersecurity and protection laws in other jurisdiction if we extend our business outside of the PRC in the future, which may result in additional expenses to us and subject us to potential liability and negative publicity.

Furthermore, on November 14, 2021, the CAC published the Draft Regulations on Cyber Data Security (《網絡數據安全管理條例(徵求意見稿)》), which reiterate the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for listing on a foreign stock exchange; and (ii) the data processors' proposed listing in Hong Kong affects or may possibly affect national security. However, it provides no further explanation or interpretation as to how to determine what constitutes "affecting national security", and there remain uncertainties whether we would be subject to the cybersecurity review for this Listing pursuant to such measures. The Draft Regulations on Cyber Data Security also provide specific

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requirements for data processors in conducting data processing activities in China. See “Regulatory Environment – Regulations Related to Internet Security and Privacy Protection” for details. As of the date of this document, there is no schedule as to when it will be enacted. Substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation.

It also remains uncertain whether the future regulatory changes would impose additional restrictions on companies like us. We cannot predict the impact of these draft measures, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If the enacted versions of the draft measures mandate clearance of cybersecurity review and other specific actions to be completed by China-based companies listed on a U.S. stock exchange, such as us, we face uncertainties as to whether such clearance can be timely obtained, or at all. As of the Latest Practicable Date, we have not been involved in any formal investigations on cybersecurity review made by the CAC on such basis. However, if we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from the relevant application stores, among other sanctions, which could materially and adversely affect our business and results of operations.

In general, compliance with the existing PRC laws and regulations, as well as additional laws and regulations that PRC regulatory bodies may enact in the future, related to data security and personal information protection, may be costly and result in additional expenses to us, and subject us to negative publicity, which could harm our reputation and business operations. There are also uncertainties with respect to how such laws and regulations will be implemented and interpreted in practice.

During the Track Record Period and up to the Latest Practicable Date, (i) there had been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations or investigation or other legal proceeding, pending or threatened against us initiated by competent government authorities or third parties, that will materially and adversely affect the business of us; and (ii) we have not been subject to any material fines, administrative penalties, or other sanctions by any relevant regulatory authorities in relation to the infringement of cybersecurity and data protection laws and regulations. In addition, we have maintained a comprehensive and rigorous data protection program and implemented comprehensive and strict internal policies, procedures and measures to ensure our compliance practice in data protection. See “Business – Risk Management and Quality Control – Data and Technology System Risk Management” for details.

Based on the foregoing, our PRC Legal Adviser and Directors are of the view that we are in compliance with the existing PRC laws and regulations on cybersecurity, data security and personal data protection in all material aspects, and if the Draft Regulations on Cyber Data Security were implemented in the current form, our Directors and our PRC Legal Adviser do not foresee any material impediments for us to comply with the requirements under the Draft Regulations on Cyber Data Security in all material aspects. Based on the foregoing analysis

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and the advice of our PRC Legal Adviser, our Directors are of the view that the Draft Regulations on Cyber Data Security, if implemented in the current form, would not have a material adverse impact on our business operations or the proposed Listing.

In addition, regulatory authorities around the world have adopted or are considering a number of legislative and regulatory proposals concerning data protection. These legislative and regulatory proposals, if adopted, and the uncertain interpretations and application thereof could, in addition to the possibility of fines, result in an order requiring that we change our data practices and policies, which could have an adverse effect on our business and results of operations. The European Union General Data Protection Regulation, or the GDPR, which came into effect on May 25, 2018, includes operational requirements for companies that receive or process personal data of residents of the European Economic Area. The GDPR establishes new requirements applicable to the processing of personal data, affords new data protection rights to individuals and imposes penalties for serious data breaches. Individuals also have a right to compensation under the GDPR for financial or non-financial losses. Although we do not conduct any business in the European Economic Area, in the event that residents of the European Economic Area access our platform and input protected information, we may become subject to provisions of the GDPR.

Our business has been and may continue to be adversely affected by the outbreak of COVID-19.

The current COVID-19 pandemic has already adversely affected many aspects of our business. Many of the brokerage stores on our platform, as well as our transaction service centers, underwent temporary closure in early 2020 as part of China's nationwide efforts to contain the spread of COVID-19. During that period, all agents were required to stay at home and were unable to serve our housing customers. Our operating efficiency and capacity were adversely affected by the COVID-19 pandemic mainly due to insufficient workforce as a result of temporary travel restrictions in China, a lack of willingness of housing customers to take home tours and inspections on site and purchase property and the necessity to comply with disease control protocols in our facilities. Due to concerns or fear of the spread of the disease, there had been noticeable reduction of in-person visits of housing customers to brokerage stores and properties in that period. We, the real estate agents on our platform, and our business partners had to recover from the general shutdown and delay in the commencement of operations in China. As a result, our results of operations for the first quarter of 2020 were adversely affected. Although our results of operations have substantially recovered since the second quarter of 2020 and the impact of COVID-19 has declined in China, there remains substantial uncertainty about the dynamic of the COVID-19 pandemic, which may have potential continuing impacts on subsequent periods if the global pandemic and the resulting disruption were to extend over a prolonged period or if a wide spread of COVID-19 happens again in China. The global spread of COVID-19 pandemic in major countries of the world may also result in global economic distress, and the extent to which it may affect our results of operations will depend on future developments of the COVID-19 pandemic, including the duration of the pandemic, the emergence of the Delta and Omicron variants and their spread, the actions to contain the pandemic or address its impact, the vaccine status of the general public and treatment for COVID-19 infections, among others, which are highly uncertain and

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difficult to predict. Even after the COVID-19 outbreak has subsided, we may continue to experience adverse impacts to our business as a result of the global economic impact, including the adverse impacts on the general economic conditions and any recession that has occurred or may occur in the future. A sustained or prolonged COVID-19 pandemic or a resurgence could exacerbate the factors described above and intensify the impact on our business, financial condition and results of operations.

After the initial outbreak of COVID-19, from time to time, some instances of COVID-19 infections have emerged in various regions of China, including the infections caused by the Omicron variants in early 2022. With varying levels of temporary restrictions and other measures reinstated in such regions to contain the infections, including those in Shanghai from March 2022, our operations in these regions may be adversely affected when these restrictive measures are in force, under which our local stores may be forced to close temporarily or our home tour activities may be restricted in certain communities. For example, a wave of infections caused by the Omicron variants emerged in Shanghai in early 2022, and a series of restrictions and quarantines were implemented to contain the spread. Our brokerage stores in Shanghai were temporarily closed, pending the development of the COVID-19 situation which is uncertain. The emergence of such regional instances, the potential spread in other areas in which we operate and the corresponding restrictive measures are beyond our control and may continue to adversely affect our operations. If a second wave of COVID-19 in China takes place resulting from reasons such as the spread of a new variant, or the global spread of COVID-19 and deterioration cannot be contained, risks set forth in this document may be exacerbated or accelerated at a heightened level.

We have incurred net losses in the past, and we may not be able to remain profitable or increase profitability in the future.

We incurred a net loss of RMB2,180 million in 2019, and turned profit-making and recorded a net income of RMB2,778 million in 2020. In 2021, we recorded a net loss of RMB525 million (US\$82 million). Our costs have increased year-on-year in the Track Record Period and we expect to continue to incur increasing costs to support our anticipated future growth. We also expect to continue to incur additional operating expenses as a result of both our growth and the increased costs associated with being a public company. Our costs and expenses may be greater than we anticipate, our investments to make our business and our technical infrastructure more efficient may not be successful, and our acquisition and consolidation of Shengdu may involve higher expenses than expected.

We face risk in collecting our accounts receivable and deposits from real estate developers.

We incur accounts receivable with, and pay earnest deposits to, real estate developers when we are engaged to sell new home projects and we grant them credit terms for our sales commissions in line with the industry practice in China. As of December 31, 2021, the balance of deposits paid to real estate developers was RMB0.6 billion (US\$0.1 billion) and the accounts receivable due from them was RMB11.0 billion (US\$1.7 billion). We may face risk collecting

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these amounts if the operation and liquidity condition of real estate developers deteriorate. Meanwhile, any policy change aiming at tightening regulations of real estate developers may limit their access to financing channels and may cause adverse impact on the collectability of our accounts receivable. For instance, since the end of 2020, the regulators have tightened the financial requirements for real estate developers to seek new debt financings, with the aim of curing the rapid growth of debts of real estate developers. Under the rules, the growth rate of debt financing allowed for a real estate developer is contingent on its satisfaction of three debt-related financial metrics, and if it fails to meet all three metrics, it will be restricted from obtaining any new interest-bearing debt financing. If any of the real estate developers with significant outstanding accounts receivable and deposits were to become insolvent or otherwise become unable or refuse, to make payments in a timely manner, or at all, we would have to make additional provisions against such accounts receivable and deposits, or write off the relevant amounts, either of which could adversely affect our financial conditions and profitability.

Disruption or discontinuity in the features and functions of our infrastructure components, especially ACN, may materially and adversely affect our business.

We rely on the proper functioning of ACN and the modules of our infrastructure for the daily operations of our platform. Although we have implemented a comprehensive rules and protocols in ACN, we cannot assure you that all aspects of our ACN rules will be satisfactorily implemented in each housing transaction on our platform. With the increasing number of participating real estate brokerage brands and agents who were not previously familiar with ACN rules, it may be difficult for us to effectively monitor and control these brands and agents to ensure their business performance and conducts in accordance with ACN rules. If violations of ACN rules or other inappropriate actions occur, such as circumventing our platform to facilitate transactions that are required to be partitioned according to ACN rules, and if we fail to effectively prevent non-compliance or discipline the responsible brands or agents, the effectiveness of our ACN system may be diminished and other agents on our platform may be less willing to follow the rules, which could materially and adversely affect our business and results of operations. Any material disruption or malfunction of other modules, such as our SaaS systems and customer front end, may also compromise the service quality of our service providers on the platform and affect our operations materially and adversely.

We cannot guarantee that our monetization strategies will be successfully implemented or generate sustainable revenues and profit.

Although we have a well-developed monetization model for our self-operated housing transaction services business through *Lianjia*, we are at the early stage of our platform business and our platform monetization model is evolving. Our *Beike* platform generates revenues from existing home transaction services by earning platform service fees from real estate brokerage firms on the platform as a percentage of the transaction commissions they earned on our platform, commissions from housing customers for transactions facilitated by our *Lianjia* brand or a split for commissions from other brokerage firms acting as principal agents in collaboration with our *Lianjia* agents to complete transactions, franchise fees from brokerage

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firms under our franchise brands such as *Deyou*, and service fees for other value-added services. We also generate revenues from new home transaction services by earning sales commissions from real estate developers for new home sales completed by us as well as other services such as financial services and home renovation services.

We cannot assure you that we can successfully implement the existing business model to generate sustainable revenues, especially with respect to our attempts in broadening monetization with limited track records, or that we will be able to develop new monetization strategies to grow our revenues. If we fail to maintain the implementation of our existing business model or develop new monetization approaches, we may not be able to maintain or increase our revenues or effectively manage any associated costs. In addition, we may introduce new products and services for which we have little or no prior development or operating experience. If these new products or services fail to meet our expectations or are unable to attract or engage users, real estate agents, business partners or other platform participants, as the case may be, we may fail to diversify our revenue streams or generate sufficient revenues to justify our investments and costs, and our business and operating results may suffer as a result.

We cooperate with various real estate brokerage brands, stores and agents on our platform. If we are not able to develop relationships with new real estate brokerage brands and agents or maintain our relationship with existing real estate brokerage brands and agents on our platform, our operations may be materially and adversely affected.

We believe the large and active network of real estate brokerage brands and their affiliated stores and agents contributes significantly to the success of our platform. As of December 31, 2021, there were over 45,000 community-centric active brokerage stores and over 406,000 active agents affiliated with these stores. Aside from the *Lianjia* brand that we own and operate, the connected brokerage brands and the sales channels we specifically procured for new home transactions contributed a substantial majority of the GTV on our platform in 2021. We enter into business cooperation agreements with brokerage brands. Under these agreements, we offer the brokerage brands access to the infrastructure on our platform, such as ACN and the SaaS systems. The brokerage brands, in turn, would commit to following our ACN as well as other protocols on the platform and subscribe to an agreed-upon fee structure. It is uncertain, however, that we are able to develop relationships with new real estate brokerage brands, stores and agents in line with our plan to expand our platform business, or that we are able to maintain our relationship with existing brokerage brands, stores and agents on commercially acceptable terms, or at all, after the terms of the current cooperation agreements expire. In the event that we are not able to develop new relationships or maintain our existing relationship, our ability to serve a large number of customers nationwide with superior housing transaction services and to maintain and develop our extensive authentic property listing inventory may be restricted, which may in turn materially and adversely affect our platform operations.

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If we fail to maintain our relationships with real estate developers or attract them to engage us, or otherwise fail to procure new real estate property listings at favorable terms, our business and growth prospects may suffer.

We cooperate with real estate developers for new property sales on our platform and established business relationships with major real estate developers in China. Maintaining strong relationships with real estate developers is critical to the results of operations and prospects on our new home sales business. We enter into strategic cooperation agreements with real estate developers, and these agreements typically do not restrict the real estate developers from cooperating with other real estate brokerage firms. We cannot assure you that the real estate developers we currently cooperate with will continue the cooperation on commercially acceptable terms, or at all, after the terms of the current agreements expire or after our cooperative arrangements end. Our ability to attract real estate developers to engage us in selling new homes will also affect the prospects of the new home sales business. If we cannot ensure that our channels sales are superior to their traditional way of sales, or, for example, the sales channels that do not utilize ACN are unable to meet real estate developers' expectations or our VR initiatives are not effective in attracting housing customers, we might not be able to attract new real estate developers or even maintain our existing relationships. Even if we maintain strong relationships with the real estate developers or are able to attract them, their ability to provide adequate new property listings at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal proceedings against them, natural disasters or other factors beyond our control. If we fail to attract new real estate developers to cooperate with us due to any reason, our business and growth prospects may be materially and adversely affected.

If we fail to obtain or keep licenses, permits or approvals applicable to the various services provided by us, we may incur significant financial penalties and other government sanctions.

The real estate brokerage business in China is highly regulated by the PRC government. See also "Regulatory Environment – Regulations Related to Real Estate Brokerage Business and Real Estate Agency Enterprises." Pursuant to the Real Estate Brokerage Administrative Measures, to qualify as a real estate brokerage institution, an entity and its branches should have a sufficient number of qualified real estate brokers and file with relevant local real estate administrative authority within 30 days after obtaining its business license. The requirements of the local real estate administrative authorities for such filings may vary among cities and we cannot assure you that, to the extent that the filing is required by local authorities, we will be able to complete the filing in a timely manner, or at all. As of the Latest Practicable Date, all of our subsidiaries and their branches operating real estate brokerage business have currently filed with the relevant authorities, except that a small subset of branches which are preparing for or in the process of completing such requirements. Thus far, the filing status of these branches has not caused any material adverse effect to our business operations. We cannot assure you that the outstanding filings and future filings will be completed in a timely manner, or at all. If not, we may be subject to penalties or other governmental sanctions for such failures.

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In connection with the online operations of our platform, the relevant Consolidated Affiliated Entities are also required to obtain, and have obtained, value-added telecommunications service licenses in order to provide relevant value-added telecommunication services. In addition, to enhance the experience of our housing customers, agents or other business partners on our platform, we offer various auxiliary functions and complementary services through our platform and have obtained relevant licenses and permits for these services, such as the license for non-financial institution payment service, approval for establishment of micro credit company, license for financing guarantee business, license for insurance brokerage business and approval for commercial factoring business. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by relevant government authorities, we may be required to obtain additional licenses, permits, filings or approvals for these functions and services. We cannot assure you that if we are required to obtain these additional licenses, permits or approvals, we will be able to do so in a timely manner, if at all, and any non-compliance may result in fines or other penalties being imposed to us.

Furthermore, if we enter into new service categories and businesses, or any of our current businesses or services are determined to be subject to new licensing requirements in the future, especially due to the evolving application or interpretation of relevant laws and regulations, we may be required to obtain licenses or permits that we do not currently have or to upgrade the licenses or permits we currently have. We will strive to obtain and upgrade the relevant licenses and permits, but we cannot assure you that we will be able to obtain or upgrade such licenses and permits in a timely manner, or at all.

Under applicable PRC laws, rules and regulations, the failure to obtain and/or maintain the licenses and permits required to conduct our business may subject us to various penalties, including confiscation of revenues, imposition of fines and/or restrictions on their business operations, or the discontinuation of their operations. Any such disruption in the business operations of our PRC subsidiaries or the Consolidated Affiliated Entities could materially and adversely affect our business, financial condition and results of operations.

The proper functioning of technologies deployed by our platform is essential to our business. Any failure to maintain the satisfactory performance of our websites, mobile apps and systems could materially and adversely affect our business and reputation.

The satisfactory performance, reliability and availability of our platform, both online and offline, are critical to our success and our ability to attract and retain housing customers and real estate agents. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our online operations could reduce the transaction volumes and hamper transaction efficiency, and our platform as a whole will suffer. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website and mobile app slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill customer requests. Security breaches, computer viruses and hacking attacks have become more prevalent

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in our industry. Because of our brand recognition in the housing transactions and services industry in China, we believe we are a relatively attractive target for such attacks. We have experienced in the past such unexpected interruptions, and we have taken protective measures to enhance the security of our platform. We can provide no assurance that our current security mechanisms will be sufficient to protect our IT systems from any external intrusions, viruses or hacker attacks, information or data theft or other similar activities. Any such future occurrences could reduce customer satisfaction, damage our reputation and result in a material decrease in our revenues. If hostile hacking attacks result in revelation of personal data we are obligated to protect, we may be subject to administrative penalties or legal proceedings against us. If such attacks lead to leaked trade secrets, including our property listings, our business and results of operations may be materially and adversely affected.

If we are unable to recruit, train and retain competent real estate personnel or sufficient workforce while controlling our labor costs, our business may be materially and adversely affected.

We will continue to recruit real estate personnel to support business operations and planned business growth. Our future success depends, to a significant extent, on our ability to recruit, train and retain competent personnel, particularly technical, marketing and other operational personnel with experience in the housing transactions and services industry as well as service providers for various value-added services on our platform. For the *Lianjia* brand we own and operate, we also strive to recruit, train and retain real estate agents. The effective operation of our managerial and operating systems also depends on the quality performance and diligence of our management and employees. Since our industry is characterized by high demand and intense competition for talent and labor as well as high turn-over rate, we can provide no assurance that we will be able to attract or retain staff, agents and managerial talents or other highly skilled employees that we will need to achieve our strategic objectives. Labor costs in mainland China and elsewhere have increased with the global economic development. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth in a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture. If we are unable to meet our demand for workforce, our business may be materially and adversely affected.

We rely on our employees, real estate brokerage brands and their affiliated agents, real estate developers, financial institutions, and other business partners on our platform to provide quality services to customers. Their illegal actions or misconduct, or any failure by them to provide satisfactory services or maintain their service levels, could materially and adversely affect our business, reputation, financial condition and results of operations.

Real estate agents and certain personnel on our platform are the ultimate providers of the services offered on our platform, and our brands and reputation may be harmed by their actions that are outside our control. We rely on our employees, including *Lianjia* agents, supporting staff and platform operation staff to provide housing transaction services and various other services. Notwithstanding the strictly enforced service protocols, our employees, especially our

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agents, may not fully comply with our protocols and relevant laws or regulations, and may engage in misconduct or illegal actions, which may result in negative publicity and adversely impact our reputation and brand image.

We rely upon connected agents to serve some of our housing customers. Although we have established comprehensive service protocols for agents on our platform and maintain rigorous governance mechanisms, we may not be able to exercise the same level of control over the conduct of connected brokerage brands and their agents as we would as if we owned them or they were our employees. In the event of any unsatisfactory performance, lack of certain qualifications or licenses, misconduct, inappropriate service performances for illegal purpose, or other illegal actions, such as dishonesty, personal torts or extortion, by connected real estate brokerage brands and their agents, the disputes resulted from such actions may involve us and we may suffer reputational and financial damage and incur liabilities and even administrative penalties. For example, if connected agents provide inaccurate information to housing customers on our platform, who submit complaints to regulatory agencies, we may be involved as a related party in such disputes. Such misconduct by real estate agents is subject to an increasing level of scrutiny by the regulatory authorities who would publicize such misconduct, which could damage our overall reputation, disrupt our ability to attract new customers or retain our current customers and diminish the value of our brand. Although we hold a deposit from each real estate brokerage store on our platform to cover potential financial damage, to the extent that the amount of financial damage incurred in such disputes exceeds the amount of deposit, our financial condition may be materially and adversely affected.

In addition to the services provided by real estate agents on our platform, we also rely on a large number of business partners on our platform and ecosystem, such as real estate developers to provide quality services related to new home transactions, financial institutions to provide effective and affordable financial solutions to housing customers, and home renovation companies to perform satisfactory work. To the extent they are unable to provide satisfactory services to housing customers and real estate agents, or they engage in any inappropriate or illegal actions, which may be due to factors that are beyond our control, we may suffer actual or reputational damage as a result. In particular, the real estate developers we cooperate with may breach the contracts with housing customers or violate laws and regulations, which may expose us to potential legal liabilities and subject us to housing customers' claims for indemnifications and other remedies. Any of the failure to provide satisfactory services, potential misconduct or illegal actions discussed above could materially and adversely impact our business, reputation, financial condition and results of operations.

Our business is sensitive to economic conditions. A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business, financial condition and operating results.

COVID-19 had a severe and negative impact on the Chinese and the global economy in 2020. Starting from the fourth quarter of 2020 and from time to time in 2021 and early 2022, a few waves of COVID-19 infections emerged from time to time in various regions of China, and varying levels of travel restrictions were reinstated, including those in Shanghai since

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March 2022. Whether this will lead to a prolonged downturn in the economy is still unknown. The global macroeconomic environment is also facing challenges, including the end of quantitative easing, interest rate increases, and reduction in bond holdings by the U.S. Federal Reserve, the conflicts in Ukraine, sanctions on Russia and the resulting turbulences, the economic slowdown in the Eurozone since 2014, uncertainties over the impact of Brexit and the ongoing global trade disputes and tariffs. The growth of the Chinese economy has slowed down since 2012 compared to the previous decade and the trend may continue. According to the National Bureau of Statistics of China, China's gross domestic product (GDP) growth was 2.3% in 2020 and 8.1% in 2021. There is considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. In addition, there have also been concerns about the relationship between China and the United States, resulted from the current trade tension between the two countries. It is unclear whether these challenges and uncertainties will be contained or resolved and what effects they may have on the global political and economic conditions in the long term. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any prolonged slowdown in the global or Chinese economy may have a negative impact on our business, results of operations and financial condition, and continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs. Our customers and business partners may reduce or delay spending with us, while we may have difficulty expanding our customer base and cooperative network fast enough, or at all, or to offset the impact of decreased spending by our existing customers and business partners.

Strategic alliances, investments or acquisitions may have a material and adverse effect on our business, reputation, results of operations and financial condition.

We have in the past and may continue to invest in or acquire assets, technologies and businesses that are complementary to our existing business, such as our investments in other national real estate brokerage companies and strategic acquisitions of real estate brokerage brands in the past and our acquisition of Shengdu. Our investments or acquisitions may involve significant risks and may not yield the results we expect. Challenges and risks associated with strategic alliances, investments or acquisitions include:

- Investments and acquisitions could result in the use of substantial amounts of cash and potentially dilutive issuances of equity securities. For instance, we completed the acquisition of Shengdu for an aggregate consideration of RMB3.92 billion in cash and 44,315,854 of our Class A ordinary shares in equity on April 20, 2022, and the issuance of new securities may have a dilutive effect on our existing shareholders. In addition, investments and acquisitions could involve significant amortization expenses related to goodwill or intangible assets and exposure to potential unknown liabilities of the acquired business. If such goodwill or intangible assets become impaired, we may be required to record a significant decrease to our results of operations;

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- Investments and acquisitions may require our management team to devote a significant amount of attention in implementation or remediation of controls, procedures and policies at the invested or acquired companies;
- The cost of identifying and consummating investments and acquisitions and integrating the acquired businesses into ours may be significant, and the integration of acquired businesses may be difficult or become disruptive to our existing business operations;
- We may also have to obtain approval from the relevant PRC governmental authorities or complete certain administrative procedures for the investments and acquisitions and comply with any applicable PRC rules and regulations, which may be costly;
- Actual or alleged misconduct or non-compliance by any company we acquire or invest in (or by its affiliates) that occurred may lead to negative publicity, government inquiry or investigations against such company or against us;
- Investments and acquisitions may raise regulatory concerns in relation to the anti-monopoly and competition laws, rules and regulations of China;
- Unexpected situations in the area where we conduct investments or acquisitions, such as local protectionism, may impede the closing of our investments or acquisitions and the proper functioning of the invested business;
- Our financial conditions and results of operations may be adversely affected as we provide loans to some of the companies we invest in;
- In the case of foreign acquisitions, we face difficulties and risks in addressing the need to integrate operations across different cultures and languages and to deal with the particular economic, currency, political and regulatory risks associated with specific countries; and
- We may fail to retain and integrate qualified employees of the invested or acquired companies.

In the event that our investments and acquisitions are not successful, our results of operations and financial condition may be materially and adversely affected.

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Our failure to protect our intellectual property rights may undermine our competitive position, and external infringements of our intellectual property rights may adversely affect our business.

Our success and ability to compete depends in part on our intellectual property. We primarily rely on a combination of patent, trademark, trade secret, and copyright laws, as well as confidentiality procedures and contractual restrictions with our employees, contractors and others to establish and protect our intellectual property rights. However, confidentiality and license arrangements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. The steps we take to protect our intellectual property rights may be inadequate or we may be unable to secure intellectual property protection for some of our properties. Infringement of intellectual property rights continues to pose a serious risk of doing business.

We have filed, and may in the future file, patent applications on certain of our innovations. It is possible, however, that these innovations may not be patentable. In addition, given the cost, effort and risks associated with patent application, we may choose not to seek patent protection for some innovations. Furthermore, our patent applications may not lead to granted patents, the scope of the protection gained may be insufficient or an issued patent may be deemed invalid or unenforceable. In addition, we have filed, and may continue to file, applications on certain of our trademarks, which may not always be approved on a timely basis, or at all. We also cannot guarantee that any of our present or future patents, trademarks or other intellectual property rights will not lapse or be invalidated, circumvented, challenged, or abandoned.

If we are unable to protect our intellectual property, our competitors could use our intellectual property to market offerings similar to ours and our ability to compete effectively would be impaired. Moreover, others may independently develop technologies that are competitive to ours or infringe on our intellectual property. The enforcement of our intellectual property rights depends on our legal actions against these infringers being successful, but we cannot be sure these actions will be successful, even when our rights have been infringed. In addition, defending our intellectual property rights might entail significant expense and diversion of management resources. Any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigations. We cannot provide assurance that we will prevail in such litigations, and, even if we do prevail, we may not obtain a meaningful relief. Accordingly, despite our efforts, we may be unable to prevent external parties from infringing or misappropriating our intellectual property. Any intellectual property that we own may not provide us with competitive advantages or may be successfully challenged by external parties.

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We have been and may be subject to intellectual property infringement claims or other allegations, which may materially and adversely affect our business, financial condition and prospects.

We cannot be certain that our services and information provided on our website, operating and technology systems, Weixin mini programs and public accounts and mobile apps do not or will not infringe patents, copyrights, trademarks or other intellectual property rights held by external parties. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks, copyrights or other intellectual property rights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights.

In addition, we allow our agents on the platform to upload listings to our mobile apps and websites, which may include images or other detailed information of houses. However, a small portion of such content posted on our mobile apps and websites may expose us to allegations by third parties regarding, among other things, infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of third-party rights. Our failure to identify unauthorized content posted on our mobile apps and websites may subject us to claims of infringement of third-party intellectual property rights or other rights, defending of which may impose a significant burden on our management and employees, and there can be no assurance that we will obtain final outcomes that are favorable to us.

The validity, enforceability and scope of intellectual property rights protection in internet-related industries, particularly in China, are uncertain and still evolving. For example, as we face increasing competition and as litigation is more frequently used to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims. Pursuant to relevant laws and regulations, internet service providers may be held liable for damages if such providers have reason to know that content infringes the copyrights of others. In cases involving the unauthorized posting of copyrighted content by users on websites in China, there have been court proceedings but no settled court practice as to when and how hosting providers and administrators of a website can be held liable for the unauthorized posting by external parties of copyrighted material. Any such proceeding could result in significant costs to us and divert our management's time and attention from the operation of our business, as well as potentially adversely impact our reputation, even if we are ultimately absolved of all liability.

We face competition from other industry players. We may lose market share and customers if we fail to compete effectively.

The housing transactions and services industry in China is rapidly evolving and increasingly competitive. Although we believe no other industry player in China operates under the integrated platform business model similar to ours, we face competition from players in different segments of the housing transactions and services industry. We face competition with other online platform for housing transactions, property listings or traffic. As PRC authorities have proposed and led an initiative of developing a comprehensive nation-wide property

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database, our housing database might be exposed to fierce competition. We may also face intense competition from other housing transaction companies for their agent networks. For our new home sales business, we also compete with other new home sales channels. In addition to these platforms and companies at the national level, we compete with traditional real estate brokerage stores and brands for real estate agents and housing customers locally. We also compete with companies for other housing related services, such as other providers of home renovation and furnishing services.

Increasing competition in the housing transactions and services industry would lead to declining market share and commission rate, make it more difficult for us to retain and attract real estate brokerage brands and agents, business partners and housing customers, or force us to increase irrational sales and marketing expenses, any of which could harm our financial condition and results of operations. We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

Tencent provides services to us in connection with various aspects of our operations. If such services become limited, restricted, curtailed, less effective or more expensive or become unavailable to us for any reason, our business may be materially and adversely affected.

We collaborate with Tencent, one of our principal shareholders and owner of Weixin and QQ, with respect to various aspects of our business. We have entered into a business cooperation agreement with Tencent, pursuant to which we and Tencent have agreed to cooperate in a number of areas including customer access to our platform via Tencent networks, advertising and cloud technology. If services provided by Tencent to us become limited, compromised, restricted, curtailed, less effective or more expensive become unavailable to us for any reason, including the availability of our Weixin mini-program and customer access to our platform via Weixin, our business may be materially and adversely affected.

We derive a substantial portion of our revenues from China's major cities, in particular, Beijing and Shanghai, and we face market risk due to our concentration in these major urban areas.

Beijing and Shanghai are the two largest residential real estate markets in China. In 2019, 2020 and 2021, 35.1%, 32.0% and 33.2%, respectively, of our net revenues were generated from these two markets on a combined basis. We expect these two urban centers to continue to be the important sources of revenues in all of our revenue categories. If we fail to maintain our competitive positions in either of the two major urban areas, or if either of them encounters events which negatively impact the residential real estate industry or online platform business, such as a serious economic downturn or contraction, a natural disaster, or a decline in housing price or price control due to governmental policies or otherwise, demand for our products and services could significantly decline and our net revenues and profitability could be materially and adversely impacted.

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Any unexpected material deterioration in the business and financial results of Lianjia may materially adversely affect our financial condition and results of operations.

Being the brand that we own and operate directly, *Lianjia* is also the leading real estate brokerage brand on our platform in terms of revenue. Thus far, *Lianjia* has accounted for a significant portion of our revenue. Accordingly, our revenues, financial condition or results of operations may be materially affected by fluctuations in the business of *Lianjia*. If *Lianjia* fails to continue to efficiently serve the needs of our housing customers and if other brands on our platform are unable to compensate the gap, or if any unexpected deterioration of the business and financial results of *Lianjia* occurs, our business, results of operations, financial condition and prospects will be materially and adversely affected.

We have granted and expect to continue to grant share-based awards in the future under our share incentive plan, which may result in increased share-based compensation expenses.

We adopted the 2018 Share Option Plan, the 2020 Share Incentive Plan and the 2022 Share Incentive Plan to provide additional incentives to employees, directors and consultants. The maximum aggregate number of ordinary shares which may be issued under the 2018 Share Option Plan is 350,225,435. The maximum aggregate number of ordinary shares which may be issued under the 2020 Share Incentive Plan is initially 80,000,000, subject to annual increase. The maximum aggregate number of ordinary shares which may be issued under the 2022 Share Incentive Plan is 125,692,439. See “Statutory and General Information – The Share Incentive Plans.” We have granted share-based awards and recorded RMB2,523 million, RMB2,253 million and RMB1,538 million (US\$241 million) in 2019, 2020 and 2021, respectively, in share-based compensation expenses in relation to such share-based award grants. We also expect to continue to grant awards under our share incentive plan, which we believe is of significant importance to our ability to attract and retain key personnel and employees. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our financial condition and results of operations.

If other companies copy property listings from our mobile apps and websites and publish or aggregate them for their own benefit, attractiveness of our platform may decline.

There is no assurance that other companies would not copy property listings or other information from our mobile apps, websites and Weixin mini program, through website scraping, robots or other means, and publish or aggregate it with other information for their own benefit. When external parties engage in such conducts, housing customers may be misguided and driven away from our platform and complete their transactions somewhere else, which could materially and adversely affect our business and results of operations. We may fail to detect such anti-competitive conduct in a timely manner and, even if we could, we may find it costly to be fixed or not be able to prohibit it.

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We have in the past been subject to legal and regulatory proceedings and administrative investigations and may continue to be subject to these proceedings and investigations from time to time. If the outcome of these proceedings or investigations is adverse to us, it could have a material adverse effect on our business, reputation, results of operations and financial condition.

We have been, and may from time to time in the future be, subject to various legal and regulatory proceedings arising in the ordinary course of our business. Claims and complaints arising out of actual or alleged violations of laws and regulations could be asserted against us by real estate developers, agents, housing customers, our competitors, or governmental entities in administrative, civil or criminal investigations and proceedings or by other entities.

As we entered into contractual relationship with various real estate developers, brokerage brands and stores and housing customers, we have been and may be involved in disputes and legal or administrative proceedings in the ordinary course of our business. See “Business – Legal Proceedings and Compliance.” We may also be involved and assume joint liability when we provide services to business partners on our platform who are named as defendants by housing customers due to various reasons including contract violations, lack of licenses or qualifications, lack of cash liquidity and bankruptcy of such business partners.

We have been and may continue to be subject to formal and informal inquiries, investigations and inspections from government authorities and regulators regarding our compliance with laws and regulations, many of which are evolving and subject to interpretation, which may vary in different regions in China. Most of these administrative actions may be routine in nature and carried out as part of the market monitoring and supervision functions of the regulatory authorities, but some of them may be triggered by our industry position in housing transactions and services industry or by complaints from third parties or customers. Especially, our industry position in housing transactions and services industry and our approach to expand our businesses through an online platform may draw heightened scrutiny from the regulatory authorities or cause to be paid close attention to our business operation.

The above-mentioned inquiries, inspections, investigations, claims and complaints can be initiated or asserted under or on the basis of a variety of laws in different jurisdictions, including real estate laws, advertising laws, value-added telecommunication services laws, intellectual property laws, unfair competition laws, anti-monopoly laws, data protection and privacy laws, labor and employment laws, securities laws, cybersecurity laws, finance services laws, tort laws, contract laws and property laws. There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. If we fail to defend ourselves in these actions, we may be subject to restrictions, fines or penalties that will materially and adversely affect our operations. Even if we are successful in our attempt to defend ourselves in legal and regulatory actions or to assert our rights under various laws and regulations, the process of communicating with relevant regulators, defending ourselves and enforcing our rights against the various parties involved

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may be expensive, time-consuming and ultimately futile. These actions could expose us to negative publicity, substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business.

We are subject to FCPA and other anti-corruption laws, trade sanction laws and export control laws, violation of which could adversely affect our reputation, business, prospects, operating results and financial condition.

We are subject to risks associated with doing business outside of the United States, including exposure to complex foreign and U.S. regulations such as the Foreign Corrupt Practices Act, or the FCPA, and other anti-corruption laws which generally prohibit companies listed in the U.S., their employees, and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business and which generally require companies to keep accurate books and records in reasonable detail. Violations of the FCPA and other anti-corruption laws may result in severe criminal and civil sanctions and other penalties. It may be difficult to fully control and oversee the conduct of contractors, business partners, representatives, third-party agents or our employees, including real estate agents on our platform, potentially exposing us to greater risk from their actions. If the aforesaid individuals or entities fail to comply with applicable laws or company policies governing our operations, we or our employees may face legal proceedings and actions which could result in civil penalties, administration actions and criminal sanctions. Any determination or publication that we or our employees have violated any anti-corruption laws or that our books and records are not sufficiently detailed or accurate could harm our reputation and have an adverse impact on our business and financial condition.

In addition, any changes in trade sanctions laws or export control laws may also restrict our business practices. Violations of these laws and regulations could result in significant fines, civil, criminal or administrative sanctions against us, our directors and officers or our employees, requirements to obtain export licenses, disgorgement of profits, prohibitions on the conduct of our business and our inability to market our services. Any changes to or violations of such laws could materially damage our reputation, brand, expansion efforts, ability to attract and retain housing customers and agents as well as our business, prospects, operating results and financial condition.

We may not be able to maintain our culture, which has been a key to our success.

Our culture, implicated in our grand vision and mission, is important to us, and we believe it has been critical to our success. We may have difficulties maintaining our culture or adapting it sufficiently to meet the needs of our future and evolving operations as we continue to grow, in particular as we have become a public company with the attendant changes in policies, practices, corporate governance and management requirements. Failure to maintain our culture could have a material and adverse effect on our business, results of operations, financial condition and prospects.

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Our expansion into new service and product categories and businesses may expose us to new challenges and more risks.

Although we have been successful in expanding into new service and product categories and businesses, such as establishing our platform business, we cannot assure you that we will be able to continue our success in our expansion into new service and product categories and businesses in the future. For example, we are cooperating with more real estate developers for new home sales on our platform and we are expanding into adjacent opportunities such as home renovation and furnishing, among others. Meanwhile, we are leveraging our technological capabilities to offer functions such as VR property showing. Our lack of experience with these new service and product categories may adversely affect our prospects and our ability to compete with the existing market players in any of these service and product categories. Moreover, the expansion into new businesses may disrupt our ongoing business, distract our management and employees and increase our expenses to cover unforeseen or hidden liabilities or costs. We may also face challenges in achieving the expected benefits of synergies and growth opportunities in connection with these new service categories and businesses. Besides, we may be subject to additional compliance requirements for these new service and product categories and businesses. Failure to expand successfully may also diminish investor confidence in our decision-making and execution capabilities, which could materially and adversely affect our business, results of operations, financial condition and prospects.

If our expansion into new geographical areas is not successful, our business and prospects may be materially and adversely affected.

We have a track record of successfully expanding into new geographical areas. We cannot assure you, however, that we will be able to maintain this momentum in the future. As the conditions of the housing markets in any new local markets may vary significantly from where we currently operate our platform, expansion into new geographical areas involves new risks and challenges. Our lack of familiarity with, and relevant housing data relating to, these geographical areas may make it more difficult for us to keep pace with the evolving market conditions. In addition, there may be one or more existing market leaders in any geographical area that we decide to expand into. If we fail to cooperate with them, such companies may be able to compete more effectively than us by leveraging their experience in doing business in that market as well as their familiarity with the local housing customers.

Regulatory uncertainties related to financial services in China could harm our business, financial condition and results of operation.

Our financial services may be subject to a variety of PRC laws and regulations governing financial services. The application and interpretation of these laws and regulations are ambiguous and evolving and may be interpreted and applied inconsistently between different government authorities or in different market environments. In particular, the PRC government's regulatory framework governing the new and rapidly-evolving online finance market and its ancillary services, which concerns the transactions that our platform facilitates between our housing customers and external financial institutions, the cooperation between us

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and financial institutions and other housing related financial services we provide, is rapidly evolving and is subject to further change, interpretation and uncertainties of local enforcement practice at this stage. See “Regulatory Environment – Regulations Related to Financing.”

For example, pursuant to the Supplementary Provisions on Supervision and Administration of Financing Guarantee Companies, or the CBIRC Circular 37, which were issued in October 2019 and amended in June 2021 to further clarify that residential real estate guarantee companies shall be regulated under the financing guarantee regulations and shall acquire a financing guarantee business license before June 2020. See “Regulatory Environment – Regulations Related to Financing – Regulations Related to Financing Guarantee.” As we offer guarantee services through guarantee companies under Beike Financial, we are subject to the CBIRC Circular 37 and other regulations related to financing guarantee companies. Beijing Zhongrongxin, a subsidiary of Yiju Taihe, and Shenzhen Beike Financing Guarantee Co., Ltd., one of our PRC subsidiaries, have obtained the license for financing guarantee business. However, as the interpretation and implementation of laws and regulations on financing guarantee are uncertain and still evolving, we cannot assure you that our financing guarantee business do not and will not violate relevant laws and regulations in China.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material fines or other penalties under any PRC laws or regulations on our financial services. The PRC government may adopt a stringent regulatory framework for the online and mobile or even offline finance market in the future and impose specific requirements (including licensing requirements) on market participants, or enhance the implementation of existing laws and regulations. If our financial services or practice are deemed to have violated any existing or future laws and regulations, we may face injunctions, including orders to rectify or cease activities, and may be subject to other penalties as determined by the relevant government authorities. Furthermore, we may be ordered to adjust our finance services to meet the new requirements under the relevant laws, rules and regulations, which may require considerable resources and time, and could significantly affect the operation of our business.

If we fail to adopt new technologies or adapt our mobile apps, websites and systems to changing user requirements or emerging industry standards, our business may be materially and adversely affected.

We must continue to enhance and improve the functionality, effectiveness and features of our websites, mobile apps and Weixin mini program. The internet and online mobile application industry are characterized by rapid technological evolution, changes in customer requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire or license technologies useful in our business, and respond to technological advances and emerging industry standards and practices in a cost-effective and timely way. In recent years, we invested in the development of many new

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technologies and business initiatives, such as virtual reality, Smart Hardware and Internet-of-Things and big data. The development of websites, mobile apps and other proprietary technologies entails significant technical and business risks. We cannot assure you that we will be able to successfully develop or effectively use new technologies, recoup the costs of developing new technologies or adapt our websites, mobile apps, proprietary technologies and systems to meet customer requirements or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or user preferences, whether for technical, legal, financial or other reasons, our business may be materially and adversely affected.

Some of our products and services contain open source software, which may pose a particular risk to our proprietary software, products and services in a manner that negatively affects our business.

We use open source software in our software and systems and will use open source software in the future. The licenses applicable to our use of open source software may require the source code that is developed using open source software be made available to the public and that any modifications or derivative works to certain open source software continue to be licensed under open source licenses. From time to time, we may face claims from external parties claiming infringement of their intellectual property rights, or demanding the release or license of the open source software or derivative works that we developed using such software (which could include our proprietary source code) or otherwise seeking to enforce the terms of the applicable open source license. Our use of open source software may also present additional security risks because the source code for open source software is publicly available, which may make it easier for hackers and other parties to determine how to breach our website and systems that rely on open source software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our operations depend on the performance of the internet infrastructure and fixed telecommunications networks in China.

The successful operation of our business depends on the performance and reliability of the internet infrastructure and telecommunications networks in China. Almost all access to the internet in China is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision of the MIIT. Moreover, we primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the telecommunications networks provided by telecommunications service providers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our platform. However, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay

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for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Further, if internet access fees or other charges to internet users increase, our user traffic may decline, and our business may be harmed.

If major mobile application distribution channels change their standard terms and conditions in a manner that is detrimental to us, or suspend or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected.

We currently cooperate with Apple's app store and major Android app stores to distribute our mobile applications to users. As such, the promotion, distribution and operation of our applications are subject to such distribution platforms' standard terms and policies for application developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. If these third-party distribution platforms change their terms and conditions in a manner that is detrimental to us, or refuse to distribute our applications, or if any other major distribution channel with which we would like to seek collaboration refuses to collaborate with us in the future on commercially favorable terms, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends substantially on the continuing efforts of our directors, executive officers and other key persons. If we lose their services, our business operations and growth prospects may be materially and adversely affected.

Our future success depends substantially on the continuing efforts of our directors, executive officers and key persons. In particular, we rely on the leadership, expertise, experience and vision of our directors and senior management team. If one or more of our directors, executive officers or other key persons were unable or unwilling to continue their services with us, whether due to resignation, accident, health condition, family considerations or any other reason, we might not be able to find their successors, in a timely manner, or at all. Since the housing transactions and services industry is characterized by high demand and intense competition for talent, we cannot assure you that we will be able to attract or retain qualified management or other highly skilled employees.

We do not have key man insurance for our directors, executive officers or other key persons. If any of our key persons terminate his or her services or otherwise becomes unable to provide continuous services to us, our business may be severely and adversely affected, our financial condition and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain qualified personnel. Each of our executive officers and key employees has entered into an employment agreement with a non-compete clause with us. However, these agreements may be breached by the counterparties, and there may not be adequate and timely remedies available to us to compensate our losses arising from the breach. We cannot assure you that we would be able to enforce these non-compete clauses. If any of our executive officers or key persons joins a competitor or forms a competing company, we may lose customers, know-hows and key professionals and staff members.

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Pandemics and epidemics, natural disasters, terrorist activities, political unrest and other outbreaks could disrupt our production, delivery, and operations, which could materially and adversely affect our business, financial condition and results of operations.

Global pandemics, epidemics in China or elsewhere in the world, or fear of the spread of contagious diseases, such as COVID-19, Middle East respiratory syndrome (MERS), Ebola virus disease, severe acute respiratory syndrome (SARS), H1N1 flu, H7N9 flu and avian flu, as well as hurricanes, earthquakes, tsunamis, or other natural disasters could disrupt our business operations, reduce or restrict the ability of real estate agents to provide services, or incur significant costs to protect our employees and facilities. Actual or threatened wars, terrorist activities, political unrests, civil strife and other geopolitical uncertainty could have a similar adverse effect on our business, financial condition and results of operations.

We rely on certain key operating metrics to evaluate the performance of our business, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We rely on certain key operating metrics, such as GTV, the number of active real estate brokerage stores and agents on our platform, among other things, to evaluate the performance of our business. Our operating metrics may differ from estimates published by third parties or from similarly titled metrics used by other companies due to differences in methodology and assumptions. We calculate these operating metrics using internal company data. There are inherent challenges in measuring such key metrics and company data, and measurement of such metrics and data may be susceptible to delays and technical errors. If we discover material inaccuracies in the operating metrics we use, or if they are perceived to be inaccurate, our reputation may be harmed and our evaluation methods and results may be impaired, which could negatively affect our business. If investors make investment decisions based on operating metrics we disclose that are inaccurate, we may also face potential lawsuits or disputes.

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, the information derived from official government publications has not been independently verified by us or the Joint Sponsors or any of their respective affiliates or advisers (excluding CIC) and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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We have limited insurance coverage, which could expose us to significant costs and business disruption.

We maintain various insurance policies to safeguard against risks and unexpected events. However, we do not maintain business interruption insurance or key-man insurance. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

Our results of operations are subject to seasonal fluctuations.

Our business is subject to seasonal fluctuations, normally with relatively weaker performance in the first quarter, consistent with the residential real estate industry in general. The first quarter of each calendar year generally contributes the smallest portion of our annual revenue, primarily due to a reduced number of housing transactions completed during the Chinese New Year holiday period in the quarter. Although the seasonality of our business has been significantly offset by our expanding scale and service offerings, the seasonality fluctuation may still increase in the future. As a result, our results of operations and the trading price of our Class A ordinary shares or ADSs may fluctuate from time to time due to seasonality.

Our use of some leased properties for offices and stores could be challenged by external parties or government authorities, which may cause interruptions to our business operations.

Certain lessors of our leased properties for offices and stores have not provided us with their property ownership certificates or any other documentation proving their right to lease those properties to us. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. We may not have entered into written contracts with our lessors properly for a few of our leased properties in a timely manner and the lessors of such properties may claim to terminate our leases. We may not be able to find alternative properties to lease in a timely and reliable manner, or at all. Some of the leased properties may also be subject to mortgage at the time the leases were entered into. If no consent had been obtained from the mortgage holder under such circumstances, the lease might not be binding on the transferee of the property in the event that the mortgage holder forecloses on the mortgage and transfers the property to another party. In addition, a portion of our leasehold interests in leased properties have not been registered with the relevant PRC governmental authorities as required by PRC law. The relevant PRC governmental authorities may order us to register the lease agreements within a prescribed time limit. Failure to do so may subject us to a fine ranging from RMB1,000 to RMB10,000 for each lease agreement. As of the Latest

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Practicable Date, we had not been ordered by any PRC government authorities to register any lease agreements and we do not expect the failure to register the lease agreements of these properties to be material to our business and results of operations in terms of revenue contribution.

As of the Latest Practicable Date, we are not aware of any material claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from external parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be adversely affected.

Enforcement of stricter labor laws and regulations and increases in labor costs in the PRC may materially and adversely affect our business and our profitability.

China's overall economy and the average wage have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customers who pay for our services, our profitability and results of operations may be materially and adversely affected. Further, pursuant to the PRC Labor Contract Law, as amended, or the Labor Contract law, and its implementation rules, employers are subject to various requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to affect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

In addition, under the PRC Social Insurance Law and the Administrative Measures on Housing Provident Fund, employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing provident funds, and employers are required, together with their employees or separately, to pay the contributions to social insurance and housing provident funds for their employees. The relevant government agencies may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. Certain of our PRC subsidiaries and consolidated affiliated entities have failed to make social insurance and housing fund contributions in full for their employees. In addition, certain of our PRC subsidiaries and consolidated variable interest entities engage

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third-party human resources agencies to make social insurance and housing fund contributions for some of their employees, and there is no assurance that such third-party agencies make such contributions in full in a timely manner, or at all. If the relevant PRC authorities determine that we shall make up for social insurance and housing fund contributions or that we are subject to fines and legal sanctions in relation to our failure to make social insurance and housing fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected.

Furthermore, pursuant to the Labor Contract Law, dispatched labor is only intended to be a supplementary form of employment, the number of which shall not exceed 10% of the employer's total labor force. See "Regulatory Environment – Regulations Related to Employment and Social Welfare – Labor Dispatch." We have historically hired dispatched workers from employment agencies from time to time and the number of dispatched workers may have exceeded 10% the total number of our labor force in the past. Although we aim to not assign dispatched workers on significant tasks, there is no assurance that the assignments performed by them are always temporary and ancillary in nature. We have formulated and implemented a plan to contain the number of dispatched workers and stay compliant. As of the Latest Practicable Date, the number of our dispatched workers does not exceed 10% of the total number of our labor force. However, we cannot assure you that the number of dispatched workers we use will not exceed 10% of the total number of our labor force as we continue to develop and expand our business. If the number of our dispatched workers exceeds 10% of the total labor force in the future, we could be ordered to rectify within a specified period of time, and could be subject to fines if we fail to do so, which could have a material adverse effect to our business, financial condition and results of operations.

We cannot assure you that our employment practices will be deemed to be in compliance with labor-related laws and regulations in China due to interpretation and implementation uncertainties related to the evolving labor laws and regulations, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Our online marketing services may constitute internet advertisement, which subjects us to laws, rules and regulations applicable to advertising.

We derive certain amount of our revenues from online marketing services and other related services. In July 2016, the SAIC (currently known as the SAMR) promulgated the Interim Administrative Measures on Internet Advertising, or the Internet Advertising Measures, effective September 2016, pursuant to which internet advertisements are defined as any commercial advertising that directly or indirectly promotes goods or services through internet media in any form including paid-for search results. Under the Internet Advertising Measures, our online marketing services and other related services may constitute internet advertisement, and we may be therefore subject to additional obligations as an advertising distributor. For example, pursuant to the Internet Advertising Measures, an advertising distributor must examine,

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verify and record identity information of its advertisers, such as the advertiser's name, address and contact information, and maintain an updated verification of such information on a regular basis. Moreover, it must examine the supporting documentation provided by the advertisers and advertising operators. Where a special government review is required for specific categories of advertisements before posting, the advertising distributor must confirm that the review has been performed and approval has been obtained. If the content of the advertisement is inconsistent with the supporting documentation, or the supporting documentation is incomplete, the advertisement cannot be published. In addition, the Internet Advertising Measures require paid-for search results to be distinguished from natural search results so that consumers will not be misled as to the nature of these search results. As such, we are obligated to distinguish from others the listings characterized as paid-for search results and the real estate brokerage brands, stores or agents who purchase online marketing and related services or the relevant listings by these brands, stores or agents. On November 26, 2021, the SAMR published the Draft Administrative Measures on Internet Advertising for public comment (《互聯網廣告管理辦法(公開徵求意見稿)》), or the Draft Measures on Internet Advertising, which is aimed to strengthen the regulation of internet advertising business in various aspects. For example, the Internet Advertising Measures require that users should be able to close pop-up advertisements using one button, and the Draft Measures on Internet Advertising further provide that the pop-up advertisements shall not contain countdown timer or require more than one click to close and shall not pop up more than once on the same page. In addition, pursuant to the Draft Measures on Internet Advertising, internet advertising operators and distributors shall establish a system for registering and reviewing advertisers and advertisements and verify and update such system on a regular basis. Platform operators that provide internet information services are required to inspect the content of advertisements displayed and published by using their information services and cooperate with market supervision administration authorities to inspect advertisements and provide information and evidence on alleged illegal advertisements requested by such authorities. Moreover, the Draft Measures on Internet Advertising provide that advertising via live-streaming is subject to the new rules.

Violation of these laws, rules or regulations may result in penalties, including fines up to RMB2 million or of other amount calculated based on the amount of advertising fees, confiscation of advertising fees and orders to cease dissemination of the advertisements. In circumstances involving serious violations, the PRC government may suspend or revoke a violator's business license or license for operating advertising business. Complying with the abovementioned requirements requires considerable resources and time, and could significantly affect the operation of our business, while at the same time also exposing us to increased liability under the relevant laws, rules and regulations. The costs associated with complying with these laws, rules and regulations, including any penalties or fines for our failure to so comply if required, could have a material adverse effect on our business, financial condition and results of operations.

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If we fail to implement and maintain an effective system of internal control over financial reporting, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the market price of our Class A ordinary shares or ADSs may be materially and adversely affected.

In connection with the audits of our consolidated financial statements as of and for the year ended December 31, 2020, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a “material weakness” is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified relates to the lack of sufficient competent financial reporting and accounting personnel with appropriate knowledge and experiences to (i) to establish and implement key controls over period end closing and financial reporting and (ii) to properly prepare and review financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirements.

To remediate the identified material weakness, we have developed and implemented a comprehensive set of period-end financial reporting policies and procedures, especially for non-recurring and complex transactions to ensure consolidated financial statements and related disclosures are in compliance with U.S. GAAP and SEC reporting requirements. Furthermore, in late 2020, we have hired additional qualified financial and accounting personnel with working experience with U.S. GAAP and SEC reporting requirements and established an internal audit team to enhance internal controls and assess the design and effectiveness of our internal controls. These measures will require validation and testing of the operating effectiveness of internal controls over a sustained period of financial reporting cycles. In addition, we will continue to implement aforementioned remediation measures and implement regular and continuous U.S. GAAP and SEC financial reporting training programs for our accounting and financial personnel, including conducting inhouse training programs and arranging our financial reporting staff to attend external U.S. GAAP training courses. As of December 31, 2021, based on an assessment performed by our management on the remediation measures, we determined that the material weakness had been remediated. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2021 after the remediation.

In anticipation of the Listing, we have engaged an internal control consultant to review the effectiveness of our internal controls associated with our business processes, or the Internal Control Review, identify deficiencies and improvement opportunities, provide recommendations on remedial actions, and review the implementation status of these remedial actions. The scope of the Internal Control Review was agreed among our Directors, the Joint Sponsors, and the internal control consultant. The Internal Control Review covered areas such as entity level controls, sales accounts receivable and collection, procurement, accounts payable and payment, fixed assets, cash and treasury management, human resources and

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payroll, financial reporting and disclosure controls, taxes, IT general controls and insurance. The Internal Control Review described above was conducted based on information provided by the Company and no assurance or opinion was expressed by the internal control consultant.

As a result of the Internal Control Review by the internal control consultant, we identified certain areas that require improvements. We have subsequently taken remedial measures in response to the findings identified and recommendations provided by our internal control consultant. The internal control consultant also performed a follow-up review on our system of internal controls, with regard to the remedial actions taken by us. Having completed these follow-up procedures, the internal control consultant did not identify any material deficiencies in the design of the remediated internal controls. The internal control consultant did not have any further recommendations in respect of the Internal Control Review. The Internal Control Review and the follow-up review performed constitute a Long Form Report engagement pursuant to the relevant technical bulletin AATB1 issued by the Hong Kong Institute of Certified Public Accountants.

As of the Latest Practicable Date, there were no material outstanding issues relating to our internal control. Based on the remediation actions performed, our Directors are of the view that the enhanced internal control measures are adequate and effective under AATB1.

Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, requires that we establish and maintain internal control over financial reporting and disclosure controls and procedures. An effective internal control environment is necessary to enable us to produce reliable financial reports and is an important component of our efforts to prevent and detect financial reporting errors and fraud. Section 404 requires that we include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ended December 31, 2021. In addition, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting beginning with the fiscal year ended December 31, 2021. If we fail to remedy the problems identified above, our management and our independent registered public accounting firm may conclude that our internal control over financial reporting is not effective. In addition, as we have become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we or our auditor may identify other deficiencies in our internal control over financial reporting that are deemed to be material weaknesses and render our internal control over financial reporting ineffective. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our

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reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our Class A ordinary shares or ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements for prior periods.

We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.

Growing and operating our business will require significant cash investments, capital expenditures and commitments to respond to business challenges, including developing or enhancing new or existing services and technologies and expanding our infrastructure. If cash on hand, cash generated from operations, and the net proceeds from our initial public offering in the United States in August 2020 and our public offering of ADSs in November 2020 are not sufficient to meet our cash and liquidity needs, we may need to seek additional capital, potentially through debt or equity financings. We may not be able to raise required cash on terms acceptable to us, or at all. Such financings may be on terms that are dilutive or potentially dilutive to our shareholders, and the prices at which new investors would be willing to purchase our securities may be lower than the current market price per share of our ordinary shares. The holders of new securities may also have rights, preferences, or privileges that are senior to those of existing stockholders. If new financing sources are required, but are insufficient or unavailable, we may need to modify our growth and operating plans and business strategies based on available funding, if any, which would harm our ability to grow our business.

The fair value measurements of short-term and long-term investments inherently involve a certain degree of uncertainty, and such investments may incur fair value losses.

From time to time, we purchase short-term investments, which mainly include bank term deposit and investments in wealth management products issued by financial institutions, and long-term investments, which primarily include investments accounted for at fair values (such as long-term wealth management products and equity securities in publicly-listed companies) and available-for-sale debt investments. The methodologies that we use to assess the fair value of the short-term and long-term investments involve a significant degree of management judgment and are inherently uncertain. In addition, we are exposed to credit risks in relation to our short-term and long-term investments, which may adversely affect the net changes in their fair value. As of December 31, 2019, 2020 and 2021, we had short-term investments of RMB1.8 billion, RMB15.7 billion and RMB29.4 billion, and long-term investments of RMB2.3 billion, RMB3.1 billion and RMB17.0 billion, respectively. The impairment recorded for equity method investments was RMB1.5 million, RMB26.7 million and RMB2.9 million in 2019, 2020 and 2021, respectively. The impairment recorded for equity investments accounted for using measurement alternative was zero, RMB9.0 million and RMB183.8 million in 2019, 2020 and 2021, respectively.

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Impairment loss charged against our goodwill, intangible assets and other long-lived assets could materially and adversely affect us.

We may need to provide impairment losses for our goodwill, intangible assets, and other long-lived assets. Goodwill is not depreciated or amortized but is tested for impairment on an annual basis and between annual tests when an event occurs, or circumstances change that could indicate that the asset might be impaired. In accordance with the FASB, a company first has the option to assess qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. If we decide, as a result of our qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount of each reporting unit exceeds its fair value, an impairment loss equal to the difference will be recorded. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit. We perform goodwill impairment testing at the reporting unit level on December 31 annually, and between annual tests whenever a triggering event occurs. Impairment charges of goodwill, intangible assets and other long-lived assets recognized for the years ended December 31, 2019, 2020 and 2021 were zero, RMB236.1 million and RMB746.7 million, respectively. If we incur significant impairment charges of goodwill, intangible assets, and other long-lived assets in the future, our results of operations may be materially and adversely affected.

We are subject to risks associated with contract liabilities.

We had contract liabilities of RMB593 million, RMB734 million, and RMB1,102 million as of December 31, 2019, 2020, and 2021, respectively. Contract liabilities were recognized if we receive consideration in advance of performance, which is mainly in relation to the existing home transaction services, new home transaction services and emerging and other services. If for any reason we were to become unable to fulfill a large amount of these contract liabilities, we would have to refund the payments we received, which could materially and adversely affect our financial condition and liquidity position, and our brand image, reputation, and relationship with our platform participants might be damaged.

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RISKS RELATED TO OUR CORPORATE STRUCTURE

If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership in entities that provide value-added telecommunication services, including online real estate platform services, is subject to restrictions under current PRC laws and regulations, unless certain exceptions are available. Specifically, foreign ownership of a value-added telecommunication service provider may not exceed 50%, except for the investment in the e-commerce operation business, a domestic multi-party communication business, an information storage and re-transmission business and a call center business. In addition, foreign investment in certain financial services in China is still heavily regulated. For example, there are no detailed regulations on the specific requirements and threshold for the change of a domestic online payment institution into a foreign-invested one, and the approval authority retains considerable discretion in granting the approval of such amendment.

We are a Cayman Islands company, and our PRC subsidiaries are considered foreign-invested enterprises. Accordingly, our PRC subsidiaries are not eligible to provide value-added telecommunication services and certain financial services subject to foreign ownership restriction under PRC laws or certain qualification requirements for foreign investors under other applicable PRC laws and regulations. To ensure compliance with the PRC laws and regulations, we conduct our foreign investment-restricted business in China through the VIEs and their subsidiaries, which currently hold the value-added telecommunication business license, the license for online payment services, and other licenses necessary for our operation of such restricted business. Our applicable WFOEs have entered into a series of contractual arrangements with the VIEs and their shareholders, respectively, which enable us to (i) exercise effective control over the VIEs, (ii) receive substantially all of the economic benefits of the VIEs, (iii) have the pledge right over the equity interests in the VIEs as the pledgee; and (iv) have an exclusive option to purchase all or part of the equity interests in the VIEs when and to the extent permitted by PRC law. As a result of these contractual arrangements, we have control over and are the primary beneficiary of the VIEs and hence consolidate their financial results under U.S. GAAP. See “Contractual Arrangements” for further details.

In the opinion of our PRC Legal Adviser, Han Kun Law Offices, (i) the ownership structures of our WFOEs and the VIEs in China are not in violation of provisions of applicable PRC laws and regulations currently in effect; and (ii) each of the agreements under the Contractual Arrangements among our WFOEs, the VIEs and their shareholders governed by PRC law is not in violation of provisions of applicable PRC laws or regulations currently in effect, and valid and binding upon each party to such agreements and enforceable against each party thereto in accordance with their terms and applicable PRC laws and regulations currently in effect. However, we have been further advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current and future PRC

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laws, regulations and rules. Thus, the PRC governmental authorities may take a view contrary to the opinion of our PRC Legal Adviser. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structure will be adopted or if adopted, what they would provide. If we or the VIEs are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals to operate our business, the relevant PRC governmental authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on the operations of the VIEs;
- placing restrictions on our right to collect revenues;
- shutting down our servers or blocking our app/websites; or
- requiring us to restructure our ownership structure or operations;

Any of these events could cause significant disruption to our business operations and severely damage our reputation, which would in turn have a material adverse effect on our financial condition and results of operations. If occurrences of any of these events results in our inability to direct the activities of the VIEs and their subsidiaries in China that most significantly impact their economic performance and/or our failure to receive the economic benefits and residual returns from the VIEs, and we are unable to restructure our ownership structure and operations in a satisfactory manner, we may not be able to consolidate the financial results of the VIEs in our consolidated financial statements in accordance with U.S. GAAP.

If the PRC government determines that the contractual arrangements constituting part of the VIE structure do not comply with PRC regulations, or if these regulations change or are interpreted differently in the future, our Class A ordinary shares and ADSs may decline in value or become worthless if we are unable to assert our contractual control rights over the assets of the VIEs, which contribute to 1.2% of our net revenues in 2021, excluding inter-group transactions. Our holding company in the Cayman Islands, the VIEs and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of the VIEs and our company as a group.

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The Baihui Partnership and its related arrangements may impact your ability to appoint Executive Directors and nominate the chief executive officer of the company, and the interests of the Baihui Partnership may conflict with your interests.

Our currently effective articles of association allows the Baihui Partnership to appoint Executive Directors and nominate and recommend the chief executive officer of our company. Any Executive Director candidate duly nominated by the Baihui Partnership shall be approved and appointed by our board of directors and serve as an Executive Director of our company until expiry of his or her terms, subject to removal or termination in accordance with our currently effective memorandum and articles of association. The chief executive officer candidate nominated by the Baihui Partnership shall stand for appointment by the nominating and corporate governance committee of the board of directors. In the event that such candidate is not appointed by the nominating and corporate governance committee, the Baihui Partnership may nominate a replacement nominee until the nominating and corporate governance committee appoints such nominee as chief executive officer, or until the nominating and corporate governance committee fails to appoint more than three such candidates nominated by the Baihui Partnership consecutively, after which time the board of directors may then nominate and appoint any person to serve as the chief executive officer of the Company. This governance structure will limit your ability to influence corporate matters, including the matters determined at the board level.

In addition, the interests of the Baihui Partnership may not coincide with your interests. The partnership committee of the Baihui Partnership may make further determinations as to, among other things, the allocation of the bonus pool among all partners after the total amount of the bonus pool is determined each year by the board of directors, subject to approval of the compensation committee if such allocations are to partners who are executive officers or directors. These allocations may not be entirely aligned with the interest of shareholders who are not partners. Because the partners may be largely comprised of members of our management team, the Baihui Partnership and its Executive Director nominees may focus on the managerial strategies and decisions and operational and financial targets that differ from the expectations and desires of shareholders. To the extent that the interests of the Baihui Partnership differ from your interests on certain matters, you may be disadvantaged. We will propose to remove all special rights that Baihui Partnership is entitled to under our currently effective memorandum and articles of association, along with other proposed changes, and seek shareholders' approval at an extraordinary general meeting to be convened within 6 months of the Listing. See "Waivers – Waiver in Relation to the Articles of Association of the Company." The Baihui Partnership and its major rights and functions will not become effective until the Baihui Partnership consists of no less than five limited partners. Thus, the Baihui Partnership has yet come into effect as it currently has two limited partners and we do not expect it will come into effect before the completion of the Listing. The Baihui Partnership is also expected to undertake not to exercise the special rights before the extraordinary general meeting.

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In addition, the voting power that the Baihui Partnership may exercise is subject to uncertainties. Pursuant to the POA Arrangement, the Baihui Partnership will exercise the voting rights represented by the Shares held by Propitious Global, both being our controlling shareholders. As Propitious Global has delivered a conversion notice to us that, subject to and immediately upon the completion of the Listing, the 727,407,230 Class B ordinary shares held by Propitious Global will be converted into Class A ordinary shares on a one-to-one basis. As such and to the extent Propitious Global may dispose the Shares it has in the future, the voting power to be exercised through the Baihui Partnership may be reduced. Currently, the partners of the Baihui Partnership are Mr. PENG Yongdong and Mr. SHAN Yigang, each of whom controls 50% of the Baihui Partnership. In case the partners have not reached a consensus with respect to whether and how the Baihui Partnership exercises its voting power or power of appointment and nomination as allowed by our currently effective memorandum and articles of association, such power of Baihui Partnership may not be exercised, which may negatively impact or impose uncertainties on our corporate governance structure.

We rely on contractual arrangements with the VIEs and their shareholders to exercise control over a portion of our business, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with the VIEs and their shareholders to conduct a portion of our operations in China, mainly value-added telecommunication services and certain financial services. These contractual arrangements, however, may not be as effective as direct ownership in providing us with control over the VIEs. For example, the VIEs and their shareholders could breach their contractual arrangements with us by, among other things, failing to conduct the operations of the VIEs in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of the VIEs in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the VIEs, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by the VIEs and their shareholders of their obligations under the contracts to exercise control over the VIEs. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. See “– Any failure by the VIEs or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on part of our business.”

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Any failure by the VIEs or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on part of our business.

If the VIEs or their shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the shareholders of the VIEs were to refuse to transfer their equity interests in the VIEs to us or our designee when we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our 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. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. See “– Risks Related to Doing Business in China – Uncertainties with respect to the PRC legal system could materially and adversely affect us.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration if legal action becomes necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over the VIEs, and our ability to conduct the business we currently conduct through the contractual arrangements may be negatively affected.

The shareholders of the VIEs may have potential conflicts of interest with us, which may materially and adversely affect part of our business.

The shareholders of the VIEs may have actual or potential conflicts of interest with us. These shareholders may breach, or cause the VIEs to breach, or refuse to renew, the existing contractual arrangements we have with them and the VIEs, which would have a material and adverse effect on our ability to effectively control the VIEs and receive economic benefits from them. For example, the shareholders may be able to cause our agreements with the VIEs to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

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We may invoke the right under the equity pledge agreements with the shareholders of the VIEs to enforce the equity pledge in the case of any shareholder's breach of the contractual arrangements. For individuals who are also our directors and officers, we rely on them to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. The shareholders of the VIEs have executed powers of attorney to appoint one of our WFOEs or a person designated by the respective WFOE to vote on their behalf and exercise voting rights as shareholders of the VIEs. If we cannot resolve any conflict of interest or dispute between us and the shareholders of the VIEs with these contractual arrangements, we would have to rely on legal proceedings, which could result in disruption of part of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

The shareholders of the VIEs may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in the VIEs and the validity or enforceability of our contractual arrangements with the VIEs and their shareholders. For example, in the event that any of the shareholders of the VIEs divorces his or her spouse, the spouse may claim that the equity interest of the VIEs held by such shareholder is part of their community property and should be divided between such shareholder and the spouse. If such claim is supported by the court, the relevant equity interest may be obtained by the shareholder's spouse or another third party who is not subject to obligations under our contractual arrangements, which could result in a loss of the effective control over the VIEs by us. Similarly, if any of the equity interests of the VIEs is inherited by a third party with whom the current contractual arrangements are not binding, we could lose our control over the VIEs or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to part of our business and operations and harm our financial condition and results of operations.

Contractual arrangements we have entered into with the VIEs may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements in relation to the VIEs were not entered into on an arm's-length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust income of the VIEs 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 the VIEs for PRC tax purposes, which could in turn increase their tax liabilities without reducing our PRC subsidiaries' tax expenses. In addition, the PRC tax authorities may impose late payment fees and other administrative sanctions on the VIEs for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if the VIEs' tax liabilities increase or if they are required to pay late payment fees and other penalties.

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We may lose the ability to use and benefit from assets held by the VIEs that are material or supplementary to the operation of our business if either of the VIEs goes bankrupt or becomes subject to dissolution or liquidation proceeding.

As part of our contractual arrangements with the VIEs, these entities may in the future hold certain assets that are material or supplementary to the operation of our business. If either of the VIEs goes bankrupt and all or part of its assets become subject to liens or rights of creditors, we may be unable to continue some or all of our business activities we currently conduct through the contractual arrangement, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, the VIEs may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If either of the VIEs undergoes voluntary or involuntary liquidation proceeding, unrelated creditors may claim rights to some or all of these assets, thereby hindering our ability to operate part of our business, which could materially and adversely affect our business, financial condition and results of operations.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and operations.

The value-added telecommunications services and certain financial services that we conduct through the VIEs and their subsidiaries are either subject to foreign investment restrictions set forth in the 2021 Negative List issued by the Ministry of Commerce and the NDRC, effective January 1, 2022, or certain qualification requirements for foreign investors under other applicable PRC laws and regulations.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which became effective on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Owned Enterprise Law to become the legal foundation for foreign investment in the PRC. Since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangements would not be interpreted as a type of indirect foreign investment activities in the future. In addition, the definition of foreign investment contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws, administrative regulations or provisions of the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. If further actions shall be taken under future laws, administrative regulations or

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provisions of the State Council, we may face substantial uncertainties as to whether we can complete such actions. Failure to do so could materially and adversely affect our current corporate structure, corporate governance and operations.

RISKS RELATED TO DOING BUSINESS IN CHINA

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

We expect that our revenues will be primarily derived in China and most of our operations will continue to be conducted in China. Accordingly, our results of operations, financial condition and prospects are influenced by economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. The PRC government also exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. While the PRC economy has experienced significant growth over the past decades, that growth has been uneven across different regions and between economic sectors and may not continue, as evidenced by the slowing of the growth of the Chinese economy since 2012. Any adverse changes in economic conditions in China, in the policies of the Chinese government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, leading to reduction in demand for our services and solutions and adversely affect our competitive position.

The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operations.

Uncertainties with respect to the PRC legal system could materially and adversely affect us.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted

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laws and regulations may not sufficiently cover all aspects of economic activities in China. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules may not be uniform and enforcement of these laws, regulations and rules involves uncertainties. These evolvments and uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or tort claims. Besides, the PRC is geographically large and divided into various provinces and municipalities and, as such, different laws, rules, regulations and policies may have different and varying applications and interpretations in different parts of the PRC. Legislation or regulations, particularly in local applications, may be enacted without sufficient prior notice or announcement to the public. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis, or at all, and may have a retroactive effect. Given above, we may be required to take more responsibilities or meet additional requirements in the future than we currently expect, and may not be aware of our violation of any of these policies and rules until sometime after the violation. Agreements that are governed by PRC laws may be more difficult to enforce by legal or arbitral proceedings in the PRC than that in other countries with different legal systems. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

The PRC government’s oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our Class A ordinary shares or ADSs.

We conduct our business primarily through our PRC subsidiaries, the VIEs and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business, and it may influence our operations, which could result in a material adverse change in our operation and/or the value of our Class A ordinary shares or ADSs.

The PRC government has recently indicated an intent to exert more oversight on overseas offerings and listings of China-based companies and foreign investment in China-based companies like us. See “Risk Factors – Risks Related to Doing Business in China – The filing, approval or other administration requirements of the CSRC, the CAC or other PRC governmental authorities may be required in connection with the Listing under PRC law.” It remains uncertain how PRC governmental authorities will regulate overseas listing in general and whether we are required to complete filing or obtain any specific regulatory approvals from the CSRC, CAC or any other PRC governmental authorities for our overseas offerings and listings. If the CSRC, CAC or other regulatory agencies later promulgate rules or explanations requiring that we obtain their approvals for our future overseas offerings and listings, we may be unable to obtain such approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. Furthermore, the PRC government

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authorities are continuously strengthening the oversight and law enforcement in recent years, such as enhancing joint supervision of relevant governmental departments, systemically promulgating and implementing new rules, policies, guidelines and interpretations, and taking other comprehensive actions, which may affect our business model, monetization methods, daily operation, acquisition, investment and business development. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

The filing, approval or other administration requirements of the CSRC, the CAC or other PRC governmental authorities may be required in connection with the Listing under PRC law.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear. If CSRC approval is required, it is uncertain how long it will take for us to obtain such approval, and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or a delay in obtaining CSRC approval for this Listing may subject us to sanctions imposed by the CSRC and other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

Our PRC Legal Adviser has advised us that, based on its understanding of the current PRC laws and regulations, we will not be required to submit an application to the CSRC for the approval under the M&A Rules for the Listing because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings and listings like this Listing are subject to this regulation; (ii) we established our WFOEs by means of direct investment and not through a merger or acquisition of the equity or assets of a “PRC domestic company” as such term is defined under the M&A Rules; and (iii) no provision in the M&A Rules classifies the contractual arrangements under the VIE agreements as a type of acquisition transaction falling under the M&A Rules.

However, our PRC Legal Adviser has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering, and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Adviser, and hence, we may face regulatory actions or other sanctions from them.

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Furthermore, the PRC government authorities may strengthen oversight over overseas offerings and listings of China-based companies and foreign investment in overseas-listed China-based issuers like us. Such actions taken by the PRC government authorities may intervene our operations at any time, which are beyond our control. For instance, the relevant PRC governmental authorities promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), among which, it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of domestic industry regulators and regulatory authorities.

On December 24, 2021, the CSRC published the draft Regulations of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), or the Administrative Provisions, and the draft Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》), or the Draft Measures for public comments. Pursuant to these drafts, PRC domestic companies that directly or indirectly seek to offer or list their securities on an overseas stock exchange, including a PRC company limited by shares and an offshore company whose main business operations are in China and intends to offer securities or be listed on an overseas stock exchange based on its onshore equities, assets, incomes or other similar interests, are required to file with the CSRC within three business days after submitting their application documents to the regulator in the place of intended listing or offering. Failure to complete the filing under the Administrative Provisions may subject the domestic company to a warning and a fine of RMB1 million to RMB10 million. In serious circumstances, the domestic company may be ordered to suspend its business or suspend its business pending rectification, or its permits or businesses licenses may be revoked. The Administrative Provisions also provides circumstances under which an overseas offering and listing of a PRC company is prohibited. See “Regulatory Environment – Regulations Related to M&A Rules and Overseas Listing” for details. The period for which the CSRC solicits comments on these drafts ended on January 23, 2022. As of the date of this document, there is no schedule for the adoptions of such drafts, and it remains unclear whether the versions adopted will have any further material changes. There remains substantial uncertainties about how these drafts will be enacted, interpreted or implemented and how they will affect our operations and the Listing. If these draft regulations become effective in their current forms before this Listing is completed, we may be required to complete the filing procedures with the CSRC in connection with this Listing.

As of the Latest Practicable Date, as advised by our PRC Legal Adviser, given that the Administrative Provisions and the Draft Measures are still in draft form, we are not required to conduct any filing with any PRC government authorities or comply with any approval or verification for the Listing under the current applicable PRC laws and regulations.

Having taken into the account of the view and analysis of the Directors and the PRC Legal Adviser as described above and below, and the due diligence work conducted by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors as non-legal expert

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that would cause them to disagree with the view of the Directors that under the current applicable PRC laws and regulations, the Company is not required to conduct any filing with any PRC government authorities or comply with any approval or verification for the Listing.

Pursuant to Cybersecurity Review Measures which was issued on December 28, 2021 and became effective on February 15, 2022, network platform operators holding over one million users' personal information must apply with the Cybersecurity Review Office for a cybersecurity review before listing on a foreign stock exchange (國外上市). The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled or maliciously used by foreign governments and the cyber information security risk in connection with the listing. The term of "listing on a foreign stock exchange (國外上市)" under the Cybersecurity Review Measures exempts listing in Hong Kong from the mandatory obligation of ex-ante declaration of cybersecurity review. However, given the Cybersecurity Review Measures were recently promulgated, there are substantial uncertainties as to the interpretation, application and enforcement of the Cybersecurity Review Measures. There can be no assurance that whether we should apply for cybersecurity review prior to the Listing and that we would be able to complete the applicable cybersecurity review procedures in a timely manner, or at all, if we are required to do so. In addition, on November 14, 2021, the CAC published the Draft Regulations on Cyber Data Security which reiterates the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for listing on a foreign stock exchange; and (ii) the data processors' listing in Hong Kong affects or may possibly affect national security. There is no timetable as to when such draft measures will be enacted. As such, it remains unclear whether the formal version adopted in the future will have any further material changes, it is uncertain how the measures will be enacted, interpreted or implemented and how they will affect the Listing.

As of the Latest Practicable Date, we have not received any formal inquiry, notice, warning, sanction, or any regulatory objection to the Listing from the CSRC, the CAC, or any other PRC regulatory agencies that have jurisdiction over our operations. If it is determined in the future that filings or approvals from the CSRC, the CAC, or other governmental requirements are required for the Listing, it is uncertain whether we can or how long it will take us to complete such filings or obtain such approvals, and any such approval could be rescinded even obtained. Any failure to complete such filings, or failure to obtain or delay in obtaining such approvals for the Listing, or a rescission of any such approval if obtained by us, would subject us to sanctions by the CSRC, the CAC, or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our Class A ordinary shares and ADSs. The CSRC, the CAC, or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt the Listing. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that

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settlement and delivery may not occur. In addition, if the CSRC, the CAC, or other regulatory agencies later promulgate new rules or explanations requiring filings, approvals, registrations or other kinds of authorizations for the Listing, we cannot assure you that we can complete the filings, obtain the approvals, authorizations, or complete required procedures or other requirements in a timely manner, or at all, or obtain any waiver of aforesaid governmental requirements if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding such an approval or other requirements could materially and adversely affect the trading price of our Class A ordinary shares and ADSs.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands holding company and rely on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. Additionally, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends or make other distributions to us. Furthermore, the PRC tax authorities may require our subsidiaries to adjust their taxable income under the contractual arrangements they currently have in place with the VIEs in a manner that would materially and adversely affect their ability to pay dividends and other distributions to us.

Any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.

Under PRC laws, legal documents for corporate transactions are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the SAMR. In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application which will then be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order

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to maintain the physical security of our chops, we generally have them stored in secure locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of any of our subsidiaries or VIEs. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies may delay us from using the proceeds of our offshore offerings to make loans or additional capital contributions to our PRC subsidiaries and to make loans to the VIEs, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, as well as any loans we provide to the VIEs, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on FIEs in China, capital contributions to our PRC subsidiaries are subject to the registration with SAMR or its local counterpart and registration with a local bank authorized by SAFE. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or its local branches and (ii) none of our PRC subsidiaries may procure loans which exceed the difference between its total investment amount and registered capital. Alternatively, our PRC subsidiaries can only procure loans subject to the calculation approach and limitation as provided by the PBOC. Additionally, any medium or long-term loans to be provided by us to the VIEs must be registered with the NDRC and SAFE or its local branches. We may not be able to obtain these government approvals or complete such registrations in a timely manner, or at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries or loans by us to the VIEs. If we fail to receive such approvals or complete such registration or filing, our ability to use the proceeds of our offshore offerings may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive our revenues primarily in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange

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regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing foreign exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries and VIEs to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Class A ordinary shares or ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. We selectively use financial instruments to manage the market risks associated with exposure to fluctuations in interest rates and foreign currency rates. While we may decide to enter into further hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

China's M&A Rules and certain other PRC regulations establish complex procedures for certain acquisitions of PRC companies, which could make it more difficult for us to pursue growth through acquisitions in China.

A number of PRC laws and regulations have established procedures and requirements that could make merger and acquisition activities in China by foreign investors more time consuming and complex. In addition to the Anti-monopoly Law itself and ancillary regulations, these include the M&A Rules, the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Security Review Rules on M&A, promulgated in 2011. These laws and regulations impose requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, pursuant to the Measures for the Security Review of Foreign Investment, which became effective on January 18, 2021, foreign investment in certain key areas with bearing on national security, such as important cultural products and services, important information technology and internet services and products, key technologies and other important areas with bearing on national security which results in the acquisition of de facto control of investee companies, shall be filed with a working mechanism office jointly

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established by NDRC and the Ministry of Commerce before such investment is carried out. In addition, pursuant to relevant anti-monopoly laws and regulations, the SAMR should be notified in advance of any concentration of undertaking if certain thresholds are triggered. In light of the uncertainties relating to the interpretation, implementation and enforcement of the anti-monopoly laws and regulations of the PRC, we cannot assure you that the anti-monopoly law enforcement agency will not deem our future acquisitions or investments to have triggered filing requirement for anti-monopoly review. Moreover, the Security Review Rules on M&A specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the Ministry of Commerce, and prohibit any attempt to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including clearance from the SAMR and approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37, which requires PRC residents (including PRC individuals and PRC corporate entities) to register with SAFE or its local branches in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future. In addition, such PRC residents must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Circular on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, which became effective on June 1, 2015, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The term “control” under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by PRC residents in the offshore special purpose vehicles, or SPVs, by means of acquisition, trust, proxy, voting rights, repurchase,

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convertible bonds or other arrangements. If any PRC shareholder of such SPVs fails to make the required registration or to update the previously filed registration, the subsidiary of such SPVs in China may be prohibited from distributing their profits or the proceeds from any capital reduction, share transfer or liquidation to the SPVs, and the SPVs may also be prohibited from making additional capital contributions into their subsidiary in China.

We have notified all individuals or entities who directly or indirectly hold shares in our Cayman Islands holding company and are known to us as PRC residents to complete the foreign exchange registrations. However, we may not be informed of the identities of all the PRC individuals or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents have complied with, and will in the future make, obtain or update any applicable registrations or approvals required by SAFE regulations. In addition, concerning the uncertainty of the application of SAFE Circular 37, some of our current beneficial owners who are PRC residents failed to complete or update their SAFE registrations to address the changes of their offshore interest. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. See “Regulatory Environment – Regulations Related to Stock Incentive Plans.” We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been or will be granted incentive shares or options are subject to these regulations. Failure to complete SAFE registrations may subject us or them to fines and legal sanctions. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

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If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders and ADS holders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with its “de facto management body” within the PRC is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the SAT issued a circular, known as SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and minutes of board and shareholder meetings are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to PRC enterprise income on our worldwide income at the rate of 25% and we will be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our Class A ordinary shares and ADSs. In addition, gains realized on the sale or other disposition of our ADSs or Class A ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the clauses of any applicable tax treaty), if such gains are deemed to be from the PRC. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Class A ordinary shares or ADSs.

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We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies, which may have a material adverse effect on our financial condition and results of operations.

On February 3, 2015, the SAT issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or SAT Bulletin 7. SAT Bulletin 7 extends its tax jurisdiction to transactions involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Bulletin 7 provides certain criteria on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017. SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

Where a non-resident enterprise transfers taxable asset indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. For transfer of shares in our company by investors who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under SAT Bulletin 7 and/or SAT Bulletin 37. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 and/or SAT Bulletin 37, or to establish that we and our non-PRC resident investors should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

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You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions against us or our directors and officers named in the document based on foreign laws.

We are a company incorporated under the laws of the Cayman Islands, we conduct substantially all of our operations in China, and substantially all of our assets are located in China. A majority of our directors and executive officers are nationals or residents of jurisdictions other than the United States and most of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these individuals, to bring an action against us or these individuals in the United States, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

The United States and the Cayman Islands do not have a treaty providing for reciprocal recognition and enforcement of judgments of U.S. courts in civil and commercial matters and that there is uncertainty as to whether the courts of the Cayman Islands would (i) recognize or enforce judgments of U.S. courts obtained against us or our directors or officers, predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (ii) entertain original actions brought in the Cayman Islands against us or our directors or officers, predicated upon the securities laws of the United States or any state in the United States. A judgment obtained in any federal or state court in the United States will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (i) is given by a foreign court of competent jurisdiction, (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (iii) is final, (iv) is not in respect of taxes, a fine or a penalty, and (v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the United States courts under the civil liability provisions of the securities laws if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether such civil liability judgments from U.S. courts would be enforceable in the Cayman Islands.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign

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judgment against us or our director and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

It may be difficult for overseas regulators to conduct investigation or collect evidence within China.

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigations initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests. See also “– Risks Related to Our Shares and ADSs–You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong or U.S. courts may be limited, because we are incorporated under Cayman Islands law.” for risks associated with investing in us as a Cayman Islands company.

Discontinuation of any of the preferential tax treatments and government subsidies or imposition of any additional taxes and surcharges could adversely affect our financial condition and results of operations.

Under the PRC Enterprise Income Tax Law and its implementation rules, the statutory enterprise income tax rate is 25%, but certain “high and new technology enterprises,” are qualified for a preferential enterprise income tax rates subject to certain qualification criteria. A “high and new technology enterprise,” which is reassessed every three years, is entitled to favorable income tax rate of 15%. Currently certain PRC subsidiaries of ours are enjoying favorable tax rates as high and new technology enterprise. If any of these entities fails to maintain its qualified status, the income tax rate could increase and our business, financial condition and results of operations would be materially and adversely affected.

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Further, in the ordinary course of our business, we are subject to complex income tax and other tax regulations, and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax provisions, our financial condition and results of operations would be materially and adversely affected.

The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included in our U.S. filings, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the PRC authorities, our auditor is not currently inspected by the PCAOB. As a result, we and investors in our ADSs are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in our ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs will be prohibited from trading in the United States under the HFCAA in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

The Holding Foreign Companies Accountable Act, or the HFCAA, which was signed into law on December 18, 2020, states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection for the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in Mainland China and Hong Kong. The PCAOB identified our auditor as one of the registered public accounting firms that the PCAOB is unable to inspect or investigate completely. On April 21, 2022, we were provisionally identified by the SEC under the HFCAA as having filed audit reports issued by a registered public accounting firm that cannot be inspected or investigated completely by the PCAOB in connection with our filing of the annual report on Form 20-F for the fiscal year ended December 31, 2021.

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Whether the PCAOB will be able to conduct inspections of our auditor before the issuance of our financial statements on the annual report on Form 20-F for the year ending December 31, 2023 which is due by April 30, 2024, or at all, is subject to substantial uncertainty and depends on a number of factors out of our, and our auditor's, control. If our ADSs are prohibited from trading in the United States, there is no certainty that a market for our shares will develop outside of the United States. Such a prohibition would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would materially and adversely affect our business, financial condition, and prospects.

On June 22, 2021, the U.S. Senate passed a bill which would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. On February 4, 2022, the U.S. House of Representatives passed a bill which contained, among other things, an identical provision. If this provision is enacted into law and the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA is reduced from three years to two, then our shares and ADSs could be prohibited from trading in the United States in 2023.

The current tensions in international trade and rising political tensions, particularly between U.S. and China, may adversely impact our business, financial condition, and results of operations.

Although cross-border business may not be an area of our focus, if we plan to expand our business internationally in the future, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our products and services, impact our competitive position, or prevent us from being able to conduct business in certain countries. If any new tariffs, legislation, or regulations are implemented, or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations. Recently, there have been heightened tensions in international economic relations, such as the one between the United States and China. The U.S. government has recently imposed, and has recently proposed to impose additional, new, or higher tariffs on certain products imported from China to penalize China for what it characterizes as unfair trade practices. China has responded by imposing, and proposing to impose additional, new, or higher tariffs on certain products imported from the United States. Following mutual retaliatory actions for months, on January 15, 2020, the United States and China entered into the Economic and Trade Agreement Between the United States of America and the People's Republic of China as a phase one trade deal, effective on February 14, 2020.

In addition, political tensions between the United States and China have escalated due to, among other things, trade disputes, the COVID-19 outbreak, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the PRC central government and the executive orders issued by the U.S. government in August 2020 that prohibit certain transactions with certain selected leading Chinese internet

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companies as well as their products. Rising political tensions could reduce levels of trades, investments, technological exchanges, and other economic activities between the two major economies. Any of these factors could have a material adverse effect on our business, prospects, financial condition and results of operations. Such tensions between the United States and China, and any escalation thereof, may have a negative impact on the general, economic, political, and social conditions in China.

Although the direct impact of the current international trade tensions and political tensions between the United States and China, and any escalation of such tensions, on the housing transaction services industry in China is uncertain, the negative impact on general, economic, political and social conditions may adversely impact our business, financial condition and results of operations.

RISKS RELATED TO OUR SHARES AND ADSs

The trading price of our Class A ordinary shares and ADSs may be volatile, which could result in substantial losses to investors.

The trading price of our ADSs has been volatile since our ADSs started to trade on the New York Stock Exchange on August 13, 2020. The trading price of our ADSs could fluctuate widely due to factors beyond our control. The trading price of our Class A ordinary share, likewise, can be volatile for similar or different reasons. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong or the United States. In addition to market and industry factors, the price and trading volume for our Class A ordinary shares and ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings, or cash flow;
- fluctuations in operating metrics;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental negative publicity about us, our competitors or our industry;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;

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- regulatory developments affecting us or our industry; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our Class A ordinary shares or ADSs will trade. Furthermore, the stock market in general experiences price and volume fluctuations that are often unrelated or disproportionate to the operating performance of companies like us. These broad market and industry fluctuations may adversely affect the market price of our Class A ordinary shares or ADSs. Volatility or a lack of positive performance in our Class A ordinary shares or ADS price may also adversely affect our ability to retain key employees, most of whom have been granted equity incentives.

In the past, shareholders of public companies have often brought securities class action suits against companies following periods of instability in the market price of their securities. Based on public records, our company and certain of our directors and officers were named as defendants in a putative securities class action filed in the United States. See “Business – Legal Proceedings and Compliance” for more information. When and if we are involved in a class action suit, it could divert a significant amount of our management’s attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether successful or not, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

Our authorized and issued ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. In respect of matters requiring the votes of shareholders, holders of Class A ordinary shares and Class B ordinary shares vote together as a single class except as may otherwise be required by law, and holders of Class A ordinary shares are entitled to one vote per share while holders of Class B ordinary shares are entitled to ten votes per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity that is not Co-Founder or Co-Founder Affiliate as defined in our currently effective memorandum and articles of association, such Class B ordinary shares shall be automatically and immediately converted into an equal number of Class A ordinary shares.

As of the Latest Practicable Date, holders of our Class B ordinary shares hold 885,301,280 Class B ordinary shares, representing 76.1% of the aggregate voting power of our total issued and outstanding ordinary shares due to the disparate voting powers associated with our dual-class voting structure. See “Substantial Shareholders” and “Relationship with the

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Controlling Shareholders – Controlling Shareholders.” Holders of our Class B ordinary shares or their proxy have considerable influence over matters requiring shareholder approval, such as electing directors and approving material mergers, acquisitions, or other business combination transactions. This concentration of ownership may discourage, delay, or prevent a change of control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our Class A ordinary shares or ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover, or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

We will propose to amend our Articles of Association to include the WVR Fall Away Provision (for details, see “Waivers – Waiver in Relation to the Articles of Association of the Company”), and, if the WVR Fall Away Provision is triggered, the considerable influence of holders of our Class B ordinary shares will be reduced. However, the potential triggering of the WVR Fall Away Provision, as well as the conversion of Class B ordinary shares held by Propitius Global into Class A ordinary shares upon the Listing, will have a dilutive impact on the voting right of our Class A ordinary shares in matters that is submitted to the class voting of holders of Class A ordinary shares only.

Our dual-class voting structure may render our securities ineligible for inclusion in certain stock market indices, and thus adversely affect the trading price and liquidity of our Class A ordinary shares or ADSs.

We cannot predict whether our dual-class share structure with different voting rights will result in a lower or more volatile market price of our Class A ordinary shares or ADSs, in adverse publicity, or other adverse consequences. Certain index providers have announced restrictions on including companies with multi-class share structures in certain of their indices. For example, S&P Dow Jones and FTSE Russell have changed their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. As a result, our dual-class voting structure may prevent the inclusion of our securities in such indices, which could adversely affect the trading price and liquidity of our securities. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structure and our dual-class structure may cause shareholder advisory firms to publish negative commentary about our corporate governance, in which case the market price and liquidity of our Class A ordinary shares or ADSs could be adversely affected.

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If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding our Class A ordinary shares or ADSs, the market price for our Class A ordinary shares or ADSs and trading volume could decline.

The trading market for our Class A ordinary shares or ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our Class A ordinary shares or ADSs, the market price for our Class A ordinary shares or ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our Class A ordinary shares or ADSs to decline.

Techniques employed by short sellers may drive down the market price of our Class A ordinary shares or ADSs.

Short selling is the practice of selling securities that a seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding relevant issuers and their business prospects in order to create negative market momentum and generate profits for themselves after selling securities short.

Public companies listed in the United States that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits or SEC enforcement actions.

On December 16, 2021, Muddy Waters Capital LLC issued a short seller report with allegations against us, or the Muddy Waters Report. On December 17, 2021, we announced that the audit committee of our board of directors commenced an internal review into the key allegations raised in the Muddy Waters Report, or the Internal Review, with the assistance of third-party professional advisors including an international law firm and forensic accounting experts from a Big-Four accounting firm that is not our auditor. On January 28, 2022, we announced that the Internal Review was substantially complete and that based on such Internal Review, the audit committee has concluded that the allegations in the Muddy Waters Report were not substantiated. Any such allegations may be followed by periods of instability in the market price of our ordinary shares and ADSs and the corresponding negative publicity. If and when become the subject of any unfavorable allegations, whether such allegations are proven

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to be true or untrue, we could be forced to expend a significant amount of resources to investigate such allegations or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable state law, or issues of commercial confidentiality. Such a situation could be costly and time-consuming and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations and shareholders' equity, and any investment in our Class A ordinary shares or ADSs could be greatly reduced or rendered worthless.

We are subject to risks associated with class action suits, which may be expensive and could divert management attention.

Shareholders of public companies have often brought securities class action suits against companies following periods of instability in the market price of their securities. For example, based on public records, our company and certain of our directors and officers were named as defendants in a putative securities class action filed in the United States following the issuance of the Muddy Waters Report. See "Business – Legal Proceedings and Compliance" for more details. We cannot predict the timing, outcome or consequences of such class action, and there is no basis to conclude at this point whether our defenses will be successful or whether the Company will be subject to any damages, let alone how much. In the event we do not prevail or we enter into settlement arrangements in the proceeding, we may incur significant expenses, which may materially and adversely affect our financial condition and results of operations. We may continue to be the target of securities litigation in the future.

Regardless of the outcome, any securities litigation against us, such as a class action lawsuit, could result in substantial costs and divert our management's attention from other business concerns, and, if adversely determined, could have a material adverse effect on our business, financial condition and results of operations.

We currently do not expect to pay dividends in the foreseeable future after the Listing and you must rely on price appreciation of our Class A ordinary shares or ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after the Listing to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Class A ordinary shares or ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a

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dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our Class A ordinary shares or ADSs will likely depend entirely upon any future price appreciation of our Class A ordinary shares or ADSs. There is no guarantee that our Class A ordinary shares or ADSs will appreciate in value or even maintain the price at which you purchased the securities. You may not realize a return on your investment in our securities and you may even lose your entire investment.

You may experience dilution in connection with our efforts to raise capital with equity in the future.

We may need to raise additional funds in the future to finance our business operation or development plans. While we will not issue new Shares in connection with the Listing, we have applied for a waiver from strict compliance with the requirements under Rule 10.08 of the Listing Rules so that we will be permitted to issue new Shares within six months after the Listing under a general mandate or be subject to the Shareholders' approval as required under Rule 13.36 with the total number of Class A ordinary shares that are issued or may be issued not exceeding 20% of the total number of Class A ordinary shares in issue as at the Listing Date. Please refer to "Waivers – Waiver in relation to share issuance within six months from the Listing Date" for more details. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the Shareholders' holdings in the Company may be diluted. Solely for illustration purpose, assuming a maximum issue of 20% of the total number of Class A ordinary shares in issue as at the Listing Date, (i) the total number of issued Shares of the Company may be enlarged by approximately 19.2% and (ii) the Controlling Shareholders are expected to control approximately 43.6% of the total voting power in the Company immediately upon the completion of such issue. In addition, the issuance of new equity may dilute our earnings per share, may have an adverse impact on our net tangible assets per share and net tangible assets per ADS and increase our net assets, which may subsequently impact our share price.

Substantial future sales or perceived potential sales of our Class A ordinary shares or ADSs in the public market could cause the price of our ADSs to decline.

Sales of our Class A ordinary shares or ADSs in the public market, or the perception that these sales could occur, could cause the market price of our securities to decline. Shares held by our existing shareholders may be available for sale subject to the volume and other restrictions as applicable provided in Rules 144 and 701 under the Securities Act and the applicable lock-up agreements in connection with the Listing. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our Class A ordinary shares or ADSs.

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Our currently effective memorandum and articles of association give us power to take certain actions that could discourage a third party from acquiring us, which could limit our shareholders' opportunity to sell their shares, including Class A ordinary shares and ADSs, at a premium.

Our currently effective memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A ordinary shares, including Class A ordinary shares represented by ADSs. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our Class A ordinary shares or ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares and ADSs may be materially and adversely affected.

However, our exercise of any such power that may limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions under the Articles after the Listing will be subject to our overriding obligations to comply with all applicable Hong Kong laws and regulations, the Listing Rules, and the Codes on Takeovers and Mergers and Share Buy-backs. We will, at the first general meeting after the Listing, propose to our shareholders certain amendments to our currently effective memorandum and articles of association, including removing our directors' discretion to, for the purpose of variation of rights attached to any class of shares, treat all the classes or any two or more classes as forming one class if they consider that all such classes would be affected in the same way by the proposals under consideration under article 18 of our currently effective memorandum and articles of association, our directors' powers to authorize the division of our shares into any number of classes and to determine the relative rights and obligations as between the different classes and to issue such shares with preferred or other rights that may be greater than the rights of the Class A ordinary shares under article 9 of our currently effective memorandum and articles of association, as well as making our directors' powers to issue preferred shares under article 9 to be subject to the currently effective memorandum and articles of association, compliance with the Listing Rules and the Takeovers Code and the conditions that (i) no new class of shares with voting rights superior to those of Class A Ordinary Shares will be created and (ii) any variations in the relative rights as between the different classes will not result in creating new class of shares with voting rights superior to those of Class A ordinary shares. For a more detailed discussion on the proposed amendments to our currently effective memorandum and articles of association, see "Waivers – Waiver in Relation to the Articles of Association of the Company."

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The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct the voting of the underlying ordinary shares represented by your ADSs.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights attached to the Class A ordinary shares underlying your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Where any matter is to be put to a vote at a general meeting, then upon receipt of your voting instructions, the depositary will try, as far as is practicable, to vote the underlying Class A ordinary shares represented by your ADSs in accordance with your instructions. You will not be able to directly exercise your right to vote with respect to the underlying Class A ordinary shares unless you cancel and withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting.

When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the Class A ordinary shares represented by your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our currently effective memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the underlying Class A ordinary shares represented by your ADSs and from becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, upon our instruction the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the underlying Class A ordinary shares represented by your ADSs.

In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct how the underlying Class A ordinary shares represented by your ADSs are voted and you may have no legal remedy if the underlying Class A ordinary shares represented by your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

Under the deposit agreement, if no voting instruction from you is received, the depositary may give us a discretionary proxy to vote the Class A ordinary shares underlying the ADSs at shareholders' meetings if we have timely provided the depositary with notice of meeting and related voting materials and (i) we have instructed the depositary that we wish a discretionary

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proxy to be given, (ii) we have informed the depositary that there is no substantial opposition as to a matter to be voted on at the meeting, and (iii) a matter to be voted on at the meeting would not have a material adverse impact on shareholders.

The effect of this discretionary proxy is that you cannot prevent our Class A ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may adversely affect your interests and make it more difficult for ADS holders to influence the management of our company. Holders of our Class A ordinary shares are not subject to this discretionary proxy.

Transfer of our ADSs is subject to limitations.

Our ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time, including without limitation in connection with corporate action events, in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of the ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

You may experience dilution of your holdings due to inability to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong or U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our currently effective memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by

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our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in Hong Kong or some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than Hong Kong or the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have the standing to initiate a shareholder derivative action in a Hong Kong court or a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (except for our memorandum and articles of association and our register of mortgages and charges) or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our currently effective memorandum and articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of our board of directors or controlling shareholders than they would as public shareholders of a company incorporated in Hong Kong or the United States.

Your rights to pursue claims arising under the deposit agreement are limited by the terms of the deposit agreement.

The deposit agreement governing the ADSs representing our Class A ordinary shares provides that, subject to the right to require a claim to be settled by arbitration, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws, to the fullest extent permitted by law.

If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the

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deposit agreement, by a federal or state court in the City of New York, which has non-exclusive jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waive the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before entering into the deposit agreement.

If you or any other owners or holders of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other owners or holders may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the depositary. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any owner or holder of ADSs or by us or the depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

The deposit agreement also provides that ADS holders and the depositary have the right to elect to have any claim against us arising out of or relating to our Class A ordinary shares, ADSs, ADRs or the deposit agreement settled by arbitration in New York, New York rather than in a court of law, and to have any judgment rendered by the arbitrators entered in any court having jurisdiction. The arbitral tribunal in any such arbitration would not have the authority to award any consequential, special, or punitive damages or other damages not measured by the prevailing party's actual damages and may not make any ruling, finding or award that does not conform to the provisions of the deposit agreement. The deposit agreement does not give us the right to require that any claim, whether brought by us or against us, be arbitrated. The optional arbitration provision does not apply to claims under federal securities laws or claims other than in connection with our initial public offering or public offering of ADSs in November 2020.

We are a “controlled company” within the meaning of the New York Stock Exchange’s corporate governance rules and, as a result, will rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.

We are currently a “controlled company” as defined under the New York Stock Exchange’s corporate governance rules because Baihui Partners L.P. beneficially owns more than 50% of our total voting power through the voting proxy arrangements with Propitious Global Holdings Limited. For so long as we remain a controlled company under that definition,

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we are permitted to elect to rely, and may rely, on certain exemptions from corporate governance rules, including an exemption from the rule that a majority of our board of directors must be independent directors or that we have to establish a nominating committee and a compensation committee composed entirely of independent directors. As a result, you will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements. As Propitious Global Holdings Limited has delivered a conversion notice to us that, subject to and immediately upon the completion of the Listing, the 727,407,230 Class B ordinary shares it held would be converted into Class A ordinary shares on a one-to-one basis, we expect to cease to be a “controlled company” upon the completion of the Listing and will cease to be eligible to enjoy the exemptions from corporate governance rules available for a “controlled company.” We are permitted to adopt home country practices in relation to these corporate governance rules. See “– As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE listing standards.”

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE listing standards.

As a Cayman Islands company listed on the NYSE, we are subject to the NYSE listing standards, which require listed companies to have, among other things, a majority of their board members to be independent and independent director oversight of executive compensation and nomination of directors. However, NYSE rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE listing standards.

We are permitted to elect to rely on home country practice to be exempted from the corporate governance requirements. If we choose to follow home country practice in the future, our shareholders may be afforded less protection than they would otherwise enjoy if we complied fully with the NYSE listing standards.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;

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- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to continue to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the NYSE. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

We incur increased costs as a result of being a public company.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and NYSE, impose various requirements on the corporate governance practices of public companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. Our management will be required to devote substantial time and attention to our public company reporting obligations and other compliance matters. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance obligations as a public company may place a strain on our management, operational and financial resources and systems for the foreseeable future.

RISKS RELATED TO THE DUAL LISTING

An active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange might not develop or be sustained and trading prices of our Class A ordinary shares might fluctuate significantly and the effectiveness of the bridging and liquidity arrangements might be limited.

Following the completion of the Listing, we cannot assure you that an active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange will develop or be sustained. The trading price or liquidity for our ADSs on the New York Stock Exchange might not be indicative of those of our Class A ordinary shares on the Hong Kong Stock Exchange following the completion of the Listing. If an active trading market of our Class A ordinary shares on the Hong Kong Stock Exchange does not develop or is not sustained after the Listing, the market price and liquidity of our Class A ordinary shares could be materially and adversely affected.

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In 2014, the Hong Kong, Shanghai, and Shenzhen stock exchanges collaborated to create an inter-exchange trading mechanism called Stock Connect that allows international and PRC investors to trade eligible equity securities listed in each other's markets through the trading and clearing facilities of their home exchange. Stock Connect currently covers over 2,000 equity securities trading in the Hong Kong, Shanghai, and Shenzhen markets. Stock Connect allows PRC investors to trade directly in eligible equity securities listed on the Hong Kong Stock Exchange, known as Southbound Trading; without Stock Connect, PRC investors would not otherwise have a direct and established means of engaging in Southbound Trading. In October 2019, the Shanghai and Shenzhen stock exchanges separately announced their amended implementation rules in connection with Southbound Trading to include shares of WVR companies to be traded through Stock Connect. However, there remains uncertainty as to the implementation details, especially with respect to shares of those companies with a secondary or dual-primary listing on the Hong Kong Stock Exchange. It is unclear whether and when the Class A ordinary shares of our Company, a WVR company with a dual-primary listing in Hong Kong upon the Listing, will be eligible to be traded through Stock Connect, if at all. The ineligibility or any delay of our Class A ordinary shares for trading through Stock Connect will affect PRC investors' ability to trade our Class A ordinary shares and therefore may limit the liquidity of the trading of our Class A ordinary shares on the Hong Kong Stock Exchange.

Throughout the Bridging Period, the Designated Dealer and the Alternate Designated Dealer intend to implement certain bridging and liquidity arrangements as set out in the section headed "Market Arrangements to Facilitate Dealings in Hong Kong – Bridging Arrangements." While such arrangements are expected to contribute towards liquidity to meet demand for our Class A ordinary shares in Hong Kong and to maintain an orderly market, investors should be aware that such bridging and liquidity arrangements are subject to the Designated Dealer's and/or the Alternate Designated Dealer's ability to obtain sufficient numbers of our Class A ordinary shares to meet demand. There is no guarantee that such bridging and liquidity arrangements will attain and/or maintain liquidity in our Class A ordinary shares at any particular level on the Hong Kong Stock Exchange, nor is there any assurance that the price of our Class A ordinary shares in Hong Kong will not exhibit significant volatility.

We also cannot guarantee you that the price at which our Class A ordinary shares are traded on the Hong Kong Stock Exchange will be substantially the same as or similar to the price at which our ADSs are traded on the NYSE or that any particular volume of our Class A ordinary shares will trade on the Hong Kong Stock Exchange. The bridging and liquidity arrangements being implemented in connection with the Listing are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering. The bridging and liquidity arrangements will terminate and cease to continue beyond the Bridging Period. Accordingly, there may be volatility in the Hong Kong market after the Bridging Period.

RISK FACTORS

The characteristics of the U.S. capital markets and the Hong Kong capital markets are different.

The New York Stock Exchange and the Hong Kong Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our Class A ordinary shares and the ADSs representing them might not be the same, even allowing for currency differences. Fluctuations in the price of the ADSs due to circumstances peculiar to its home capital market could materially and adversely affect the price of the Class A ordinary shares. Because of the different characteristics of the U.S. and Hong Kong equity markets, the historic market prices of our ADSs may not be indicative of the performance of our securities (including the Class A ordinary shares) after the Listing.

Exchange between our Class A ordinary shares and ADSs may adversely affect the liquidity or trading price of each other.

Our ADSs are currently traded on the New York Stock Exchange. Subject to compliance with U.S. securities laws and the terms of the deposit agreement, holders of our Class A ordinary shares may deposit Class A ordinary shares with the depositary in exchange for the issuance of the ADSs. Any holder of ADSs may also withdraw the underlying Class A ordinary shares represented by the ADSs pursuant to the terms of the deposit agreement for trading on the Hong Kong Stock Exchange. In the event that a substantial number of Class A ordinary shares are deposited with the depositary in exchange for ADSs or *vice versa*, the liquidity and trading price of our Class A ordinary shares on the Hong Kong Stock Exchange and the ADSs on the New York Stock Exchange may be adversely affected.

The time required for the exchange between our Class A ordinary shares and ADSs might be longer than expected and investors might not be able to settle or effect any sale of their securities during this period, and the exchange of Class A ordinary shares into ADSs involves costs.

There is no direct trading or settlement between the New York Stock Exchange and the Hong Kong Stock Exchange on which our ADSs and our Class A ordinary shares are respectively traded. In addition, the time differences between Hong Kong and New York, unforeseen market circumstances, or other factors may delay the deposit of Class A ordinary shares in exchange for the ADSs or the withdrawal of Class A ordinary shares underlying the ADSs. Investors will be prevented from settling or effecting the sale of their securities during such periods of delay. In addition, we cannot assure you that any exchange for Class A ordinary shares into ADSs (and *vice versa*) will be completed in accordance with the timelines that investors may anticipate.

RISK FACTORS

Furthermore, the depositary for the ADSs is entitled to charge holders fees for various services including for the issuance of ADSs upon deposit of Class A ordinary shares, cancelation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs, and annual service fees. As a result, shareholders who exchange Class A ordinary shares into ADSs, and *vice versa*, may not achieve the level of economic return the shareholders may anticipate.

WAIVERS

In preparation of the Listing, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

No.	Rules	Subject matter
1.	Rule 8.12 of the Listing Rules	Management Presence
2.	Rules 3.28 and 8.17 of the Listing Rules	Joint Company Secretaries
3.	Chapter 14A of the Listing Rules	Continuing Connected Transactions
4.	Rules 4.10 and 4.11 of, and Note 2.1 to paragraph 2 of the Appendix 16 to, the Listing Rules	Use of U.S. GAAP
5.	Paragraph 26 of Part A of Appendix 1 to the Listing Rules	Disclosure of Change in the Share Capital
6.	Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules	Disclosure Requirements of the 2018 Share Option Plan
7.	Note (1) to Rule 17.03(9) of the Listing Rules	Exercise Price of Options to be Granted after the Listing
8.	Rule 9.09(b) of the Hong Kong Listing Rules	Dealing in Shares prior to Listing
9.	Rule 8A.44 of, and Appendix 3 to, the Listing Rules	Articles of Association
10.	Rules 4.04(2) and 4.04(4)(a) of the Listing Rules	Acquisitions after the Track Record Period
11.	Rule 8A.12 of the Listing Rules	Minimum Economic Interest at Listing
12.	Rule 10.08 of the Listing Rules	No Share Issuance within Six Months from the Listing Date
13.	Rule 13.46(2)(b) of the Listing Rules	Laying 2021 Annual Financial Statements before Members at an Annual General Meeting Within Six Months after the End of Financial Year

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, except as otherwise permitted by the Stock Exchange at its discretion, all applicants applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong. This would normally mean that at least two of an applicant's executive directors must be ordinarily resident in Hong Kong.

The Company's business operations are conducted and managed in the PRC. The headquarters, senior management and most of the Company's assets are located in the PRC. The Company's executive Directors are based in the PRC as the Board believes it would be more effective and efficient for its executive Directors to be based in a location where the Company's operations are located. Therefore, no executive Directors will, in the foreseeable future, be ordinarily resident in Hong Kong.

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Accordingly, the Company has applied for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that the Company will implement the following arrangements:

- (i) the Company has appointed Mr. Tao Xu, an executive Director and the chief financial officer of the Company and Ms. Lau Yee Wa (“**Ms. Lau**”), one of the joint company secretaries of the Company, as the authorized representatives of the Company (the “**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will serve as the Company’s principal channel of communication with the Stock Exchange. They can be readily contactable by phone, fax and email to deal promptly with enquiries from the Stock Exchange and will also be available to meet with the Stock Exchange to discuss any matters on short notice. The contact details of the Authorized Representatives have been provided to the Stock Exchange;
- (ii) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period. In addition, each Director has provided his/her contact details, including mobile phone numbers, office phone numbers, residential home numbers (if any), email addresses and fax numbers (if any), to the Authorized Representatives and to the Stock Exchange. The Directors have also provided the contact information of their emergency contacts to the Authorized Representatives, so that each of the Authorized Representatives would be able to contact all the Directors (including the independent non-executive Directors) promptly at all times if and when the Stock Exchange wishes to contact the Directors; and
- (iii) the Company has appointed Maxa Capital Limited as its compliance adviser pursuant to Rules 3A.19 and 8A.33 of the Listing Rules. The Company’s compliance adviser will act as the Company’s additional and alternative channel of communication with the Stock Exchange, and its representatives will be readily available to answer enquiries from the Stock Exchange.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the Company must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience and is therefore capable to discharge the functions of the company secretary.

Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Institute of Chartered Secretaries;
- (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

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In addition, Note 2 to Rule 3.28 of the Listing Rules provides that in assessing “relevant experience,” the Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles he played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

The Company has appointed Mr. Matthew Huaxia Zhao (“**Mr. Zhao**”) and Ms. Lau, as the joint company secretaries of the Company to jointly discharge the duties and responsibilities of the company secretary of the Company with reference to their work experience and qualifications. Mr. Zhao is currently the senior director of the investor relationship department of the Company. For further biographical details of Mr. Zhao, see the section headed “Directors and Senior Management – Joint Company Secretaries” in this document. Although Mr. Zhao does not possess the qualifications set out in Rule 3.28 of the Listing Rules, the Company has appointed him as one of the joint company secretaries of the Company due to his extensive experience in corporate governance matters, information disclosure, investor relationship and corporate secretarial affairs. Ms. Lau has been appointed as the other joint company secretary of the Company taking effect upon the Listing to assist Mr. Zhao in discharging the duties of the company secretary of the Company. Ms. Lau is a Chartered Secretary, a Chartered Governance Professional and an associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom and is therefore qualified under Rule 3.28 of the Listing Rules to act as a joint company secretary of the Company. For further biographical details of Ms. Lau, see the section headed “Directors and Senior Management – Joint Company Secretaries” in this document.

The following arrangements have been, or will be, put in place to assist Mr. Zhao in acquiring the qualifications and experience required under Rule 3.28 of the Listing Rules:

- (i) In preparation of the application of the Listing, Mr. Zhao has attended training on the respective obligations of the Directors, senior managements and the Company under the relevant Hong Kong laws and the Listing Rules organised by the Hong Kong legal adviser to the Company.
- (ii) Ms. Lau will work closely with Mr. Zhao to jointly discharge the duties and responsibilities as the joint company secretaries of the Company and to assist Mr. Zhao to acquire the relevant experience as required under the Listing Rules for an initial period of three years from the Listing Date, a period which should be sufficient for Mr. Zhao to acquire the relevant experience as required under the Listing Rules.

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- (iii) The Company will ensure that Mr. Zhao continues to have access to the relevant training and support in relation to the Listing Rules and the duties required for a company secretary of an issuer listed on the Stock Exchange. Furthermore, both Mr. Zhao and Ms. Lau will seek advice from the Company's Hong Kong legal and other professional advisers as and when required. Mr. Zhao and Ms. Lau also undertake to take no less than 15 hours of relevant professional training in each financial year of the Company.
- (iv) Prior the end of the three-year period, the qualifications and experience of Mr. Zhao and the need for on-going assistance of Ms. Lau will be further evaluated by the Company. The Company will then endeavour to demonstrate to the Stock Exchange that Mr. Zhao, having had the benefit of the assistance of Ms. Lau for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. The Company understands that the Stock Exchange may revoke the waiver if Ms. Lau ceases to provide assistance to Mr. Zhao during the three-year period.

The Company has applied for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules on the following conditions: (i) Mr. Zhao must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary of the Company throughout the three-year period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the Company. Upon the expiry of the initial three-year period, the qualifications of Mr. Zhao will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

The Company has conducted, and is expected to continue to conduct after the Listing Date, certain transactions with certain connected persons and/or its associates, which will constitute continuing connected transactions of the Company under the Listing Rules upon the Listing.

Accordingly, the Company has applied for, and the Stock Exchange has granted the Company, a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap under Rule 14A.53 of the Listing Rules for certain continuing connected transactions; and (iii) the requirement of limiting the term of certain continuing connected transactions to three years or less under Rule 14A.52 of the Listing Rules. For further details, please see the section headed "Connected Transactions" in this document.

WAIVER IN RELATION TO USE OF U.S. GAAP

Rules 4.10 and 4.11 of, and Note 2.1 to paragraph 2 of Appendix 16 to, the Listing Rules require the Company to prepare its financial statements in the listing document and the subsequent financial reports issued after listing to be in conformity with: (a) Hong Kong Financial Reporting Standards (the "HKFRS"); (b) International Financial Reporting Standards (the "IFRS"); or (c) China Accounting Standards for Business Enterprises in the case of companies incorporated in China.

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Rules 4.04(2) and 4.04(4)(a) of the Listing Rules require that, among other things, a new listing applicant to include in its accountant's report the results and the statement of financial position of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document, or since the incorporation of such subsidiary or the commencement of such business if this occurred less than three years prior to such issue, or such shorter period as may be acceptable to Hong Kong Stock Exchange for Main Board applicants.

As a company listed on the NYSE, the Company uses U.S. GAAP and the corresponding auditing standards for the filing of its financial statements with the U.S. Securities and Exchange Commission as determined by the United States Public Company Accounting Oversight Board. U.S. GAAP is well recognized and accepted by the international investment community, and significant progress has been made in the convergence between U.S. GAAP and IFRS. Since the Company is listed on the NYSE, its exposure to foreign investors are much greater compared to issuers which are listed on the Stock Exchange only. Additionally, we note that it might lead to confusion among the Company's potential investors and Shareholders if the Company was required to adopt different accounting standards for its disclosures in Hong Kong from those in the U.S. and aligning the accountings standards used for disclosures in both markets will alleviate any such potential confusion. Adoption of U.S. GAAP for the preparation of financial statements of the Group will also allow potential investors and Shareholders of the Company to compare the results of the Group against other U.S. listed companies more easily using the same basis.

In addition, on July 4, 2021, the Company entered into a definitive agreement with, among other parties, Shengdu and its existing shareholders, pursuant to which the Company agreed to acquire 100% beneficial interests in Shengdu and its subsidiaries. As the highest applicable percentage ratio exceeds 5%, the Company is required to disclose the financial information of Shengdu in the document pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules. For further details, see the section headed "History, Development and Corporate Structure – Shengdu Acquisition" in this document. It would be logical for the financial statements of Shengdu to be prepared based on U.S. GAAP given that the financial statements of the Group disclosed in this document have been prepared based on U.S. GAAP and it would also facilitate potential investors and Shareholders' evaluation and assessment of the financial position of Shengdu if the Group and Shengdu's financial statements are prepared in the same accounting standard.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 4.10 and 4.11 of, and Note 2.1 to paragraph 2 of the Appendix 16 to, the Listing Rules subject to the following conditions:

- (i) the Company will include adequate disclosure, including (a) a description of the relevant key differences between U.S. GAAP and IFRS; and (b) the reconciliation statement (the "**Reconciliation Statement**") in the Company's accountant's report of this document, which will be audited by its external accountants;

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- (ii) after the Listing, the Company will include a similar Reconciliation Statement in its interim and annual reports; such Reconciliation Statement in its annual reports will be audited by external accountants and the Reconciliation Statements in its interim reports will be reviewed by its external accountant in accordance with a standard that is at least equivalent to International Standard on Assurance Engagements 3000 or Hong Kong Standard on Assurance Engagements 3000;
- (iii) if the Company is no longer listed in the U.S. or is not obliged to make financial disclosure in the U.S., the Company will adopt either HKFRS or IFRS in the preparation of the Company's financial statements as prescribed under the Listing Rules;
- (iv) a confirmation that "the effects of differences between the historical financial information of Shengdu prepared under U.S. GAAP and IFRS are not material" will be disclosed in this document; and
- (v) the Company will comply with Rules 4.08, 19.12, 19.14 of, and Note 2.6 to paragraph 2 of Appendix 16 to, the Listing Rules.

WAIVER IN RELATION TO THE DISCLOSURE REQUIREMENTS WITH RESPECT TO CHANGE IN THE SHARE CAPITAL

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of the Group within the two years immediately preceding the issue of this document.

The Company has identified 34 entities that the Company considers are major subsidiaries and Consolidated Affiliated Entities primarily responsible for the track record results of the Group (the "**Principal Entities**", and each a "**Principal Entity**"). For further details, please see the section headed "History, Development and Corporate Structure – Major Subsidiaries and Operating Entities" in this document. As of December 31, 2021, the Company has over 600 subsidiaries and Consolidated Affiliated Entities. It would be unduly burdensome for the Company to disclose the information required under paragraph 26 of Part A of Appendix 1 to the Listing Rules, which would not be material or meaningful to investors. The Principal Entities include, among others, all significant members of the Group under the financial threshold of Regulation S-X in the U.S. (i.e., contributing more than 10% of the Group's total assets or income before income taxes). By way of illustration, after intercompany eliminations, the aggregate revenue and total assets of the Principal Entities in respect of which the relevant information is disclosed represent over 50.6% and 91.3% of the Group's total revenue and total assets for the year ended December 31, 2021, respectively. Principal Entities and the Company hold all material assets, material intellectual property rights and other material proprietary technologies of the Group. The remaining entities in the Group are insignificant to the overall results of the Group and the revenue contribution of each of the non-Principal Entities is individually insignificant to the Group.

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As such, particulars of the changes in the share capital of the Company and the Principal Entities are disclosed in the sections headed “History, Development and Corporate Structure”, “Statutory and General Information – Further Information about Our Group – Changes in the Share Capital of the Company” and “Statutory and General Information – Further Information about Our Group – Changes in the Share Capital of Our Major Subsidiaries and Operating Entities” in Appendix IV to this document.

WAIVER IN RELATION TO THE 2018 SHARE OPTION PLAN

Under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, this document is required to include, among other things, details of the number, description and amount of any shares in or debentures of the Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given (the “**Share Incentive Disclosure Requirements**”). According to the Guidance Letter HKEX-GL11-09 issued in July 2009 and updated in March 2014 by the Stock Exchange, the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

As of the Latest Practicable Date, the Company has granted outstanding options under the 2018 Share Option Plan to 4,863 grantees (including Directors and senior management of the Company and other employees of the Group), to subscribe for an aggregate of 65,377,353 Class A ordinary shares. As of the Latest Practicable Date, among the outstanding options, 22,215 were held by connected persons and 65,355,138 were held by employees of the Group (who are not Directors, members of senior management or connected persons of the Company). The Class A ordinary shares underlying the outstanding options represent approximately 1.7% of the total issued share capital following the completion of the Listing. For further details, please see the section headed “Statutory and General Information – The Share Incentive Plans – Details of the Outstanding Options Granted under the 2018 Share Option Plan” in Appendix IV to this document.

The Company has applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules for the following grounds:

- (i) The Company considers that it would be unduly burdensome to disclose in this document full details of all the options granted by it to each of the grantees, which would significantly increase the cost and time required for information compilation and listing document preparation for strict compliance with such disclosure requirements. For example, the Company would need to collect and verify the addresses of around 5,000 grantees whose share options are still outstanding to meet the disclosure requirement. Further, the disclosure of the personal details of each

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grantee, including their names, addresses and the number of options granted, may require obtaining consent from the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for the Company to obtain such consents given the number of grantees.

(ii) The Company will disclose all the material information on the options granted under the 2018 Share Option Plan in this document to provide prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per share of the options in making their investment decision, and such information includes:

- (a) a summary of the major terms of the 2018 Share Option Plan;
- (b) the aggregate number of Class A ordinary shares subject to the options and the percentage of our total issued share capital of which such number represents;
- (c) the dilutive effect and the impact on earnings per share upon full exercise of the options immediately following completion of the Introduction;
- (d) full details of the options granted to Directors and members of the senior management and connected persons (if any) of the Company, on an individual basis, will be disclosed in this document, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules;
- (e) with respect to the options granted to other grantees (other than those referred to in (d) above), the following details will be disclosed on an aggregate basis in this document, including the aggregate number of such grantees and the number of Class A ordinary shares subject to the options, the consideration paid for the grant of the options and the exercise period and the exercise price for the options; and
- (f) the particulars of the waiver granted by the Stock Exchange;

the above disclosure is considered to be consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in Guidance Letter HKEX-GL11-09.

(iii) The grantees who are not Directors, members of the senior management or connected persons of the Company, have been granted options that are still outstanding under the 2018 Share Option Plan to acquire an aggregate of 65,355,138 Class A ordinary shares, representing approximately 1.7% of the total number of

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issued Shares of the Company following the completion of the Listing, which is not material in the circumstances of the Company, and the exercise in full of such options will not cause any material adverse change in the financial position of the Company.

- (iv) The Company considers that non-compliance with the above disclosure requirements would not prevent the Company from providing potential investors with sufficient information for an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Group. Strict adherence to the disclosure requirements, including to disclose the names, addresses, and entitlements on an individual basis of around 5,000 grantees without reflecting the materiality of the information does not provide any additional meaningful information to the investing public.
- (v) A full list of all the grantees containing all details as required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules will be made available for inspection at the office of Freshfields Bruckhaus Deringer, the Company's Hong Kong legal adviser, at 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document.

The Stock Exchange has granted us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules on the conditions that:

- (i) on an individual basis, full details of the options granted under the 2018 Share Option Plan to each of the Directors and the senior management and connected persons (if any) of the Company, will be disclosed in this document as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules;
- (ii) in respect of the options granted under the 2018 Share Option Plan to other grantees (other than those set out in (i) above), disclosure will be made on an aggregate basis, including (a) the aggregate number of the grantees other than those set out in (i) above and the number of Shares subject to the options granted to them under the 2018 Share Option Plan, (b) the consideration paid for the grant of the options under the 2018 Share Option Plan, and (c) the exercise period and the exercise price for the options granted under the 2018 Share Option Plan;
- (iii) the aggregate number of Class A ordinary shares underlying the outstanding options granted under the 2018 Share Option Plan and the percentage of the Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date will be disclosed in this document;
- (iv) the dilutive effect and impact on earnings per Share upon the full exercise of the options under the 2018 Share Option Plan will be disclosed in this document;

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- (v) a summary of the major terms of the 2018 Share Option Plan will be disclosed in this document;
- (vi) the particulars of this waiver will be disclosed in this document; and
- (vii) a full list of all the grantees (including those persons whose details have already been disclosed) containing all the particulars as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules will be made available for public inspection at the office of Freshfields Bruckhaus Deringer, the Company's Hong Kong legal adviser, at 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document.

WAIVER IN RELATION TO EXERCISE PRICE OF OPTIONS TO BE GRANTED AFTER THE LISTING

Note (1) to Rule 17.03(9) of the Listing Rules states that the exercise price of an option must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

Since the listing of the Company's ADSs on the NYSE in August 2020, it has been the Company's practice to issue options exercisable into ADSs (each of which represents three underlying Class A ordinary shares) under the Share Incentive Plans and the Company will continue to issue options exercisable into ADSs after the Listing. By definition, ADSs are denominated in U.S. dollars, and the exercise price for options with respect to ADSs will necessarily be presented in U.S. dollars. Pursuant to the waiver from strict compliance with Rules 4.10 and 4.11 of, and Note 2.1 to Paragraph 2 of Appendix 16 to, the Listing Rules described above, the Company will continue to prepare its accounts based on U.S. GAAP after the Listing in line with its established practice of granting options with exercise prices and RSUs with grant values denominated in U.S. dollars and tied to the market price of its NYSE-traded ADSs.

On the basis that (a) the method for determining the exercise price of the options based on the market price of ADSs substantially replicates the requirement in Note (1) to Rule 17.03(9) of the Listing Rules, and (b) it has been the Company's practice to issue options exercisable into ADSs with exercise prices denominated in U.S. dollars, and the Company will grant options under the 2020 Share Incentive Plan with exercise prices based on the market price of its ADSs which are denominated in U.S. dollars after the Listing, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Listing Rules such that the Company be able to determine the exercise price for grants under its share option schemes based on the higher of: (i) the per-share closing price of the Company's ADSs on the NYSE on the date of grant, which must be a NYSE trading day; and (ii) the average per-share closing price of the Company's ADSs on the NYSE for the

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five NYSE trading days immediately preceding the date of grant, subject to the condition that the Company shall not issue any share options with an exercise price denominated in Hong Kong dollars unless such exercise price complies with Note (1) to Rule 17.03(9) of the Listing Rules.

DEALING IN SHARES PRIOR TO LISTING

According to Rule 9.09(b) of the Hong Kong Listing Rules, there must be no dealing in the securities of a new applicant for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted (the “**Relevant Period**”).

The Company had over 600 subsidiaries and Consolidated Affiliated Entities as of the Latest Practicable Date, and its ADSs are widely held, publicly traded and listed on the NYSE. The Company considers that it and its management are therefore not in a position to control the investment decisions of its shareholders or the investing public in the U.S.

Solely based on public filings with the SEC as of the Latest Practicable Date,

- (i) each of Z&Z Trust, Cantrust, Grain Bud, Propitious Global, Mrs. Zuo and Baihui Partnership were interested or deemed to be interested in 24.1% of the issued share capital and Baihui Partnership was interested in 63.9% of the voting rights of the Company;
- (ii) Mr. Peng (through Ever Orient International Limited and Baihui Partnership) was interested or deemed to be interested in 27.1% of the issued share capital and 73.3% of the voting rights of the Company;
- (iii) Mr. Shan (through Clover Rich Limited and Baihui Partnership) was interested or deemed to be interested in 25.4% of the issued share capital and 68.0% of the voting rights of the Company; and
- (iv) Tencent Affiliated Entities were interested or deemed to be interested in 11.2% of the issued share capital and 3.5% of the voting rights of the Company.

Save as above, there were no shareholders that are entitled to exercise, or control the exercise of, 10% or more of the issued share capital and/or voting power at any general meeting of the Company.

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On the basis of the above, the Company considers that the following categories of persons (collectively, the “**Permitted Persons**”) should not be subject to the dealing restrictions set out in Rule 9.09(b) of the Hong Kong Listing Rules:

- (a) the Company’s Directors other than Mr. Peng and Mr. Shan, the directors and chief executives and substantial shareholders of its significant subsidiaries and Consolidated Affiliated Entities (that are, subsidiaries and Consolidated Affiliated Entities that are not “insignificant subsidiaries” as defined under the Listing Rules, “**Significant Subsidiaries**”) and their close associates, in respect of their respective use of the Shares as security (including, for the avoidance of doubt, using their respective shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period (“**Category 1**”);
- (b) directors, chief executives and substantial shareholders of the Company’s non-Significant Subsidiaries and their close associates (“**Category 2**”); and
- (c) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become the Company’s substantial shareholder and who is not the Company’s director or chief executive, or a director or chief executive of the Company’s subsidiaries and Consolidated Affiliated Entities, or their close associates (“**Category 3**”).

For the avoidance of doubt:

- (a) as the foreclosure, enforcement or exercise of other rights by the lenders in respect of a security interest over the Shares (including, for the avoidance of doubt, any security interest created pursuant to any top-up of security) will be subject to the terms of the financing transaction underlying such security and not within the control of the pledgor, any change in the beneficial owner of the Shares during the Relevant Period resulting from the foreclosure, enforcement or exercise of other rights by the lenders in respect of such security interest will not be subject to Rule 9.09(b) of the Hong Kong Listing Rules; and
- (b) persons in Category 1 who use their respective Shares other than as described in this sub-section headed “Dealings in Shares Prior to Listing” are subject to the restrictions under Rule 9.09(b) of the Hong Kong Listing Rules.

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We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Hong Kong Listing Rules to be granted on the following conditions:

- (a) Where Category 1 of the Permitted Persons use the Shares as security, other than those set out in the waiver above, there will be no change in the beneficial ownership of the Shares at the time of entering into the relevant transactions during the Relevant Period;
- (b) Categories 2 and 3 of the Permitted Persons do not have any influence over the Introduction and do not possess any non-public inside information of the Company given that such persons are not in a position with access to information that is considered material to the Company taken as a whole. Given the large number of the Company's subsidiaries and Consolidated Affiliated Entities and its vast ADS holder base, the Company and its management do not have effective control over the investment decisions of Categories 2 and 3 of the Permitted Persons in its ADSs;
- (c) Categories 2 and 3 of the Permitted Persons are effectively in the same position as other public investors given their limited access to information and lack of influence over the Listing;
- (d) although Category 2 individuals fall within the strict definition of a core connected person under the Listing Rules, there is no actual or perceived preferential treatment given that (i) each of these non-Significant Subsidiaries are not individually material to the Group in terms of their contribution to total net income or total assets or total revenues or profits, and do not hold any major assets and intellectual property rights; (ii) the Company is not required to have specific disclosure in relation to non-Significant Subsidiaries pursuant to U.S. laws and regulations; (iii) non-Significant Subsidiaries do not individually contribute more than 10% of the Group's total assets and income comparable to the definition of an "insignificant subsidiary" under Rule 14A.09(1); and (iv) Categories 2 of the Permitted Persons have no influence over the Introduction and are not, and will not be, in possession of any inside information in relation to the Listing and are effectively in the same positions as other public investors;
- (e) the Company will promptly release any inside information to the public in the U.S. and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 person) are not in possession of any non-public inside information of which the Company is aware and will not have any influence over the Introduction;
- (f) the Company will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of its core connected persons during the Relevant Period when it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and

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- (g) prior to the Listing Date, other than within the permitted scopes set out above, the Company's directors and chief executive and substantial shareholders and the directors and chief executives and substantial shareholders of its Significant Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under the Group's share incentive plans.

The Company believes that the circumstances relating to this waiver align with those set out in the Hong Kong Stock Exchange's Guidance Letter HKEX-GL42-12 and the grant of this waiver will not prejudice the interests of potential investors.

WAIVER IN RELATION TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Appendix 3 to the Listing Rules sets out the core shareholder protection standards that the articles of association or equivalent document of the issuer must conform with the provisions set out in such appendix.

Rule 8A.44 requires issuers with WVR structures such as the Company to give force to the requirements of Rules 8A.07, 8A.09, 8A.10, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18, 8A.19, 8A.21, 8A.22, 8A.23, 8A.24, 8A.26, 8A.27, 8A.28, 8A.29, 8A.30, 8A.31, 8A.32, 8A.33, 8A.34, 8A.35, 8A.37, 8A.38, 8A.39, 8A.40 and 8A.41 by incorporating them into their articles of association or equivalent document (together with the requirements under Appendix 3 to the Listing Rules, the **"Listing Rules Articles Requirements"**).

As the Company is listed on the NYSE, the Company has adopted its Memorandum and Articles of Association which are in line with the form of memorandum and articles of association commonly adopted by similarly-placed foreign issuers listed on the NYSE. Therefore, the Company's Memorandum and Articles of Association do not comply with some of the Listing Rules Articles Requirements, namely (i) paragraphs 4(2), 14(1), 14(2), 14(3), 14(4), 14(5), 15, 16, 17, 19, 20 and 21 of Appendix 3 to the Hong Kong Listing Rules effective on January 1, 2022, and (ii) Rules 8A.07, 8A.09, 8A.10, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18, 8A.19, 8A.22, 8A.23, 8A.24, 8A.26, 8A.27, 8A.28, 8A.29, 8A.30, 8A.31, 8A.32, 8A.33, 8A.34, 8A.35, 8A.37, 8A.38, 8A.39, 8A.40 and 8A.41 of the Listing Rules (together, the **"Unmet Listing Rules Articles Requirements"**).

The Company will amend its Memorandum and Articles of Association to incorporate the following Unmet Listing Rules Articles Requirements:

Class-based resolutions

- (1) The articles of association shall stipulate that a super-majority vote (at least three-fourths of the voting rights of the members holding shares in that class present and voting in person or by proxy at a separate general meeting of members of the

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class where the quorum for such meeting shall be holders of at least one third of the issued shares of the class) of the issuer's members of the class to which the rights are attached shall be required to approve a change to those rights. (paragraph 15 of Appendix 3);

- (2) Non-WVR shareholders must be entitled to cast at least 10% of the votes that are eligible to be cast on resolutions at the listed issuer's general meetings (Rule 8A.09 of the Listing Rules) and a listed issuer must not increase the proportion of shares that carry weighted voting rights above the proportion in issue at the time of listing (Rule 8A.13 of the Listing Rules);
- (3) A listed issuer with a WVR structure may only allot, issue or grant shares carrying weighted voting rights with the prior approval of the Stock Exchange and pursuant to (1) an offer made to all the issuer's shareholders pro rata (apart from fractional entitlements) to their existing holdings; (2) a pro rata issue of securities to all the issuer's shareholders by way of scrip dividends; or (3) pursuant to a stock split or other capital reorganization provided that the Stock Exchange is satisfied that the proposed allotment or issuance will not result in an increase in the proportion of shares carrying weighted voting rights (Rule 8A.14 of the Listing Rules):
 - (i) if, under a pro rata offer, beneficiaries of weighted voting rights do not take up any part of the shares carrying weighted voting rights (or rights to those shares) offered to them, those shares (or rights) not taken up could only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of ordinary shares (Note 1 to Rule 8A.14 of the Listing Rules);
 - (ii) to the extent that rights in a listed issuer's shares not carrying weighted voting rights in a pro rata offer are not taken up in their entirety (e.g. in the case where the pro rata offering is not fully underwritten), the number of the listed issuer's shares carrying weighted voting rights that can be allotted, issued or granted must be reduced proportionately (Note 2 to Rule 8A.14 of the Listing Rules); and
 - (iii) where necessary, beneficiaries of weighted voting rights must use their best endeavors to enable the issuer to comply with Rule 8A.14 (Note 3 to Rule 8A.14 of the Listing Rules);
- (4) If a listed issuer with a WVR structure reduces the number of its shares in issue (e.g. through a purchase of its own shares) the beneficiaries of weighted voting rights must reduce their weighted voting rights in the issuer proportionately (for example through conversion of a proportion of their shareholding with those rights into shares without those rights), if the reduction in the number of shares in issue would otherwise result in an increase in the proportion of the listed issuer's shares that carry weighted voting rights (Rule 8A.15 of the Listing Rules);

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- (5) After listing, a listed issuer with a WVR structure must not change the terms of a class of its shares carrying weighted voting rights to increase the weighted voting rights attached to that class (Rule 8A.16 of the Listing Rules);
- (6) The following requirements regarding the Class B ordinary shares under the Listing Rules:
 - (i) the beneficiary's weighted voting rights in a listed issuer must cease if, at any time after listing, the beneficiary is: (1) deceased; (2) no longer a member of the issuer's board of directors; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his or her duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules (Rule 8A.17 of the Listing Rules). The Stock Exchange would deem a beneficiary of weighted voting rights to no longer meet the requirements of a director if, for the following reasons, the Stock Exchange believed the person no longer has the character and integrity commensurate with the position:
 - (a) the beneficiary is or has been convicted of an offence involving a finding that the beneficiary acted fraudulently or dishonestly;
 - (b) a disqualification order is made by a court or tribunal of competent jurisdiction against the beneficiary; or
 - (c) the beneficiary is found by the Stock Exchange to have failed to comply with the requirement of Rules 8A.15, 8A.18 or 8A.24 (Note 1 to Rule 8A.17 of the Listing Rules);
 - (ii) The dealing restrictions of Rule 10.06(2), the issue restrictions of Rule 10.06(3) and the director dealing restrictions under Appendix 10 do not apply where the dealing or issue is solely to facilitate the conversion of shares carrying weighted voting rights into ordinary shares to comply with Rule 8A.17 (Note 2 to Rule 8A.17 of the Listing Rules);
 - (iii) the weighted voting rights attached to a beneficiary's shares must cease upon transfer to another person of the beneficial ownership of, or economic interest in, those shares or the control over the voting rights attached to them (through voting proxies or otherwise) (Rule 8A.18(1) of the Listing Rules) but a limited partnership, trust, private company or other vehicle may hold shares carrying weighted voting rights on behalf of a beneficiary of weighted voting rights provided that such an arrangement does not result in a circumvention of Rule 8A.18(1) of the Listing Rules (Rule 8A.18(2) of the Listing Rules). The Stock Exchange would not consider a lien, pledge, charge or other encumbrance on shares carrying weighted voting rights to be a transfer for the purpose of Rule 8A.18 on condition that this does not result in the transfer of

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legal title to or beneficial ownership of those shares or the voting rights attached to them (through voting proxies or otherwise) (Note 1 to Rule 8A.18 of the Listing Rules) and the Stock Exchange would consider a transfer to have occurred under Rule 8A.18 if a beneficiary of weighted voting rights and a non-WVR shareholder(s) enter into any arrangement or understanding to the extent that this resulted in a transfer of weighted voting rights from the beneficiary of those weighted voting rights to the non-WVR shareholder (Note 2 to Rule 8A.18 of the Listing Rules); and

- (iv) if a vehicle holding shares carrying weighted voting rights in a listed issuer on behalf of a beneficiary no longer complies with Rule 8A.18(2) of the Listing Rules, the beneficiary's weighted voting rights in the listed issuer must cease. The issuer and beneficiary must notify the Stock Exchange as soon as practicable with details of the non-compliance (Rule 8A.19 of the Listing Rules);
- (7) A listed issuer's WVR structure must cease when none of the beneficiaries of the weighted voting rights at the time of the issuer's initial listing have beneficial ownership of shares carrying weighted voting rights (Rule 8A.22 of the Listing Rules);
- (8) Any weighted voting rights attached to any class of shares in a listed issuer must be disregarded and must not entitle the beneficiary to more than one vote per share on any resolution to approve the following matters: (1) changes to the listed issuer's constitutional documents, however framed; (2) variation of rights attached to any class of shares; (3) the appointment or removal of an independent non-executive director; (4) the appointment or removal of auditors; and (5) the voluntary winding-up of the listed issuer (Rule 8A.24 of the Listing Rules);

Non-class-based resolutions

- (9) The articles of association shall stipulate that any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the first annual general meeting of the issuer after his appointment, and shall then be eligible for re-election. (paragraph 4(2) of Appendix 3);
- (10) The articles of association shall require the issuer to hold a general meeting for each financial year as its annual general meeting. (paragraph 14(1) of Appendix 3);
- (11) The articles of association shall stipulate that any annual general meeting must be called by notice of at least 21 days, and that any other general meeting (including an extraordinary general meeting) must be called by notice of at least 14 days. (paragraph 14(2) of Appendix 3);

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- (12) The articles of association shall stipulate that members must have the right to (i) speak at a general meeting; and (ii) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration. (paragraph 14(3) of Appendix 3);

- (13) The articles of association shall provide that, where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted (paragraph 14(4) of Appendix 3);

- (14) The articles of association shall stipulate that members holding a minority stake in the total number of issued shares must be able to convene an extraordinary general meeting and add resolutions to a meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the issuer. (paragraph 14(5) of Appendix 3);

- (15) The articles of association shall stipulate that a super-majority vote (at least three-fourths of the voting rights of the members present and voting in person or by proxy in a general meeting shall be required to approve changes to the issuer's constitutional documents, however framed. (paragraph 16 of Appendix 3);

- (16) The articles of association shall stipulate that the appointment, removal and remuneration of auditors must be approved by a majority of the issuer's members or other body that is independent of the board of directors. (paragraph 17 of Appendix 3);

- (17) The articles of association shall stipulate that the HKSCC must be entitled to appoint proxies or corporate representatives to attend the issuer's general meetings and creditors meetings and those proxies/corporate representatives must enjoy rights equivalent to the rights of other shareholders, including the right to speak and vote. (paragraph 19 of Appendix 3);

- (18) The articles of association shall provide for the branch register of members in Hong Kong to be open for inspection by members but may permit the company to close the register on terms equivalent to section 632 of the Companies Ordinance (paragraph 20 of Appendix 3);

- (19) The articles of association shall stipulate that a super-majority vote (at least three-fourths of the total voting rights of the members present and voting in person or by proxy at the general meeting) of the issuer's members in a general meeting shall be required to approve a voluntary winding up of an issuer. (paragraph 21 of Appendix 3);

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- (20) Non-WVR shareholders must be able to convene an extraordinary general meeting and add resolutions to the meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights on a one vote per share basis in the share capital of the listed issuer (Rule 8A.23 of the Listing Rules);
- (21) The role of an independent non-executive director of a listed issuer with a WVR structure must include but is not limited to the functions described in Code Provisions C.1.2, C.1.6 and C.1.7 in Part 2 of Appendix 14 to the Listing Rules (Rule 8A.26 of the Listing Rules);
- (22) Issuers with a WVR structure must establish a nomination committee that complies with Section B.3 in Part 2 of Appendix 14 of the Listing Rules (Rule 8A.27 of the Listing Rules);
- (23) The nomination committee established under Rule 8A.27 of the Listing Rules must be chaired by an independent non-executive director and comprising a majority of independent non-executive directors (Rule 8A.28 of the Listing Rules);
- (24) The independent non-executive directors of an issuer with a WVR structure must be subject to retirement by rotation at least once every three years. Independent non-executive directors are eligible for re-appointment at the end of the three year term (Rule 8A.29 of the Listing Rules);
- (25) An issuer with a WVR structure must establish a corporate governance committee with at least the terms of reference set out in Code Provision A.2.1 in Part 2 of Appendix 14 to the Listing Rules, and the following additional terms:
 - (i) to review and monitor whether the listed issuer is operated and managed for the benefit of all its shareholders;
 - (ii) to confirm, on an annual basis, that the beneficiaries of weighted voting rights have been members of the listed issuer's board of directors throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
 - (iii) to confirm, on an annual basis, whether or not the beneficiaries of weighted voting rights have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
 - (iv) to review and monitor the management of conflicts of interests and make a recommendation to the board on any matter where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or shareholders of the issuer (considered as a group) on one hand and any beneficiary of weighted voting rights on the other;

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- (v) to review and monitor all risks related to the issuer's WVR structure, including connected transactions between the issuer and/or a subsidiary of the issuer on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the board on any such transaction;
 - (vi) to make a recommendation to the board as to the appointment or removal of the compliance adviser;
 - (vii) to seek to ensure effective and on-going communication between the issuer and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules;
 - (viii) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference; and
 - (ix) to disclose, on a comply or explain basis, its recommendations to the board in respect of the matters in sub-paragraphs (iv) to (vi) above in the report referred to in sub-paragraph (viii) above (Rule 8A.30 of the Listing Rules);
- (26) The corporate governance committee must be comprised entirely of independent non-executive directors, one of whom must act as the chairman (Rule 8A.31 of the Listing Rules);
- (27) The corporate governance report produced by a listed issuer with a WVR structure to comply with Appendix 14 of the Listing Rules must include a summary of the work of the corporate governance committee, with regards to its terms of reference, for the accounting period covered by both the half-yearly and annual report and disclose any significant subsequent events for the period up to the date of publication of the half-yearly and annual report, to the extent possible (Rule 8A.32 of the Listing Rules);
- (28) Rule 3A.19 of the Listing Rules is modified to require an issuer with a WVR structure to appoint a compliance adviser on a permanent basis commencing on the date of the issuer's initial listing (Rule 8A.33 of the Listing Rules);
- (29) An issuer must consult with and, if necessary, seek advice from its compliance adviser, on a timely and ongoing basis in the circumstances set out in Rule 3A.23 of the Listing Rules and also on any matters related to: (1) the WVR structure; (2) transactions in which any beneficiary of weighted voting rights in the issuer has an interest; and (3) where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or shareholders of the issuer (considered as a group) on one hand and any beneficiary of weighted voting rights in the issuer on the other (Rules 8A.34 and 3A.23 of the Listing Rules);

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- (30) An issuer with a WVR structure must comply with Section F “Shareholders Engagement” in Part 2 of Appendix 14 of the Listing Rules (Rule 8A.35 of the Listing Rules);

- (31) An issuer with a WVR structure must include the warning “A company controlled through weighted voting rights” on the front page of all listing documents, periodic financial reports, circulars, notifications and announcements required by the Listing Rules and describe the WVR structure, the issuer’s rationale for having it and the associated risks for shareholders prominently in its listing documents and periodic financial reports. This warning statement must inform prospective investors of the potential risks of investing in an issuer with a WVR structure and that they should make the decision to invest only after due and careful consideration (Rule 8A.37 of the Listing Rules);

- (32) The documents of or evidencing title for the listed equity securities of an issuer with a WVR structure must prominently include the warning “A company controlled through weighted voting rights” (Rule 8A.38 of the Listing Rules);

- (33) An issuer with a WVR structure must (i) identify the beneficiaries of weighted voting rights in its listing documents and in its interim and annual reports (Rule 8A.39 of the Listing Rules); (ii) disclose the impact of a potential conversion of WVR shares into ordinary shares on its share capital in its listing documents and in its interim and annual reports (Rule 8A.40 of the Listing Rules); and (iii) disclose in its listing documents and in its interim and annual reports all circumstances in which the weighted voting rights attached to its shares will cease (Rule 8A.41 of the Listing Rules);

- (34) Subject to the requirement of Rule 8A.24, a WVR structure must attach weighted voting rights only to a class of an issuer’s equity securities and confer on a beneficiary enhanced voting power on resolutions tabled at the issuer’s general meetings only. In all other respects, the rights attached to a class of equity securities conferring weighted voting rights must otherwise be the same as the rights attached to the issuer’s listed ordinary shares (Rule 8A.07 of the Listing Rules); and

- (35) A class of shares conferring weighted voting rights in a listed issuer must not entitle the beneficiary to more than ten times the voting power of ordinary shares, on any resolution tabled at the issuer’s general meetings (Rule 8A.10 of the Listing Rules);

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To further enhance its shareholder protection measures, the Company will also propose the following amendments to its Memorandum and Articles of Association:

- (a) lowering the quorum of general meeting (which is not a class meeting) from not less than one-half (1/2) of aggregate voting power of all the Ordinary Shares in issue and present either in person or by proxy as currently provided for in Article 65 of the Memorandum and Articles of Association to 10% of voting rights (on a one vote per share basis) in the share capital of the Company (the “**Quorum Requirement**”);
- (b) where any general meeting is postponed by the Directors pursuant to Article 72 of the Memorandum and Articles of Association, requiring such meeting to be postponed to a specific date, time and place (the “**GM Postponement Requirement**”);
- (c) requiring any power to be exercised by the Director under Article 9 of the Memorandum and Articles of Association (including but not limited to the power to authorize division of Shares into any number of classes and issue shares with preferred or other rights and series of preferred shares) to be subject to the Memorandum and Articles of Association, compliance with the Listing Rules and the Code on Takeovers and Mergers, and the conditions that:
 - (i) no new class of shares with voting rights superior to those of Class A ordinary shares will be created; and
 - (ii) any variations in the relative rights as between the different classes will not result in creating new class of shares with voting rights superior to those of Class A ordinary shares (the “**Overriding Compliance Requirement**”); and
- (d) proposing amendments to the Memorandum and Articles of Association to clarify that
 - (i) the Company, its shareholders, Directors and officers agree to submit to the jurisdiction of the courts of the Cayman Islands and Hong Kong, to the exclusion of other jurisdictions, to hear, settle and/or determine any dispute, controversy or claim whether arising out of or in connection with the Memorandum and Articles of Association or otherwise (save for in relation to any application or petition to wind-up the Company which the courts of the Cayman Islands shall have exclusive jurisdiction to determine), and
 - (ii) if a court of the U.S. assumes jurisdiction to hear any proceedings, actions, claims or complaints that rely on the provisions of the U.S. Securities Act or the U.S. Exchange Act, then the federal courts of the U.S. shall have exclusive jurisdiction to hear, settle and/or determine such proceeding, action, claim or complaint to the exclusion of the state courts (the “**Forum Selection Clarification**”).

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The Company will also propose to amend its Articles of Association to include an article that the WVR structure will fall away if neither of the WVR Beneficiaries having control over the exercise of the voting rights of the Shares held by Propitious Global immediately upon completion of the Listing (the “**Subject Shares**”) for reasons within or outside their control (the “**WVR Fall Away Provision**”). For the avoidance of doubt, (A) subject to the Listing Rules, (i) any sale, transfer, assignment or disposition of any part or all of the Subject Shares by Propitious Global to any person, or (ii) a change of control of the ultimate beneficial ownership of any part or all of the Subject Shares or Propitious Global to any person (the above activities are collectively referred to as “**Transactions**”), and (B) consequentially resulting in the loss of control over the exercise of the voting rights of the relevant Subject Shares that are subject to the Transactions, will not give rise to any obligation to convert the Class B ordinary shares to Class A ordinary shares.

In addition, the Company’s existing Articles of Association allows the Baihui Partnership, after the partnership conditions as defined therein (the “**Partnership Conditions**”) are satisfied, to appoint Executive Directors and nominate and recommend the chief executive officer of the Company. As of the Latest Practicable Date, the Partnership Conditions have not been satisfied. Accordingly, Baihui Partnership, the WVR Beneficiaries or Propitious Global are not entitled to other special rights under the Company’s existing Articles of Association, other than the enhanced voting power attached to the Class B ordinary shares held by the WVR Beneficiaries. The Company will propose to its Shareholders to remove all special rights that Baihui Partnership is entitled to under the Memorandum and Articles of Association (the “**Baihui Partnership Special Rights Removal Requirement**”, together with the Unmet Listing Rules Articles Requirements, the Quorum Requirement, the GM Postponement Requirement, the Forum Selection Clarification, the Overriding Compliance Requirement and the WVR Fall Away Provision, the “**Unmet Articles Requirements**”).

The Company will seek shareholders’ approval to incorporate the Unmet Articles Requirements into its Memorandum and Articles of Association at an extraordinary general meeting to be convened within six months of the Listing (the “**2022 EGM**”).

The incorporation of the following Unmet Articles Requirements will require approvals of holders of Class A ordinary shares and holders of Class B ordinary shares in separate class meetings at the 2022 EGM in accordance with the Memorandum and Articles of Association because these requirements would vary the rights attached to Class A and Class B ordinary shares: (i) paragraph 15 of Appendix 3 to the Listing Rules; (ii) WVR Fall Away Provision and (iii) Rules 8A.09, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18, 8A.19, 8A.22, and 8A.24 – a resolution to incorporate these Unmet Articles Requirements (the “**Class-based Resolution**”) will need to be approved at the separate class meetings of holders of Class A ordinary shares (the “**Class A Meeting**”) and of Class B ordinary shares (the “**Class B Meeting**”).

If the Class-based Resolution is approved at both the Class A Meeting and Class B Meeting, the Shareholders will be asked to vote on the Class-based Resolution and another special resolution to incorporate into the Company’s Memorandum and Articles of Association

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the Unmet Articles Requirements not covered by the Class-based Resolutions (the “**Non-class-based Resolution**”) at the full shareholders’ meeting where all shareholders may vote as a single class (the “**Full Shareholders’ Meeting**”) as the Class-based Resolution and the Non-class-based Resolution will alter the Memorandum and Articles of Association. If the Class-based Resolution is not approved at any of the Class A Meeting and Class B Meeting, the Shareholders will only be asked to vote on the Non-class-based Resolution.

Therefore, at the 2022 EGM, the Company will put forth: (i) the Class-based Resolution at the Class A Meeting and the Class B Meeting; and (ii) the Class-based Resolution (if adopted at the Class A and Class B Meetings) and the Non-class-based Resolution at the Full Shareholders’ Meeting (together, the “**Amendment Resolutions**”) to amend its Memorandum and Articles of Association to comply with the Unmet Articles Requirements.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8A.44 of, and Appendix 3 to, the Listing Rules, subject to the following conditions:

- (a) at the 2022 EGM, the Company will put forth: (i) the Class-based Resolution at the Class A Meeting and the Class B Meeting; and (ii) the Class-based Resolution (if adopted at the Class A and Class B Meetings) and the Non-class-based Resolution at the Full Shareholders’ Meeting to amend its Memorandum and Articles of Association to comply with the Unmet Articles Requirements;
- (b) each of the WVR Beneficiaries and WVR Beneficiaries’ Holding Vehicles will, prior to the Listing, irrevocably undertake to the Company to be present at the 2022 EGM (whether in person or by proxy) and any general meeting and class meeting after the completion of the Listing until all Amendment Resolutions are approved by Shareholders, and to vote in favor of the Amendment Resolutions;
- (c) if any of the Amendment Resolutions (including the Class-based Resolution) are not passed at the 2022 EGM, until they are all approved by the shareholders, the Company and each of the Directors will, prior to the Listing, irrevocably undertake to the Stock Exchange to continue to put forth the Amendment Resolutions that have not been passed (including the Class-based Resolution that has not been passed) at each subsequent annual general meeting and class meeting, and each of the WVR Beneficiaries and WVR Beneficiaries’ Holding Vehicles will, prior to the Listing, irrevocably undertake to the Company to continue to be present and vote in favor of such Amendment Resolutions at such meeting;
- (d) Baihui Partnership will undertake to the Company that, after the Listing becomes effective, it shall attend any class meeting and any general meeting (whether in person or by proxy) that may be convened by the Company and will exercise the voting rights represented by the Shares held by Propitious Global under the POA Arrangement to vote in favor of any resolution at such meeting to approve the amendments to the Memorandum and Articles of Association to incorporate the

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Unmet Articles Requirements. Such undertaking to attend any general meeting and class meeting and to vote in favor of the amendments shall remain in force until all the Amendment Resolutions are passed;

- (e) each of Baihui Partnership and the limited partners of Baihui Partnership will undertake to the Stock Exchange that, before the Amendment Resolutions (including the Class-based Resolution) are approved, it/he will not take any action to satisfy the Partnership Conditions;
- (f) the Company, each of the Directors, Baihui Partnership, each of the WVR Beneficiaries and each of the WVR Beneficiaries' Holding Vehicles will, prior to the Listing, irrevocably undertake to the Stock Exchange that it or he will comply with the Unmet Listing Rules Articles Requirements, the Baihui Partnership Special Rights Removal Requirement, the Quorum Requirement, the GM Postponement Requirement, the Overriding Compliance Requirement, the Forum Selection Clarification and, in respect of the WVR Beneficiaries and WVR Beneficiaries' Holding Vehicles, the WVR Fall Away Provision, upon the Listing and before the existing Memorandum and Articles of Association are formally amended to incorporate the Unmet Articles Requirements, except for the following (the **"Undertaking for Interim Compliance"**) (For the avoidance of doubt, the exceptions set out in sub-paragraphs (i) to (iii) below are only applicable to the passing of the Amendment Resolutions and the Company undertakes to the Stock Exchange to comply with the requirements under the Listing Rules for passing any resolution at a separate class meeting and any special resolution after the Listing (other than the Amendment Resolutions)):
 - (i) paragraph 15 of Appendix 3 such that, prior to the Company's Memorandum and Articles of Association being amended, the threshold for passing any resolution for the Amendment Resolutions in a separate class meeting will be approval by holders of two-thirds of the issued shares of that class, at a class meeting, in accordance with article 17 of the current Memorandum and Articles of Association;
 - (ii) Rules 8A.24(1) and (2) such that, prior to the Memorandum and Articles of Association being amended, weighted voting rights would apply in connection with passing resolutions for the Amendment Resolutions;
 - (iii) paragraph 16 of Appendix 3 such that, the threshold for passing any special resolution for the Amendment Resolutions will be approval by members holding not less than two-thirds of the voting rights of those present and voting in person or by proxy at the general meeting in accordance with article 162 of the current Memorandum and Articles of Association; and

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- (iv) paragraph 14(1) of Appendix 3 such that, the annual general meeting for the year of 2021 will be convened by the Company on or before November 30, 2022.

For the avoidance of doubt, if the Class-based Resolution is not passed at the 2022 EGM, the Undertaking for Interim Compliance will remain valid until the Class-based Resolution is passed.

- (g) each of the WVR Beneficiaries, WVR Beneficiaries' Holding Vehicles and (with respect to (i) below only) Baihui Partnership will, prior to the completion of the Listing, irrevocably undertake to the Company that (i) he/it will procure the Company to give effect to the Undertaking for Interim Compliance upon the completion of the Listing and before its existing Memorandum and Articles of Association are formally amended and (ii) he/it will procure the relevant director holding vehicle holding Class B ordinary shares to, prior to the Listing, deliver a written conversion notice to the Company that all of the Class B ordinary shares it holds shall be converted to Class A ordinary shares on a one-for-one basis immediately upon the occurrence of any of the events as set out under Rule 8A.17 or the triggering of the WVR Fall Away Provision or the relevant Class B ordinary shares it holds shall be converted to Class A ordinary shares on a one-for-one basis immediately upon any voluntary or involuntary transfer of legal title to or beneficial ownership of such relevant Class B ordinary shares (e.g. upon or as a result of death or divorce of the relevant WVR Beneficiary or foreclosure of share pledge) after the Listing and before the Memorandum and Articles are formally amended ("**WVR Beneficiaries' Articles Undertaking**"). The WVR Beneficiaries' Articles Undertaking shall automatically terminate upon the earliest of (i) the proposed amendments to the existing Articles described in this section headed "Waivers – Waiver in Relation to Articles of Association of the Company" have become effective, (ii) the date of delisting of the Company from the Stock Exchange; and (iii) the date on which the WVR Beneficiaries cease to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the automatic termination of the WVR Beneficiaries' Articles Undertaking shall not affect any remedies, obligations or liabilities that have been accrued up to such termination, including the right to claim for damages in respect of any breach. The WVR Beneficiaries' Articles Undertaking shall be governed by the laws of Hong Kong and all matters, claims or disputes arising out of the WVR Beneficiaries' Articles Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong;
- (h) if holders of ADSs do not give voting instructions to the depositary with respect to the Amendment Resolutions, the Company will exercise any discretionary proxy it has under the Deposit Agreement executed among the Company, the Bank of New York Mellon and owners and holders of American depositary shares on August 12, 2020 (the "**Deposit Agreement**") for the ADSs to vote the underlying Class A ordinary shares represented by their ADSs to approve the Amendment Resolutions at any general meetings;

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- (i) the Company remains listed on the NYSE; and
- (j) the Company will issue a press release announcing its support publicly for the Amendment Resolutions each year after the Listing until all Amendment Resolutions are approved by shareholders.

In light of the waiver sought and the Undertaking for Interim Compliance, each of the WVR Beneficiaries further undertakes to the Company that, before the proposed amendments to incorporate requirements under Rules 8A.18 and 8A.19 of the Listing Rules in the Articles of Association are approved by the Shareholders, (i) in the event that a divorce is being contemplated such that any Class B ordinary share will be transferred to an entity which is not wholly owned or not wholly controlled by such WVR Beneficiary or the relevant director holding vehicle holding the Class B ordinary shares ceases to be wholly-owned and wholly-controlled by the relevant WVR Beneficiary, therefore the relevant WVR Beneficiary cannot comply with Rules 8A.18 and 8A.19, the relevant WVR Beneficiary will procure that such Class B ordinary share be converted into Class A ordinary share prior to such transfer; and (ii) the WVR Beneficiaries will not create any encumbrance over any Class B ordinary share (the “**Interim Undertaking**”).

The undertakings to be provided by each of the WVR Beneficiaries and WVR Beneficiaries’ Holding Vehicles as set out in paragraphs (b), (c), (d), (f), and (g) above and the Interim Undertaking are referred to as the “WVR Beneficiaries Waiver Condition Undertakings”. Each WVR Beneficiary acknowledges and agrees that the Company’s shareholders rely on the WVR Beneficiaries Waiver Condition Undertakings in acquiring and holding their shares. Each WVR Beneficiary and each WVR Beneficiary Holding Vehicle acknowledge and agree that the WVR Beneficiaries Waiver Condition Undertakings are intended to confer a benefit on the Company and all its existing and future shareholders and may be enforced by the Company and/or any such shareholder against the WVR Beneficiary and each WVR Beneficiary Holding Vehicle.

The Company’s legal adviser as to the laws of the Cayman Islands confirms that the Undertaking for Interim Compliance will not violate the laws and regulations of the Cayman Islands, and the Company confirms that, having consulted its other legal advisers, the Undertaking for Interim Compliance will also not violate other laws and regulations applicable to the Company.

The Company has obtained undertakings from (i) Tencent Affiliated Entities, (ii) Shing Lee International Limited, holding Class A ordinary shares on behalf of the Company’s employees, and (iii) Mr. Tao Xu and Mr. Wangang Xu, that each of them will be present at the 2022 EGM (whether in person or by proxy) and any general meeting and class meeting after the completion of the Listing until all necessary amendments proposed to be made to the Company’s Memorandum and Articles in order to comply with the Unmet Articles Requirements as disclosed in this document are approved by the Shareholders and to vote in favor of such amendments (the “**Additional Shareholders Undertaking**”).

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The WVR Beneficiaries undertaking and Additional Shareholders Undertaking to attend any general meeting and class meeting and to vote in favor of the amendments shall remain in force until all the Amendment Resolutions are passed.

Taking into account the Additional Shareholders Undertaking, assuming no further Class A ordinary shares are issued under the Share Incentive Plans except for the 125,692,439 Class A ordinary shares issued to Mr. Peng and Mr. Shan pursuant to the terms of the 2022 Share Incentive Plan as at the date of this document; and excluding the Class A ordinary shares lent by Tencent Affiliated Entities in relation to the liquidity arrangement, immediately upon the completion of the Listing, the parties who have undertaken to be present at the 2022 EGM beneficially own in aggregate 157,894,050 Class B ordinary shares and 1,351,433,524 Class A ordinary shares (of which (i) 71,824,250 Class A Ordinary Shares and 110,116,275 Class B Ordinary Shares are owned by Mr. Peng, (ii) 53,868,189 Class A Ordinary Shares and 47,777,775 Class B Ordinary Shares are owned by Mr. Shan, (iii) 885,301,280 Class A Ordinary Shares are owned by Propitious Global, (iv) 258,842,111 Class A Ordinary Shares are owned by Tencent Affiliated Entities, (v) 10,000,000 Class A Ordinary Shares are owned by Mr. Tao Xu, (vi) 54,272,705 Class A Ordinary Shares are owned by Mr. Wangang Xu, and (vii) 17,324,989 Class A Ordinary Shares are owned by Shing Lee International Limited), representing (a) 100% of the total voting rights of holders of the Class B ordinary shares voting as a separate class, (b) approximately 37.2% of the total voting rights of holders of the Class A ordinary shares voting as a separate class, and (c) approximately 56.2% of total voting rights (on weighted voting rights basis) and 39.8% of total voting rights in the Company (on a one share one vote basis). Despite undertaking from the WVR Beneficiaries to vote in favor of the Amendment Resolutions to ensure that they will be adopted at the Class B Meeting, there is no guarantee that the Class-based Resolutions will be passed at the Class A Meeting and the Full Shareholders' Meeting.

The Company will explain the rationale and benefits of the Amendment Resolutions in the 2022 EGM notice and proactively approach major shareholders and actively engage in communications with them as soon as possible after the Listing with a view to obtaining their support to vote in favor of the Amendment Resolutions at the Class A Meeting and the Full Shareholders' Meeting. As the Amendment Resolutions are in their favor, there is no commercial reason for the holders of Class A Ordinary Shares not to vote in favor of the Amendment Resolutions. As set out in the waiver condition in paragraph (h) above, if holders of ADSs do not give voting instructions to the depositary with respect to the Amendment Resolutions, the Company will exercise any discretionary proxy it has under the Deposit Agreement to vote the underlying Class A Ordinary Shares represented by their ADSs to approve the Amendment Resolutions at any general meetings. Further, as set out in the waiver condition set out in paragraph (j) above, the Company will issue a press release announcing its support publicly for the Amendment Resolutions each year after the Listing until all Amendment Resolutions are approved by shareholders.

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In the event of any failure to adhere to the requirements of Chapter 8A of the Listing Rules as determined by the Stock Exchange, the Stock Exchange may, as it considers necessary for the protection of the investors or the maintenance of an orderly market and in addition to any other action that the Stock Exchange considers appropriate under the Listing Rules, exercise absolute discretion to:

- (a) direct a trading halt or suspend dealings of any securities of the Company or cancel the listing of any securities of the Company as set out in Rule 6.01 of the Listing Rules;
- (b) impose the disciplinary sanctions set out in Rule 2A.09 of the Listing Rules against the parties set out in Rule 2A.10 of the Listing Rules;
- (c) withhold: (i) approval for an application for the listing of securities; and/or (ii) clearance for the issuance of a circular to the Company's shareholders unless and until all necessary steps have been taken to address the non-compliance as directed by the Stock Exchange to its satisfaction.

WAIVER IN RELATION TO ACQUISITIONS AFTER THE TRACK RECORD PERIOD

Rules 4.04(2) and 4.04(4)(a) require that, among other things, a new listing applicant to include in its accountant's report the results and the statement of financial position of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document, or since the incorporation of such subsidiary or the commencement of such business if this occurred less than three years prior to such issue, or such shorter period as may be acceptable to Hong Kong Stock Exchange for Main Board applicants.

Note (4) to Rules 4.04(2) and 4.04(4) states that the Hong Kong Stock Exchange will grant waivers from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules taking into account the conditions set out thereunder.

Investments and Acquisitions Since December 31, 2021

Deyou Minority Investments

Since December 31, 2021 and up to the Latest Practicable Date, the Company has made or proposed to make minority investments in local companies with brokerage stores under our franchise brand *Deyou* in its ordinary and usual course of business (the "**Deyou Minority Investments**").

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Acquisitions

As of the Latest Practicable Date, (i) the Company has established or proposed to establish joint venture companies with brokerage stores under the Company's franchise brand *Deyou* in its ordinary and usual course of business (the “**Deyou Acquisitions**”), each of which has become or will become a subsidiary of the Company after December 31, 2021; (ii) the Company proposed to acquire 24.1% equity interest in a company which owns a local quality brokerage brand (the “**Brokerage Brand Investment**”), upon which we will hold 34.1% equity interest in such company after December 31, 2021; (iii) the Company proposed to acquire major/entire equity interests in two companies which own the dealerships of furniture brands (the “**Furniture Brand Acquisitions**”), upon which the two companies will become subsidiaries of the Company after December 31, 2021; and (iv) the Company has made acquisition of Vanlian (Beijing) Decoration Co., Ltd. (萬科鏈家(北京)裝飾有限公司) (with its name changed to Beijing Bewoo Decoration Co., Ltd. (北京被窩裝飾有限公司)), which has become a wholly-owned subsidiary of the Company after December 31, 2021 (the “**Vanlian Acquisition**”, together with Deyou Acquisitions, Brokerage Brand Investment and Furniture Brand Acquisitions, the “**Acquisitions**”).

The Furniture Brand Acquisitions and Vanlian Acquisition would help the Company develop its home renovation and furnishing service.

For the details of the Deyou Minority Investments and the Acquisitions, see “Statutory and General Information – Further Information about Our Business – Targets of Investments and Acquisitions Since December 31, 2021.”

Grounds for the Waiver Sought

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in respect of the Deyou Minority Investments and Acquisitions on the following grounds.

Deyou Minority Investments

The Group has entered into the Deyou Minority Investments in its ordinary course of business.

The Company makes the Deyou Minority Investments from time to time to (i) strengthen relationship with quality stores under its franchise brand *Deyou* who share similar values with us; and (ii) help such stores expand business.

The percentage ratios of each Deyou Minority Investment are all significantly less than 5% by reference to the most recent fiscal year of the Company's Track Record Period.

The amount of each Deyou Minority Investment is generally less than RMB1 million. The relevant percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules for each Deyou Minority Investment are all significantly less than 5% by reference to the most

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recent fiscal year of the Track Record Period. To the best of the Company's knowledge, save as disclosed below, the Deyou Minority Investments are not subject to aggregation under Rule 14.22 of the Listing Rules because (i) each of the Deyou Minority Investments involves the acquisition of interests in a different target company; and (ii) the Deyou Minority Investments were entered into with different counterparties. The beneficial owners of Company AD and Company BF listed in "Statutory and General Information – Further Information about Our Business – Targets of Investments and Acquisitions Since December 31, 2021" are the same. The relevant percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules for the Company's investments in the two companies in aggregate are all significantly less than 5% by reference to the most recent fiscal year of the Track Record Period.

Accordingly, the Company believes that the Deyou Minority Investments are immaterial and are not expected to result in any significant change to the financial position of the Group since December 31, 2021, and all information that is reasonably necessary for potential investors to make an informed assessment of the activities or financial position of the Group has been included in the document. As such, a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investing public.

The Company is neither able to exercise any control, nor has any significant influence, over the underlying company or business.

The Company holds and/or will hold a minority equity interest (generally no more than 10%) in each of the targets of Deyou Minority Investments; and the Company currently expects to adopt the same approach for any subsequent Deyou Minority Investments. The minority shareholder rights given to the Company are generally commensurate to its status as a minority shareholder and are provided for the purpose of protecting the Company's interests as a minority shareholder in the Deyou Minority Investments. These rights are neither intended, nor are they sufficient to compel or require the targets of Deyou Minority Investments to prepare or to disclose in the document their audited financial statements for the purposes of compliance with the relevant requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules. It is submitted that to do so could be prejudicial and potentially harmful to the Company's portfolio relationships and commercial interests. In addition, as all the targets of Deyou Minority Investments are private companies, disclosing this information could harm their interests and bring them into an unfavorable competitive position.

Alternative disclosure of the Deyou Minority Investments has been included in the document.

The Company has provided alternative information in the document in connection with the Deyou Minority Investments. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Listing Rules that the Directors consider to be material, including the reasons for the Deyou Minority Investments, a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the Company and its connected persons, the principal business activities of the targets of Deyou Minority Investments, the investment amounts and equity interests held or to be held in the targets of

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Deyou Minority Investments. The Company believes the proposed disclosure in the document would provide the potential investors with necessary and adequate information to make an informed assessment of the activities or financial positions and operation results of the Group. As such, a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investing public. For the avoidance of doubt, the names of the targets of the Deyou Minority Investments are not disclosed in the waiver application or the document because (i) the Company does not have consent from the targets of the Deyou Minority Investments for such disclosure and (ii) given the competitive nature of the industry in which the Group operates, it is commercially sensitive for the Company to disclose the identity of such targets as such disclosure may (a) jeopardize the Company's ability to consummate the proposed Deyou Minority Investments; and (b) allow the competitors to anticipate the Group's plans of business growth and investment strategy.

To the best knowledge of the Directors, the counterparties of each of the Deyou Minority Investments are independent third parties; and save as disclosed in “– The percentage ratios of each Deyou Minority Investment are all significantly less than 5% by reference to the most recent fiscal year of the Company's Track Record Period”, the counterparties of each of the Deyou Minority Investments are independent of each other.

Acquisitions

The Group has entered into the Deyou Acquisitions and Brokerage Brand Investment in its ordinary course of business.

The Company makes the Deyou Acquisitions and Brokerage Brand Investment from time to time to (i) strengthen relationship with quality stores under its franchise brand *Deyou* and other brand(s) who share similar values with us; and (ii) help such stores and brand(s) expand business.

The percentage ratios of each Acquisition are all significantly less than 5% by reference to the most recent fiscal year of the Company's Track Record Period.

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules for each Acquisition are all significantly less than 5% by reference to the most recent fiscal year of the Track Record Period. To the best of the Company's knowledge, the Acquisitions are not subject to aggregation under Rule 14.22 of the Listing Rules. None of the Acquisitions should be aggregated because (i) each of the Acquisitions involves the acquisition of interests in a different target company; and (ii) the Acquisitions were entered into with different counterparties.

Accordingly, the Company believes that the Acquisitions are immaterial and not expected to result in any significant change to the financial position of the Group since December 31, 2021, and all information that is reasonably necessary for potential investors to make an

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informed assessment of the activities or financial position of the Group has been included in the document. As such, a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investing public.

The historical financial information of the Acquisitions is not available and would be unduly burdensome for the Company to prepare the required financial information pursuant to Rules 4.04(2) and 4.04(4)(a).

As of the Latest Practicable Date, the Acquisitions have not been completed yet or have only been completed recently. Therefore, the Company does not have full and immediate access to the books and records of the targets of the Acquisitions for the purpose of complying with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules. The financial information of the targets of the Acquisitions were also prepared in accordance with the PRC GAAP as opposed to U.S. GAAP. Even with full and immediate access to the target companies' books and records, it is also reasonably expected that it will incur considerable time and resources for the Company and its reporting accountant to fully familiarize themselves with the accounting policies of targets of the Acquisitions, compile necessary financial information and supporting documents in accordance with U.S. GAAP for disclosure in the document and perform audit procedures. The audit procedures were also not required under the accounting policies due to the small size of the Acquisitions. As such, it would be impractical and unduly burdensome for the Company to prepare or disclose the audited financial information of the targets of the Acquisitions as required under Rules 4.04(2) and 4.04(4)(a).

In addition, considering that the Acquisitions are immaterial and do not expect to have any material effect on the business, financial condition or operations of the Group, it would not be meaningful and would be unduly burdensome for the Company to prepare and include the financial information of the targets of the Acquisitions during the Track Record Period in the document. Therefore, the Company does not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4) of the Listing Rules would prejudice the interest of the investors to assess the Company.

Alternative disclosure of the Acquisitions has been included in the document.

The Company has provided alternative information in the document in connection with the Acquisitions. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Listing Rules that the Directors consider to be material, including the reasons for the Acquisitions, a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the Company and its connected persons, the principal business activities of the targets of the Acquisitions, the investment amounts and equity interests held or to be held in the targets of the Acquisitions. The Company believes the proposed disclosure in the document would provide the potential investors with necessary and adequate information to make an informed assessment of the activities or financial positions and operation results of the Group. As such, a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investing public. For the avoidance of doubt, the names of the targets of the

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Deyou Acquisitions, Brokerage Brand Investment and Furniture Brand Acquisitions are not disclosed in the waiver application or the document because (i) the Company does not have consent from the targets of such acquisitions for such disclosure; (ii) given that we have not yet entered into legally binding agreements with respect to all of these acquisitions as of the Latest Practicable Date and the competitive nature of the industries in which we operate, disclosure of the names of the relevant targets in the document is commercially sensitive and may jeopardize our ability to consummate such proposed acquisitions; and (iii) it may allow the competitors to anticipate the Group's plans of business growth and investment strategy.

To the best knowledge of the Directors, the counterparties of each of the Acquisitions are independent third parties, and the counterparties of each of the Acquisitions are independent of each other.

WAIVER IN RELATION TO THE MINIMUM ECONOMIC INTEREST OF THE WVR BENEFICIARIES AT LISTING

Rule 8A.12 provides that “the beneficiaries of weighted voting rights must beneficially own collectively at least 10% of the underlying economic interest in the applicant's total issued share capital at the time of its initial listing.”

The note to Rule 8A.12 further provides that “the Stock Exchange may be prepared to accept a lower minimum shareholding percentage, on a case by case basis, if the lower underlying economic interest still represents a very large amount in absolute dollar terms (for example if the applicant has an expected market capitalization of over HK\$80 billion at the time of its initial listing, taking into account such other factors about the applicant as the Stock Exchange may in its discretion, consider appropriate).”

Immediately upon the completion of the Listing, the WVR Beneficiaries collectively are expected to hold approximately 7.5% of the economic interests of the Company, without taking into consideration any shares that may be issued pursuant to the Share Incentive Plans. As of the Latest Practicable Date, the Company's market capitalization was approximately US\$15.6 billion (equivalent to approximately HK\$122.0 billion), which was above the HK\$80 billion as provided under the Note to Rule 8A.12. In addition, having regard to the circumstances of the Group including (i) the fact that the total market value of the approximately 7.5% economic interest which the WVR Beneficiaries will beneficially hold upon Listing amounted to approximately US\$1.2 billion (equivalent to approximately HK\$9.4 billion) based on the closing price of the Company's ADSs on the Latest Practicable Date, (ii) the Group had been operating under the direction of Mr. Zuo and the WVR Beneficiaries together before Mr. Zuo, the founder, permanent chairman emeritus and the former controlling shareholder of the Company (through Propitious Global), passed away in May 2021, (iii) the existence of the POA Arrangement (which came into effect in July 2021 after Mr. Zuo passed away) allows the WVR Beneficiaries (through Baihui Partnership) to control the exercise of the voting rights attributable to an additional 23.3% economic interests held by Propitious Global upon Listing, so that the aggregate economic interests represented by the Shares in respect of which the voting rights are controlled by the WVR Beneficiaries will be above 10% at the time of the

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Listing and (iv) the WVR Fall Away Provision, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8A.12 on the condition that details of such lower economic interests beneficially owned by the WVR Beneficiaries at the time of the Listing and the POA Arrangement have been disclosed in this document.

WAIVER IN RELATION TO SHARE ISSUANCE WITHIN SIX MONTHS FROM THE LISTING DATE

Rule 10.08 of the Listing Rules provides that no further shares or securities convertible into equity securities of a listed issuer may be issued or form the subject of any agreement to such an issue within six months from the date on which securities of the listed issuer first commence dealings on the Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing) except for the circumstances more particularly stated in the Listing Rules.

The Company has been listed on the NYSE for more than 12 months. The Company will not raise any new funds pursuant to the Introduction, thus the Shareholders would not suffer any dilution of their interests in the Company as a result of the Introduction. However, it is essential for the Company to have flexibility in raising funds by way of further issue of new Shares or entering into further acquisitions for share consideration should an appropriate opportunity arise. In addition, the Company considers that any issue of new Shares by the Company will enhance the Shareholders' base and increase the trading liquidity of the Shares. The interests of the existing Shareholders and prospective investors would be prejudicial if the Company could not raise funds for its business development or expansion due to the restrictions under Rule 10.08 of the Listing Rules.

Therefore, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 10.08 of the Listing Rules on the conditions that:

- (i). any further issue of new Class A ordinary shares will be (i) made under a general mandate or (ii) subject to the Shareholders' approval as required under Rule 13.36 of the Listing Rules with the total number of Class A ordinary shares that are issued or may be issued not exceeding 20% of the total number of Class A ordinary shares in issue as at the Listing Date;
- (ii). any issue of new Class A ordinary shares will not result in the Controlling Shareholders ceasing to be Controlling Shareholders as a result of the dilution of their holdings of Shares upon the issue of any Shares within 12 months after the Listing Date in compliance with Rule 10.07(1) of the Listing Rules;
- (iii). upon the completion of any issuance(s) within six months after the Listing Date, the aggregate voting power of the Controlling Shareholders in the Company would be no less than 43.6% (based on WVR voting); and

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- (iv). any issue of Class A ordinary shares or convertible securities by the Company within the first six months from the Listing Date must be either (a) for cash to fund a specific acquisition of assets or business that will contribute to the growth of the Group's operation or for full or partial settlement of the consideration for such acquisition; or (b) pursuant to a general mandate approved by our Shareholders for the issue of further Class A ordinary shares as disclosed in this document.

Solely for illustration purpose, assuming a maximum issue of 20% of the total number of Class A ordinary shares in issue as at the Listing Date, the Controlling Shareholders are expected to control approximately 43.6% of the total voting power in the Company immediately upon the completion of such issue (based on WVR voting).

WAIVER IN RELATION TO THE ANNUAL GENERAL MEETING

Rule 13.46(2)(b) of the Listing Rules requires an overseas issuer to lay its annual financial statements before its members at its annual general meeting within the period of six months after the end of the financial year or accounting reference period to which the annual financial statements relate. Note 2 to Rule 13.46(2)(b) of the Listing Rules provides that if an issuer has significant interests outside of Hong Kong it may apply for an extension of the six-month period.

In addition, paragraph 14(1) of Appendix 3 to the Listing Rules provides that an issuer must hold a general meeting for each financial year as its annual general meeting and the note to such rule further provides that generally, an issuer must hold its annual general meeting within six months after the end of its financial year.

The Company was incorporated in the Cayman Islands and has been listed on the NYSE for more than 12 months. The Company proposes to list its Class A ordinary shares on the Stock Exchange by way of Introduction and accordingly, the Company is an issuer with significant interests outside of Hong Kong. Based on the Company's listing plan and pursuant to above rules, the Company is required to hold its first annual general meeting (the "**First AGM**") after the Listing in Hong Kong by no later than June 30, 2022.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 13.46(2)(b) of, and paragraph 14(1) of Appendix 3 to, the Listing Rules on the following grounds and conditions.

Challenges and difficulties to comply with Rule 13.46(2)(b) and paragraph 14(1) of Appendix 3 of the Listing Rules

The First AGM will be the first time that the Company will hold an annual general meeting after the Listing and the first time that it needs to attend to a shareholder base in a different geography. The Company has not historically held any general meeting with Shareholders in both the U.S. and Hong Kong.

WAIVERS

The procedure for convening the Company's First AGM as a company with a dual primary listing in the U.S. and Hong Kong requires global coordination among various parties, including, among others, the principal and Hong Kong Share Registrars of the Company, the ADS depositary bank and Hong Kong Securities Clearing Company Limited. This procedure would require the Company, with the help of its ADS depositary bank and the Hong Kong share registrar, to gather the mailing details of all the securities holders, prepare and print the notice and proxy forms, and mail physical copies to, and collect vote cards from, securities holders and ADS holders. This will take longer preparation time for the Company and the relevant parties to organize, including complying with various timing requirements in the U.S. and Hong Kong.

Since this would be the Company's first time to convene a general meeting with both U.S. and Hong Kong Shareholders following the Listing, additional time, manpower and costs will have to be budgeted to take into account novel issues arising from the Company and the various parties involved. The Company would face great difficulty if it were to convene an annual general meeting within the period specified under Rule 13.46(2)(b) and paragraph 14(1) of Appendix 3 of the Listing Rules.

No additional material information available to the Shareholders and the investors

The listing document of the Company will be published on the Stock Exchange's website in May 2022, which will include the audited financial information of the Company for the year ended December 31, 2021 and other information as required by the Listing Rules. Therefore, upon the publishing for the listing document in May 2022, the Company will have provided its shareholders with all of the information required under Rules 13.46(2)(b) as early as in May 2022.

Accordingly, the laying of annual accounts for the fiscal year ended December 31, 2021 at the First AGM within six months after the end of the financial year, that is, on or before June 30, 2022, as required under Rule 13.46(2)(b) of the Listing Rules, would not provide Shareholders and potential investors with additional material information not already contained in the listing document of the Company.

Given that all the information required under Rule 13.46(2) of the Listing Rules shall be included in the listing document of the Company, which will be made available to its existing Shareholders and potential investors, the Company's Shareholders would not be unfairly prejudiced by the Company laying its annual financial accounts in an annual general meeting not within six months from the end of the fiscal year ended December 31, 2021.

Compliance with relevant laws, regulations and the Articles

For the avoidance the doubt, it will not be a breach of the Company's current effective constitutional documents, laws and regulations of its place of incorporation or other regulatory requirements as a result of not holding an annual general meeting in the manner prescribed by Rule 13.46(2)(b) and paragraph 14(1) of Appendix 3 of the Listing Rules.

WAIVERS

Section 302 of the NYSE Listed Company Manual requires that each company listing common stock or voting preferred stock and their equivalents are required to hold an annual shareholders' meeting for the holders of such securities during each fiscal year. The Company, as a foreign private issuer, may rely on home country practices in lieu of meeting the NYSE requirement regarding the annual general meeting.

The Company's Cayman Islands counsel confirmed that (a) the Cayman Companies Act does not require the Company to follow or comply with the requirement under the Listing Rules to hold the First AGM by June 30, 2022 to lay before members annual financial statements for the financial year ended December 31, 2021; and (b) the Company's not holding the First AGM by June 30, 2022 will not breach any law, public rule or regulation applicable to the Company currently in force in the Cayman Islands and the Articles.

On the basis of the above, the Company confirms that, having consulted its legal advisers, not holding an annual general meeting by the Company before June 30, 2022 does not contravene the relevant requirements under the NYSE rules, U.S. securities laws, laws of the Cayman Islands or the Articles.

The Company expects to hold its First AGM for 2021 and lay the financial statements for the year ended December 31, 2021 at such AGM no later than November 30, 2022. For completeness, the Company expects to hold an annual general meeting within six months after the end of its financial year beginning with the annual general meeting for 2022.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

DIRECTORS' RESPONSIBILITY STATEMENT

This document, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Hong Kong Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

NO CHANGE IN THE NATURE OF OUR BUSINESS

No change in the nature of our business is contemplated immediately following the Introduction.

COMMENCEMENT OF DEALINGS IN OUR CLASS A ORDINARY SHARES

We expect that dealings in our Class A ordinary shares on the Hong Kong Stock Exchange will commence on Wednesday, May 11, 2022. Our Class A ordinary shares will be traded in board lots of 100 Class A ordinary shares. The stock code of our Class A ordinary shares will be 2423.

CLASS A ORDINARY SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Class A ordinary shares and we comply with the stock admission requirements of HKSCC, our Class A ordinary shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable our Class A ordinary shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, our Class A ordinary shares or ADSs or exercising any rights attaching to the foregoing securities. We emphasize that none of our Company, the Joint Sponsors, any of our or their respective

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

directors, officers or representatives or any other person involved in the Introduction accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposing of, or dealing in, our Class A ordinary shares or ADSs or the exercise of any rights attaching to the foregoing securities.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our Principal Share Registrar in the Cayman Islands, and our Hong Kong branch register of members will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

Dealings in our Class A ordinary shares registered on our Hong Kong share register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.13% of the consideration for, or (if greater) the value of, our Class A ordinary shares transferred. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of our Class A ordinary shares. In addition, a fixed duty of HK\$5.00 is charged on each instrument of transfer (if required).

To facilitate ADS-ordinary share conversion and trading between the NYSE and the Hong Kong Stock Exchange, we also intend to move a portion of our issued ordinary shares from our Cayman share register to our Hong Kong share register. It is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs constitutes a sale or purchase of the underlying Hong Kong-registered ordinary shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter.

THE LISTING

We have applied for a listing of our Class A ordinary shares on the Main Board by way of Introduction under Chapter 7 (Equity Securities) as well as Chapter 8A (Weighted Voting Rights).

We have applied to the Listing Committee for the listing of, and permission to deal in, our Class A ordinary shares in issue, the Class A ordinary shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of any options, and vesting of any restrictive shares and restricted share units that have been or may be granted under the Share Incentive Plans as well as the Class A ordinary shares to be converted upon the completion of the Introduction, and may be converted, from Class B ordinary shares.

Our ADSs are currently listed and traded on the NYSE. Other than the foregoing, no part of our Shares or loan capital is listed on or traded on any other stock exchange and no such listing or permission to list is being or proposed to be sought. A portion of the Shares will be registered on the Hong Kong Share Registrar in order to enable them to be traded on the Hong Kong Stock Exchange.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

The Company's principal register of members will be maintained by our Principal Share Registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands, and our register of members holding Class A ordinary shares listed on the Hong Kong Stock Exchange will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

OWNERSHIP OF ADSs

An owner of ADSs may hold his or her ADSs either by means of an ADR (evidencing certificated ADSs) registered in his or her name, through a brokerage or safekeeping account, or through an account established by the depositary bank in his or her name reflecting the registration of uncertificated ADSs directly on the books of the depositary bank, commonly referred to as the "direct registration system," or DRS. The direct registration system reflects the uncertificated registration of ownership of ADSs by the depositary bank. Under the direct registration system, ownership of ADSs is confirmed by periodic statements sent by the depositary bank to the holders of the ADSs. The direct registration system includes automated transfers between the depositary bank and DTC. If an owner of ADSs decides to hold his or her ADSs through his or her brokerage or safekeeping account, he or she must rely on the procedures of his or her broker or bank to assert his or her rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. All ADSs held through DTC will be registered in the name of a nominee of DTC.

DEALINGS AND SETTLEMENT OF CLASS A ORDINARY SHARES IN HONG KONG

Our Class A ordinary shares will trade on the Hong Kong Stock Exchange in board lots of 100 Class A ordinary shares. Dealings in our Class A ordinary shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars.

The transaction costs of dealings in our Class A ordinary shares on the Hong Kong Stock Exchange include:

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
- SFC transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- FRC transaction levy of 0.00015% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.26% of the value of the transaction, with 0.13% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor who has deposited his or her Class A ordinary shares in his or her designated CCASS participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his or her broker or custodian before the settlement date.

CONVERSION BETWEEN CLASS A ORDINARY SHARES TRADING IN HONG KONG AND ADSs

In connection with the Introduction, we have established a branch register of members in Hong Kong, or the Hong Kong share register, which will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members, or the Cayman share register, will continue to be maintained by our Principal Share Registrar, Harneys Fiduciary (Cayman) Limited.

As described in further detail below, holders of Class A ordinary shares registered on the Hong Kong Share Register will be able to deposit their Class A ordinary shares for delivery of ADSs and surrender their ADSs for cancelation and delivery of Class A ordinary shares. To facilitate deposits of Class A ordinary shares with the depositary for delivery of ADSs for trading on the NYSE and surrender of ADSs to the depositary for cancelation and delivery of

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

Class A ordinary shares for trading on the Hong Kong Stock Exchange, we intend to move all our Class A ordinary shares represented by the ADS from our register of members maintained in the Cayman Islands to our Hong Kong share register.

Our ADSs

Our ADSs are currently traded on the NYSE. Dealings in our ADSs on the NYSE are conducted in U.S. Dollars.

ADSs may be held either:

- directly, by having a certificated ADS, or an ADR, registered in the holder's name, or by holding in the direct registration system, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto; or
- indirectly, through the holder's broker or other financial institution.

The depositary for our ADSs is The Bank of New York Mellon, whose main office is located at 240 Greenwich Street, New York, New York 10286.

Converting Class A Ordinary Shares trading in Hong Kong into ADSs

A holder who holds Class A ordinary shares registered in Hong Kong and who intends to convert them to ADSs to trade on the NYSE must deposit or have his or her broker deposit the Class A ordinary shares with the depositary's Hong Kong custodian, The Hongkong and Shanghai Banking Corporation Limited or the custodian, in exchange for ADSs.

A deposit of Class A ordinary shares trading in Hong Kong for delivery of ADSs involves the following procedures:

- If Class A ordinary shares have been deposited with CCASS, the holder must transfer the Class A ordinary shares to the depositary's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- If Class A ordinary shares are held outside CCASS, the holder must first arrange to deposit his or her Class A ordinary shares into CCASS for delivery to the depositary's account with the custodian within CCASS, and then submit and deliver a duly completed and signed letter of transmittal to the custodian.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

- Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will issue the corresponding number of ADSs in the name(s) requested by a holder and will deliver the ADSs to the designated DTC account of the person(s) designated by a holder or his or her broker.

For Class A ordinary shares deposited in CCASS, under normal circumstances, the above steps generally require two business days, provided that the holder has provided timely and complete instructions. For Class A ordinary shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS issuances. The holder will be unable to trade the ADSs until the share-to-ADS conversion procedures are completed.

In connection with ADS issuances, certification(s) for deposits may be required to be delivered to the depositary. You are directed to check with the depositary or its custodian in advance of depositing Class A ordinary shares to determine whether a deposit certification is required.

Converting ADSs into Class A Ordinary Shares Trading in Hong Kong

A holder who holds ADSs and who intends to convert his/her ADSs into Class A ordinary shares to trade on the Hong Kong Stock Exchange must cancel the ADSs the holder holds, withdraw the Class A ordinary shares from our ADS program and cause his or her broker or other financial institution to trade such Class A ordinary shares on the Hong Kong Stock Exchange.

A holder that holds ADSs indirectly through a broker should follow the broker's procedure and instruct the broker to arrange for cancellation of the ADSs, and transfer of the underlying Class A ordinary shares from the depositary's account with the custodian within the CCASS system to the investor's Hong Kong stock account.

For holders holding ADSs directly, the following steps must be taken:

- To withdraw Class A ordinary shares from our ADS program, a holder who holds ADSs may turn in such ADSs at the office of the depositary (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depositary.
- Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will cancel the applicable ADSs and instruct the custodian to deliver Class A ordinary shares represented by the canceled ADSs to the CCASS account designated by a holder.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

- If a holder prefers to receive Class A ordinary shares outside CCASS, he or she must receive ordinary shares in CCASS first and then arrange for withdrawal from CCASS. Investors can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register Class A ordinary shares in their own names with the Hong Kong Share Registrar.

For Class A ordinary shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the holder has provided timely and complete instructions. For Class A ordinary shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The holder will be unable to trade the Class A ordinary shares on the Hong Kong Stock Exchange until the ADS-to-share conversion procedures are completed.

Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS cancelations.

Depository Requirements

Before the depositary issues ADSs or permits withdrawal of Class A ordinary shares, the depositary may require:

- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including but not limited to, completion and presentation of transfer documents.

The depositary may refuse to deliver, transfer, or register issuances, transfers and cancelations of ADSs generally when the transfer books of the depositary or our Hong Kong Share Registrar are closed or at any time if the depositary or we determine it advisable to do so or it would violate any applicable law or the depositary's policies or procedures.

All costs attributable to the transfer of Class A ordinary shares to effect a withdrawal from, or deposit of Class A ordinary shares into, our ADS program will be borne by the investor requesting the transfer. In particular, holders of Class A ordinary shares and holders of ADSs should note that the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class A ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of Class A ordinary shares and holders of ADSs must pay up to US\$5.00 per 100 ADSs for each issuance of ADSs and each cancelation of ADSs, as the case may be, in connection with the deposit of Class A ordinary shares into, or withdrawal of Class A ordinary shares from, our ADS program.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

COMPLIANCE ADVISOR

We have appointed Maxa Capital Limited as our compliance advisor, or the Compliance Advisor, upon listing of our Class A ordinary shares on the Hong Kong Stock Exchange pursuant to Rule 8A.33 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 and 8A.34 of the Hong Kong Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- before the publication of any regulatory announcement, circular, or financial report;
- where the business activities, development or results of our Company deviate from any forecast, estimate or other information in this document;
- where the Hong Kong Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of our Class A ordinary shares or any other matters in accordance with Rule 13.10 of the Hong Kong Listing Rules;
- our WVR structure;
- transactions in which any beneficiary of weighted voting rights in the Company has an interest; and
- where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in the Company on the other.

The term of appointment of the Compliance Advisor shall commence on the Listing Date. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engage a compliance advisor on a permanent basis.

EXCHANGE RATE CONVERSION

Our reporting currency is the Renminbi. This document contains translations of financial data in Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise stated, the conversions between Renminbi into U.S. dollars and from U.S. dollars into Renminbi in this document were made at a rate of RMB6.3726 to US\$1.00 and the conversions between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.7996 to US\$1.00, the respective exchange rate on December 30, 2021 set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve Board.

No representation is made that any amounts in Renminbi or US\$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

LANGUAGE

If there is any inconsistency between the English version of this document and its Chinese translation, the English version of this document shall prevail unless otherwise stated. However, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this document and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

ROUNDING

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

DIRECTORS

Name	Address	Nationality
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Executive Directors

Yongdong Peng (彭永東)	Room 1707, Building 4 No. 59 West Dawang Road Chaoyang District Beijing PRC	Chinese
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Yigang Shan (單一剛)	Building 807, Yujing Garden II Shunyi District Beijing PRC	Chinese
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Tao Xu (徐濤)	3101, Unit 5, Building 14 Phase 3, Rongke Ganlancheng Wangjing Dongyuan Chaoyang District Beijing PRC	Chinese
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Wangang Xu (徐萬剛)	Room 2402, Unit 2, Building 4 Tianyue Xishan East Fengxiu Road Haidian District Beijing PRC	Chinese
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Non-executive Director

Jeffrey Zhaohui Li (李朝暉)	No. 1710, Building 2 Anhui Dongli Yard 2 Chaoyang District Beijing PRC	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

Name	Address	Nationality
<i>Independent Non-executive Directors</i>		
Xiaohong Chen (陳小紅)	No. 1001, Unit 1, Building 30 Cuizhu New Village Konggang Street Shunyi District Beijing PRC	American
Hansong Zhu (朱寒松)	20-2-801, Yi An Jia Yuan Beiwa Road Haidian District Beijing PRC	Chinese
Jun Wu (武軍)	No. 88-1 Longhu Yanlanshan Shunyi District Beijing PRC	Chinese

For further information regarding our Directors, please see the section headed “Directors and Senior Management” in this document.

PARTIES INVOLVED IN THE INTRODUCTION

Joint Sponsors

Goldman Sachs (Asia) L.L.C.

68/F, Cheung Kong Center
2 Queen’s Road Central
Hong Kong

China International Capital Corporation

Hong Kong Securities Limited

29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

Legal Advisers to the Company

As to Hong Kong law:

Freshfields Bruckhaus Deringer

55/F, One Island East

Taikoo Place

Quarry Bay

Hong Kong

As to United States law:

**Skadden, Arps, Slate, Meagher & Flom
and affiliates**

42/F, Edinburgh Tower, The Landmark

15 Queen's Road Central

Central

Hong Kong

As to PRC law:

Han Kun Law Offices

9/F, Office Tower C1

Oriental Plaza, 1 East Chang An Avenue

Beijing

PRC

As to Cayman Islands law:

Harney Westwood & Riegels

3501 The Center

99 Queen's Road Central

Central

Hong Kong

Legal Advisers to the Joint Sponsors

As to Hong Kong and United States laws:

Davis Polk & Wardwell

18/F, The Hong Kong Club Building

3A Chater Road

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

As to PRC law:

Jingtian & Gongcheng

34/F, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

Auditor and Reporting Accountant

PricewaterhouseCoopers

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

Industry Consultant

**China Insights Industry
Consultancy Limited**

10F, Block B
Jing'an International Center
88 Puji Road, Jing'an District
Shanghai
PRC

Compliance Adviser

Maxa Capital Limited

Unit 1908 Harbour Center
25 Harbour Road
Wanchai
Hong Kong

CORPORATE INFORMATION

Registered Office in the Cayman Islands	Harneys Fiduciary (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Corporate Headquarters	Oriental Electronic Technology Building No. 2 Chuangye Road Haidian District Beijing 100086 PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	<u>investors.ke.com</u> <i>(The contents on this website do not form part of this document)</i>
Joint Company Secretaries	Matthew Huaxia Zhao (趙華夏) Oriental Electronic Technology Building No. 2 Chuangye Road Haidian District Beijing 100086 PRC Lau Yee Wa (劉綺華) <i>Chartered Secretary, Chartered Governance Professional and member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute</i> 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

CORPORATE INFORMATION

Authorized Representatives

Tao Xu (徐濤)
3101, Unit 5, Building 14
Phase 3, Rongke Ganlancheng
Wangjing Dongyuan
Chaoyang District
Beijing
PRC

Lau Yee Wa (劉綺華)
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Audit Committee

Xiaohong Chen (陳小紅) (*Chairperson*)
Hansong Zhu (朱寒松)
Jun Wu (武軍)

Compensation Committee

Jun Wu (武軍) (*Chairperson*)
Xiaohong Chen (陳小紅)
Hansong Zhu (朱寒松)

Nomination Committee

Xiaohong Chen (陳小紅) (*Chairperson*)
Yigang Shan (單一剛)
Hansong Zhu (朱寒松)

Corporate Governance Committee

Hansong Zhu (朱寒松) (*Chairperson*)
Xiaohong Chen (陳小紅)
Jun Wu (武軍)

Principal Share Registrar

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Principal Banker

China Merchants Bank
China Merchants Bank Tower
No. 7088, Shennan Boulevard
Shenzhen
PRC

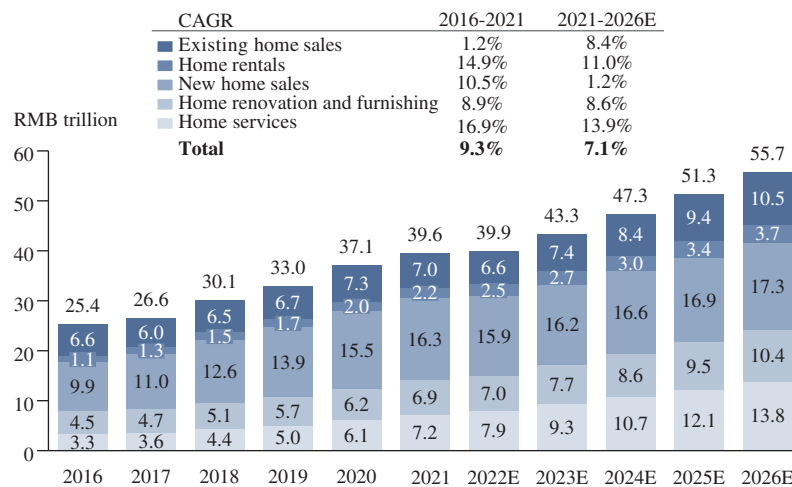
INDUSTRY OVERVIEW

The information presented in this section, including certain facts, statistics and data, is derived from the market research report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information derived from official government publications has not been independently verified by our Company, the Joint Sponsors, any of our or their respective directors, officers or representatives or any other person involved in the Listing (except CIC) and no representation is given as to its accuracy.

CHINA'S MASSIVE AND EXPANDING HOUSING RELATED INDUSTRY

The housing related industry in China is becoming more prominent, covering a wide range of categories, including existing home sales, home rentals, new home sales, home renovation and furnishing, and home services. The total market size grew rapidly from RMB25.4 trillion in 2016 to RMB39.6 trillion in 2021 with a CAGR of 9.3%, and is expected to increase to reach RMB55.7 trillion in 2026, representing a CAGR of 7.1% between 2021 and 2026, according to the CIC Report. The housing related industry in China will continue to expand to a full spectrum of services aiming at “better living,” and will continue to be a significant component of, and a key driver for the future growth of, China’s economy. The industry has also provided a great number of job opportunities, with service providers continuously helping millions of families enjoy a better and joyful life through their professional knowledge and quality services.

Market Size for Housing Related Industry in China, 2016-2026E



Source: the National Bureau of Statistics of China, the CIC Report

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The housing related industry will benefit from a variety of drivers:

- *Continuous Urbanization and Increasing Population Mobility.* China's urbanization rate reached 64.7% in 2021 and is expected to increase to approximately 72.5% by 2030, adding another 124 million urban population, which brings additional demand of approximately 6 billion square meters of housing area and approximately 50 million units of homes, according to the CIC Report. The 14th Five-Year Plan reiterated the importance of urbanization, which aims to help rural migrants build their lives in the cities, and enable urban residents to enjoy a higher quality of life. Peripheral cities within a city cluster are expected to benefit from the spillover housing demand, while inner-city and inter-city population mobility in China will also bring significant growth in housing demand and transactions. According to the CIC Report, inner-city migrant population increased from 40 million in 2010 to 120 million in 2021 and is expected to reach 171 million in 2030. Inter-city migrant population has increased from 44 million in 2010 to 85 million in 2021, and is expected to reach 109 million in 2030. The migrant population is expected to increase continuously in the next few years, generating more housing demand.
- *Trend of Smaller Family Size.* China is experiencing a rise in the number of smaller sized families. The average number of family members in a household was 2.6 in 2020 in China, as compared to 3.1 in 2010, and is expected to decrease to 2.4 in 2030. From 2010 to 2020, China's total population in households increased by 4.3%, while the number of households in China increased by 22.9% from 401.9 million to 494.2 million. Given China's large population base, an increase in the number of households leads to significant new home demand, especially the rigid housing demand.
- *Demand for Quality Living and Services.* As of December 31, 2021, close to 16% of the existing homes in urban areas in China were built before 1990, according to the CIC Report. Many of these buildings are poorly maintained or suffer from inherent quality issues. Meanwhile, the rapid growth of residents' disposable income and the implementation of the two-child and three-child policies will gradually shift Chinese consumers' focus to quality housing with enlarged space, upgraded living conditions and improved other housing related services. According to the CIC Report and Survey, over 25% of housing transactions in the past two years in China were motivated by housing upgrades, especially in first-tier cities where the percentage was over 40%. The demand for upgraded housing quality and living conditions is expected to continue to drive the growth of China's housing related industry.

In addition, the long-term mechanism promoted by the government will also lead to the robust growth of China's housing related industry:

- *Sustainable Development of Housing Market.* Since 2016, the Chinese government has emphasized on "houses are for living in, not for speculation" (房住不炒) with a series of measures in financing, land supply and other fields including the

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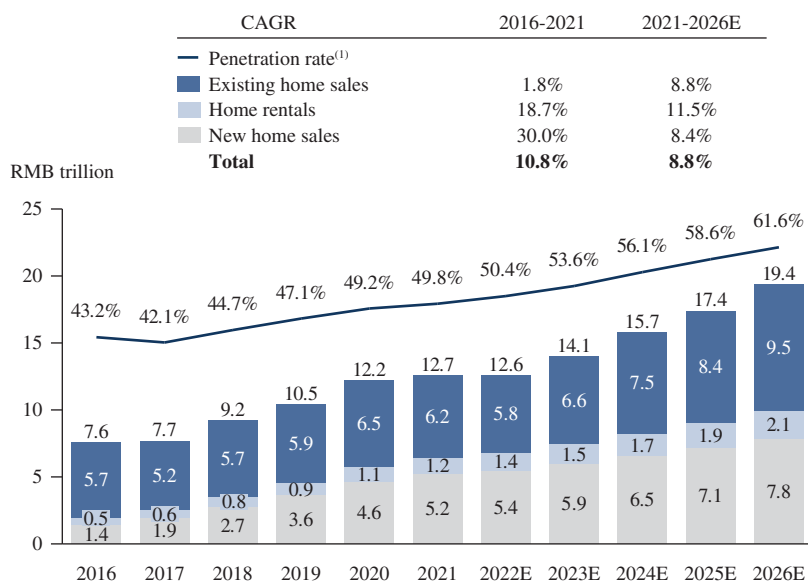
introduction of property tax, to establish the long-term mechanism for healthy development of housing market, maintain the long-term stability of housing prices, and to promote stable release of housing demand.

- *Supporting Policies to Encourage Home Rentals and Housing Related Industry.* To “meet the housing needs of all people” (住有所居), the Chinese government has been “encouraging both housing purchase and renting” (租售并举), and made home rentals a key focus during the 14th Five-Year Plan period. In addition, many policies focusing on the other housing related services industry are introduced. For example, in October 2020, the Chinese government proposed to upgrade the old urban areas, encourage the needs for home renovation or furnishing, and to improve the living conditions of urban residents.

GROWING HOUSING TRANSACTIONS AND SERVICES INDUSTRY

According to the CIC Report, the total GTV of housing transactions in China, including existing and new home sales and home rentals, increased from RMB17.6 trillion in 2016 to RMB25.5 trillion in 2021 and is estimated to reach RMB31.5 trillion in 2026. The penetration rate of brokerage services in housing transactions in China in terms of GTV increased from 43.2% to 49.8% from 2016 to 2021, and will further grow to 61.6% in 2026. As a result, the total GTV of housing transactions through brokerage services in China grew from RMB7.6 trillion in 2016 to RMB12.7 trillion in 2021 with a CAGR of 10.8%, and is estimated to reach RMB19.4 trillion in 2026, representing a CAGR of 8.8%, according to the CIC Report.

GTV of Housing Transactions Through Brokerage Services, 2016-2026E



Source: the National Bureau of Statistics of China, the CIC Report

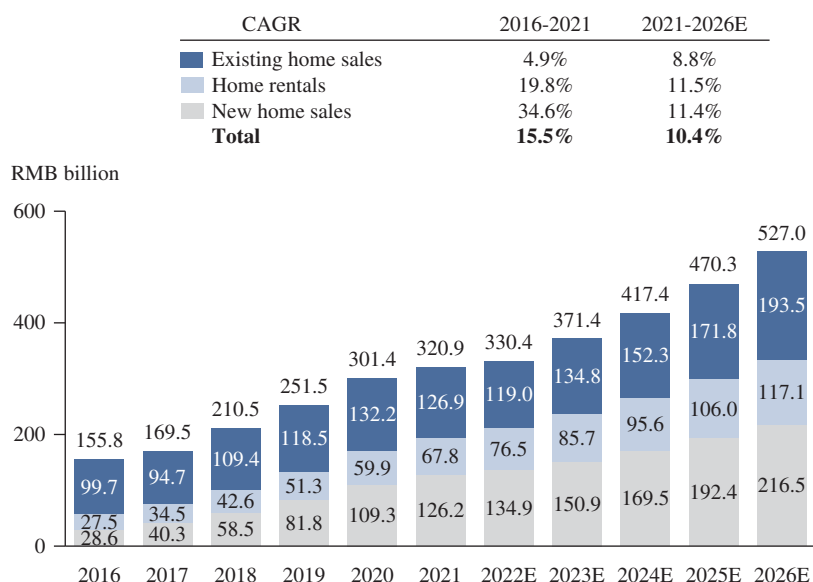
Note:

- (1) Penetration rate is the GTV of housing transactions through brokerage services as a percentage of the total GTV of housing transactions in China.

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As the penetration rate and the GTV of housing transactions through brokerage services increased, the commission revenue of brokerage services also grew from RMB155.8 billion in 2016 to RMB320.9 billion in 2021 with a CAGR of 15.5%, and is expected to further increase to RMB527.0 billion in 2026 representing a CAGR of 10.4%, according to the CIC Report.

Commission Revenue of Brokerage Services for Housing Transactions in China, 2016-2026E



Source: the National Bureau of Statistics of China, the CIC Report

Existing Home Sales

China's existing home sales are becoming more prominent in the housing related industry. According to the CIC Report, the GTV of existing home sales has increased from RMB6.6 trillion in 2016 to RMB7.3 trillion in 2020, and decreased to RMB7.0 trillion in 2021 and is expected to be RMB6.6 trillion in 2022. With the favorable regulatory trend for long-term healthy development, the increasing housing stock, and the rising turnover rate, the GTV of existing home sales is expected to rebound and reach RMB10.5 trillion in 2026, and the GTV of existing home sales as a percentage of total home sales in China is expected to rise to 37.8% in 2026 from 30.1% in 2021. In 2020, existing home sales volume as a percentage of total home sales volume in Beijing, Shanghai, and first-tier cities reached 69.9%, 66.4% and 61.4%, respectively. It is expected that in first-tier cities and major second-tier cities, existing homes will be of greater importance in total housing supply.

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The expansion of China's existing home sales industry is expected to drive the GTV of existing homes sold through brokerage services from RMB6.2 trillion in 2021 to RMB9.5 trillion in 2026. Accordingly, key growth drivers for brokerage services of existing home sales include the following:

- *Increasing housing supply of existing homes.* After over 20 years of rapid development, China's housing market has accumulated over 35 billion square meters of floor area in urban areas as of December 31, 2021. From 2016 to 2021, the number of new homes sold in China was approximately 82 million. These homes will be gradually delivered, renovated, sold and purchased, bringing additional supply of 2 to 4 million for existing homes sales in the next five years, according to the CIC Report.
- *Rising housing turnover rate.* The average housing turnover rate for existing homes in China, defined as the number of existing home sales over the total number of existing homes, was 1.0% in 2021, compared to approximately 4.3% in the United States, according to the CIC Report. The number of existing home sales and new home sales in the United States account for 4.3% and 0.5% of the total stock in 2021, respectively, compared to 1.0% and 3.4% in China, respectively. The differences in the current industry statistics between China and the United States implies a large potential for future growth in the turnover rate in China.
- *High penetration rate for brokerage services.* Due to the complex nature of the business, the penetration rate for brokerage services in China's existing home sales industry remains high, which is expected to increase from 88.7% in 2021 to 90.0% in 2026. As market supply and demand move closer to balance and the average sales period lengthens, existing home buyers and sellers increasingly rely on brokerage service providers for matching, negotiation and other capabilities.

The total commission revenue for existing home sales in China is expected to increase from RMB126.9 billion in 2021 to RMB193.5 billion in 2026. In China, the commission is typically paid by home buyers, while an increasing number of home sellers are willing to pay for brokerage services. According to the CIC Report, commission rate ranges from 1.0% to 3.0% of the total transaction value in China, and is expected to remain stable in the long run.

Home Rentals

Home rentals in China are becoming a core pillar of the housing transactions and services industry. The GTV of home rentals is RMB2.2 trillion in 2021 and is expected to further increase to RMB3.7 trillion in 2026, according to the CIC Report.

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Total GTV of home rentals conducted through brokerage services is expected to grow from RMB1.2 trillion in 2021 to RMB2.1 trillion in 2026. Key growth drivers for brokerage services of home rentals include the following:

- *Growing tenant population and rental demand.* The tenant population is expected to reach approximately 250 million in 2026, as the market demand for home rentals continues to expand, especially with large inflows of migrants in top-tier cities. Approximately 13.9% of the population in China rented a home in 2021, as compared to over 30% in the United States, and the percentage in China is expected to increase to 17.3% by 2026, according to the CIC Report. As the pattern of migration shifts from temporary movement to a long-term living, the demand for home rentals and for better living conditions will continue to rise.
- *Increasing supply.* On the supply side, there has been a long-standing shortage of rental supply. Under the Chinese government's encouragement of both home purchasing and home rentals, home rentals industry is expected to see improved structure with increased supply, to better cater to the demand of the tenant population.
- *Demand for professional brokerage services in home rentals market.* Home rentals need professional brokerage services to precisely match the tenants with landlords, as rental properties differ greatly in terms of location, maintenance and quality, and the landlords and tenants usually have specific needs. In 2021, approximately 55.7% of home rentals in China, in terms of GTV, were conducted through brokerage service providers, and the rate is expected to reach 57.5% in 2026, according to the CIC Report.

The total commission revenue from home rentals is expected to increase from RMB67.8 billion in 2021 to RMB117.1 billion in 2026. The commission rate from home rentals in China normally ranges from half to one month of the rent.

New Home Sales

After years of significant growth, the GTV of new home sales has increased from RMB9.9 trillion in 2016 to RMB16.3 trillion in 2021 and is expected to increase moderately with a CAGR of 1.2% to RMB17.3 trillion in 2026, according to the CIC Report. In the long run, China's new home sales will experience a stable and moderate growth to satisfy the housing demand driven by the growth in the total number of households, demand for housing improvement, the implementation of the two-child and three-child policies, and net population inflows in large cities and key urban areas.

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Total GTV of new home sales generated through brokerage services is expected to grow from RMB5.2 trillion in 2021 to RMB7.8 trillion in 2026, which is largely driven by increasing penetration rate for brokerage services. In China, the penetration rate of brokerage services in new home sales increased from 14.5% in 2016 to 32.1% in 2021, and is expected to reach 45.0% in 2026. Key drivers for such increase in penetration rate include the following:

- *Remote location of new home projects makes it difficult to attract targeted customers in city centers.* Real estate developers are more inclined to engage brokerage service providers for their extensive network coverage, precise customer recommendations and effective customer conversion.
- *Increasing demand from developers to improve sell-through and cash cycles.* According to the CIC Report, real estate developers, including large state-owned enterprises, have increasing demand for external sales channels, and the penetration rate of brokerage services for new home sales is expected to rise.
- *The value of agents in new home sales becomes more prominent in a balanced market.* In the long run, as the housing market remains stable with balanced supply and demand, brokerage brands and stores with extensive customer coverage, in-depth market insights and professional sales channels will become increasingly critical.

As brokerage services have been playing a more important role in new home sales, the average commission rate of brokerage services in new home sales in China also increased from approximately 2.0% in 2016 to 2.4% in 2021, and is expected to reach 2.8% in 2026. Total commission revenue from brokerage services in new home sales in China reached RMB126.2 billion in 2021, and is expected to further increase to RMB216.5 billion in 2026, according to the CIC Report.

Key Challenges of China's Housing Transactions and Services Industry

Despite the rapid growth and great potential of China's housing transactions and services industry, some challenges still exist, including:

- *Lack of Infrastructure for the Industry.* In China, the infrastructure for the housing transactions and services industry had been significantly underdeveloped, resulting in duplicate or fraudulent property listings with inaccurate or outdated property and pricing information. With general lack of trust, it is not uncommon for housing customers to engage multiple agents for one housing transaction, which could greatly hamper transaction efficiency.
- *Lack of Cooperation Mechanisms for Agents.* China's housing transactions and services industry is highly fragmented. According to the CIC Report, there were approximately 2 million agents in China and over 250 thousand brokerage stores as of December 31, 2020, who often engage in fierce competition for listing and

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customer resources. Without effective mechanisms for agents to be properly incentivized based on their respective roles, agents are less likely to cooperate, which jeopardizes the overall efficiency and service quality.

- *Lack of Experienced Brokerage Service Providers.* Due to the intense competition in a highly fragmented market, productivity of agents in China is low, which leads to lower and less stable average income and higher turnover rate. The median industry experience of agents in China was less than two years in 2020, compared to approximately eight years for agents in the United States, and only less than 20% of agents in China have bachelor's degree or above, compared to 51% in the United States, according to the CIC Report. Lack of experience, relevant training and coaching has contributed to inconsistent agency service quality in the industry.

With the aim to stabilize and support the long-term healthy development of the housing market, the Chinese government has recently taken steps to strengthen the regulation by introducing a series of policies both at the state and the municipal level, to achieve dynamic balance between demand and supply while regulating speculative housing investment. These policies cover various aspects including, among others, regulations on housing purchase, mortgages, housing prices, land auction, down-payment, irrational price cuts, financing of real estate developers, as well as the launch of the pilot property tax reform program.

The tightened policies have led to short-term downturn in the housing market, as they not only have caused reduction in housing customers' demand for home purchasing, but also prevented some real estate developers from raising the capital they need. The transaction volumes and average selling prices for both existing home sales and new home sales have declined since the third quarter of 2021. According to the CIC Report, the GTV of existing home sales has dropped 42% and 43% year-on-year in the third and fourth quarter of 2021, while the GTV of new home sales has dropped 15% and 20% year-on-year, respectively. As a result, the housing transactions and services industry has also been largely affected. See "Risk Factors – Risks Related to Our Business and Industry – Our business is subject to government regulations and policies guiding China's economy in general and, specifically, on existing and new home transactions." for more details.

Starting from the fourth quarter of 2021, the Chinese government has been introducing rectifying policies, aiming to meet reasonable needs of housing customers and to promote the healthy development of the housing market. Supportive policies ranged from less restrictions over home sales, improved credit environment, to adjustment of controlling measures of developers' pre-sale proceeds, which will unlock the pent-up demand and facilitate the steady recovery of the market. In the long run, the housing market and the housing transactions and services industry will remain healthy and robust driven by strong customers' demand for joyful living and refined regulatory environment.

GREAT POTENTIAL IN OTHER HOUSING RELATED SERVICES INDUSTRY

Other housing related services consist of a large variety of services in relation to homes and living, including home renovation and furnishing and home services such as home repair and maintenance, smart community, community care, property management, moving and laundry services, among other things. The growth of housing transactions in China and increasing demand for quality living provide significant opportunities for other housing related services. According to the CIC Report, the size of the other housing related services industry in China reached approximately RMB14.1 trillion in 2021 and is expected to increase to approximately RMB24.2 trillion in 2026.

Home Renovation and Furnishing

According to the CIC Report, the size of home renovation and furnishing industry reached RMB6.9 trillion in 2021 and is expected to increase to RMB10.4 trillion in 2026, because of the following.

- The demand for quality living and the upgrading of consumption structures will result in growing demand for home renovation and furnishing, and the improvement of quality of services and products will boost customers' average spending on home renovation services.
- In addition, given the home renovation cycle of 10 to 15 years, the majority of the 40 million new homes sold between 2005 and 2010 need the second round of renovation, generating high demand for the renovation of existing homes. In addition, it is expected that there will be approximately 25 million existing homes being sold between 2021 and 2026, according to the CIC Report. The growth in existing home sales volume in China will drive the need for home renovation and furnishing.

Home Services

Home services industry as defined above is becoming a core component of the housing related industry, with dynamic interaction with other sectors such as housing transactions, home rentals, and home renovation and furnishing. The quality of these services relies heavily on service providers, and these services are close to the customers' daily lives, often recurring in nature, thereby helping enhance customers' stickiness.

According to the CIC Report, the size of home services industry has reached RMB7.2 trillion in 2021 and is expected to grow to RMB13.8 trillion by 2026. With people's rising demand for quality living, home services industry will continue to develop with expanded service scope and better service quality. In addition, as brokerage stores and agents have high-frequent and day-to-day interactions with local residents, they have the opportunities to serve as referring points to a wider range of products and home services.

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Key Challenges of China's Other Housing Related Services Industry

Despite of the large market size, China's other housing related services industry is highly fragmented. For example, according to the CIC Report, China's home renovation and furnishing industry had over 100,000 market players as of December 31, 2021, and the top five players accumulatively accounted for less than 5% of the market share in 2021. Today, the home renovation and furnishing industry sees some prominent players with strong regional performance, but they face difficulties to further expand and establish nationwide presence.

Key challenges of China's other housing related services industry mainly include:

- *Limited Scalability due to Personalized Demand.* Customers of certain services in the other housing related services industry, such as home renovation and furnishing, usually have personalized demand, which standardized products and services cannot address. As a result, service providers have difficulties to scale up and establish nationwide presence.
- *Lack of Experienced and Professional Service Providers.* The other housing related services are generally labor-intensive, but the industry lacks a mechanism for talent training and development, resulting in high turnover rate and inconsistent service quality.
- *High Customer Acquisition Cost.* Service providers in the other housing related services industry generally lack an efficient and effective way to gain access to customers, and customers also tend to value offline experience when making purchasing decisions. As a result, customer acquisition cost is high in the other housing related services industry.
- *Low Operating Efficiency.* For example, the process of home renovation and furnishing is lengthy and complicated, as it requires coordination among various groups of professional workers and a great number of suppliers. Therefore, it is difficult to improve efficiency and ensure consistent delivery quality.

INDUSTRY TRENDS AND OPPORTUNITIES

The housing related industry in China sees the following trends and opportunities:

- *Growing Household Needs for "Joyful Living."* On the backdrop of relatively stable housing prices and favorable demographic trends, housing customers are shifting from "buying a right home" to "living a joyful life," which spurs the demand for other housing related services, such as home renovation and furnishing. These behavioral changes blur the boundaries of components in the housing related industry and create opportunities to expand into adjacent businesses that are consumption-driven and recurring in nature.

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- *Greater Role of Service Providers.* The non-standardized and complex delivery of housing related services make professional service providers indispensable. In addition, housing customers have new engagement and service expectations as a result of higher disposable income. As such, service providers are increasingly seeking empowerment on all fronts to take on greater roles and functions in the communities, which brings enhanced career satisfaction.
- *Preference for Integrated Solutions.* Traditionally, housing related services are provided by a large number of separate and specialized industry participants, resulting in uneven standards, inconsistent quality and unsatisfactory customer experience. With the ability to mobilize resources and create one-stop services, integrated platforms will be better positioned to solve industry pain points, draw more participants and create a powerful network effect.
- *Increasing Adoption of Technologies.* The housing related industry has been advancing into an era of digital transformation, especially in the areas of SaaS, virtual reality, and Internet of Things (IoT), with new use cases to reinvent offline-heavy and inefficient workflows. Continuous development of purpose-built and user-centric innovations will further improve operational efficiency, support scalable growth and unleash monetization potential.

COMPETITIVE LANDSCAPE OF CHINA'S HOUSING RELATED INDUSTRY

China's housing related industry involves market participants with different business models. These market participants, including brokerage services providers and service providers in other housing related industry, consist of online players, offline players and integrated online and offline platforms.

According to the CIC Report, the top five companies in China's housing related industry contributed approximately 14.6% of total GTV in 2021, among which the Company ranked first with a market share of 9.7%.

The table below sets forth the top five companies in terms of housing related GTV, and their respective revenue, the number of brokerage stores and the number of agents, in 2021.

Market players	Listing status	Housing related GTV and respective market share	Housing related revenue	Number of brokerage stores	Number of agents
		(RMB in billion, %)	(RMB in billion)	(in thousand)	(in thousand)
Our Company	Listed	3,853.5 (9.7%)	80.8	>45 ⁽⁵⁾	>406 ⁽⁶⁾
Company A ⁽¹⁾	Not Listed	558.0 (1.4%)	6.6	<2	<40
Company B ⁽²⁾	Listed	504.6 (1.3%)	5.9	<1	<20
Company C ⁽³⁾	Listed	430.0 (1.1%)	10.9	4.6	50
Company D ⁽⁴⁾	Listed	415.8 (1.1%)	7.9	10	30

Source: the CIC Report

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Notes:

- (1) Company A provides real estate agency services in the sectors of residential properties and commercial properties. It was established in Hong Kong in 1978 and entered mainland China market in 1992.
- (2) Company B is a leading real estate agency for the new home and existing home transactions. It was established in 1995 headquartered in Guangdong Province, and is listed on the Hong Kong Stock Exchange.
- (3) Company C offers real estate agency and brokerage services, and apartment rental service. It was established in 2000, and is listed on the Shenzhen Stock Exchange.
- (4) Company D covers a wide range of services, from new home agency services, real estate brokerage services, digital marketing service, to real estate big data application services. It was established in 2000 headquartered in Shanghai, and is listed on the Hong Kong Stock Exchange.
- (5) Refers to “active stores.”
- (6) Refers to “active agents.”

Partially due to lengthy and complicated process, China’s home renovation and furnishing industry involves many different participants, such as decoration contractors, material and furniture manufacturers, home furnishing malls operators, and online platforms. China’s home renovation and furnishing industry is highly fragmented with over 100,000 market players as of December 31, 2021, and the top 5 players accumulatively accounted for less than 5% of the market share in 2021, according to the CIC Report. With customers’ increasing needs for improving living quality, the demand for home renovation and furnishing services as well as expectation for the quality and convenience of such services are expected to continue to rise. Therefore, leading market participants who can provide quality one-stop services are expected to gain market share.

The table below sets forth the top five companies in terms of GTV of home renovation and furnishing in 2021.

Market players	Listing status	Home renovation and furnishing GTV, and respective market share
		(RMB in billion, %)
Company E ⁽¹⁾	Listed	137.1 (2.0%)
Company F ⁽²⁾	Listed	104.0 (1.5%)
Company G ⁽³⁾	Listed	47.2 (0.7%)
Company H ⁽⁴⁾	Listed	20.1 (0.3%)
Company I ⁽⁵⁾	Not Listed	20.0 (0.3%)

Source: the CIC Report

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Notes:

- (1) Company E is a home improvement and furnishings shopping mall operator established in 1992. It is headquartered in Shanghai, and is listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange.
- (2) Company F covers a wide range of business including home renovation and decoration, home building materials sales and other services. It was established in 1999 headquartered in Beijing, and is listed on the Shanghai Stock Exchange.
- (3) Company G is a leading E-commerce platform in China. It was established in 1999 headquartered in Zhejiang Province, and is listed on the New York Stock Exchange and the Hong Kong Stock Exchange. The GTV here refers to GTV generated from products and services of home renovation on the platform.
- (4) Company H is a leading custom cabinet manufacturer in Guangdong Province, providing all kinds of cabinets for both house owners and residential projects. It was established in 1994 and listed on the Shanghai Stock Exchange.
- (5) Company I covers a wide range of home renovation and decoration services, such as design, manufacturing, and distribution stores. It was established in 1988 and is headquartered in Shanghai.

ENTRY BARRIERS AND KEY SUCCESS FACTORS

The entry barriers and key success factors of the housing related industry in China include:

- *Scale and Quality of Service Providers.* Service providers are fundamental to China's housing related industry and serve as gateway into local communities. An extensive service provider network with an effective and efficient collaboration mechanism allows the platform to maintain close relationships with both housing customers and other industry participants, such as real estate developers and other housing related service providers.
- *Technology Infrastructure and Capabilities.* The lack of an industry-wide infrastructure, such as authentic property listing inventory, is a fundamental challenge. Extensive authentic property listing inventory can only be accomplished by a platform with strong offline presence and access to comprehensive property information. In addition, advanced technology and information analysis capabilities of the platform also enable platform participants to improve efficiency and scale their business, which also elevates customers' experience on the platform.
- *Brand Recognition and Customer Experience.* Given the high value of housing transactions, brand recognition is a vital factor for housing customers to choose their brokerage service providers. Superior customer experience increases trust, word-of-mouth effect and cross sell capabilities, which are crucial to grow the customer base. More housing customers on the platform would further enhance the platform's value to service providers and other industry participants.

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- *Scientific Management.* With the development and expansion of China's housing related industry, scientific management becomes crucial for managing a great number of diversified service providers, the entire operating process, and supply chains.

SOURCES OF INFORMATION

We commissioned China Insights Industry Consultancy Limited, an independent market research consulting firm that is principally engaged in the provision of market research consultancy services, to conduct a detailed study of the housing related industry in China.

We have included certain information from the CIC Report in this document because our Directors believe that such information facilitates an understanding of the relevant markets for potential investors. The market research process for the CIC Report has been undertaken through detailed primary research and secondary research. Primary research involved discussing the status of the housing related industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports, public data from governmental authorities and other data based on CIC's own research database. In addition, CIC also conducted a survey, or the "CIC Survey," in October 2021 with 1,000 consumers who have used online real estate platforms in China during the past two years.

Analysis and forecasts contained in the CIC Report are based on major assumptions at the time of compiling such report: (i) the overall economic and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth during the forecast period; (iii) relevant key industry drivers such as continued urbanization and growing demand for quality living will promote the housing related industry in China; and (iv) there is no extreme force majeure or unforeseen industry regulations that may dramatically or fundamentally affect the market. Our Directors confirm that after taking reasonable care, there has been no material adverse change in the overall market information since the date of the CIC Report that would materially qualify, contradict or have an impact on such information. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumptions and factors.

CIC is an independent consulting firm, offering services include industry consulting service, commercial due diligence, strategic consulting, and so on. We have agreed to pay a fee of US\$110,000 to CIC in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information," and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industries where we operate.

REGULATIONS RELATED TO FOREIGN INVESTMENT

The establishment, operation and management of companies in China are governed by the PRC Company Law (《中華人民共和國公司法》), as amended in 2005, 2013 and 2018. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies. The direct or indirect investment activities of a foreign investor shall be governed by the Foreign Investment Law (《中華人民共和國外商投資法》) and its implementation rules. The Foreign Investment Law is promulgated by the NPC on March 15, 2019 and took effect on January 1, 2020, which replaced the PRC Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the PRC Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the PRC Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》). The Foreign Investment Law implements the administrative system of pre-entry national treatment along with a negative list for foreign investments, and establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition.

Pursuant to the Foreign Investment Law, “foreign investments” refer to any direct or indirect investment activities conducted by any foreign individual, enterprise, or organization (collectively referred to as “foreign investors”) in the PRC, which includes any of the following circumstances: (i) foreign investors establishing foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors acquiring shares, equity interests, property portions or other similar rights and interests thereof within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) other forms of investments as defined by laws, regulations, or as otherwise stipulated by the State Council. According to the Foreign Investment Law, the State Council shall promulgate or approve a list of special administrative measures for access of foreign investments, or the negative list. The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the negative list. The Foreign Investment Law provides that foreign investors shall not invest in the “prohibited” industries, and shall meet certain requirements as stipulated under the negative list for making investment in “restricted” industries.

In addition, the Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; mandatory technology transfer is prohibited; and the capital contributions, profits, capital gains, proceeds out of asset disposal, licensing fees of intellectual property rights, indemnity or compensation legally obtained, or proceeds received upon settlement by foreign investors within China, may be freely remitted inward and outward in RMB or a foreign currency. Also, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the

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requirements. Furthermore, the Foreign Investment Law provides that foreign-invested enterprises established prior to the effectiveness of the Foreign Investment Law may maintain their legal form and structure of corporate governance within five years after January 1, 2020.

On December 26, 2019, the State Council further issued the Regulations on Implementing the PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementation Regulations, which came into effect on January 1, 2020, and replaced the Regulations on Implementing the PRC Equity Joint Venture Law, Provisional Regulations on the Duration of PRC Equity Joint Venture Law, the Regulations on Implementing the PRC Cooperative Joint Venture Law, and the Regulations on Implementing the PRC Wholly Foreign-owned Enterprise Law. The Implementation Regulations restate certain principles of the Foreign Investment Law and further provides that, among others, (1) if a foreign-invested enterprise established prior to the effective date of the Foreign Investment Law fails to adjust its legal form or governance structure to comply with the provisions of the Companies Act of the PRC or the Partnership Enterprises Law of the PRC, as applicable, and complete amendment registration before January 1, 2025, the enterprise registration authority will not process other registration matters of the foreign-invested enterprise and may publicize such non-compliance thereafter; (2) the provisions regarding equity interest transfer and distribution of profits and remaining assets as stipulated in the contracts among the joint venture parties of a foreign-invested enterprise established before the effective date of the Foreign Investment Law may, after adjustment of the legal form and governing structure of such foreign-invested enterprise, remain binding upon the parties during the joint venture term of the enterprise.

On December 27, 2021, the NDRC and the Ministry of Commerce promulgated the Special Entry Management Measures (Negative List) for the Access of Foreign Investment (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the 2021 Negative List, which took into effect on January 1, 2022. In addition, the NDRC and the Ministry of Commerce promulgated the Encouraged Industry Catalogue for Foreign Investment (2020 version) (《鼓勵外商投資產業目錄(2020年版)》), or the Encouraged Industry Catalogue, which was promulgated on December 27, 2020 and took into effect on January 27, 2021. Industries not listed in the 2021 Negative List and Encouraged Industry Catalogue are generally open for foreign investments unless specifically restricted by other PRC laws. Establishment of wholly foreign-owned enterprises is generally allowed in encouraged and permitted industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority equity interests in such joint ventures. In addition, foreign investment in restricted category projects is subject to government approvals. Foreign investors are not allowed to invest in industries in the prohibited category. Furthermore, pursuant the 2021 Negative List, PRC domestic companies engaged in foreign investment prohibited business and intend to offer and list securities in an overseas exchange market shall obtain approval from relevant government authorities. At the press conference held on January 18, 2022, officials from the NDRC clarified that the aforementioned requirement only applies to direct overseas offering and listing by a PRC domestic company, and as for the requirements for indirect overseas offering and listing by a PRC domestic company, it will be subject to the Administrative Provisions and the Draft Measures promulgated by the CSRC. Based on the foregoing, our Directors, as

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advised by our PRC Legal Adviser, are of the view that as of the date of this document, we are not subject to the foregoing provision in the 2021 Negative List. In addition, to the best knowledge of the Directors after consulting with our PRC Legal Adviser, the Company does not operate any business which are explicitly classified as “prohibited” category under the 2021 Negative List as of the date of this document. For completeness, Tianjin Xiaowu has been approved to hold an online cultural operation license for its live streaming services to be operated by itself through its website and mobile applications. The provision of internet cultural service falls within the “prohibited” business category. As of the Latest Practicable Date, Tianjin Xiaowu has not commenced such services yet.

Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by the Ministry of Commerce, on October 8, 2016 and amended on July 30, 2017 and June 29, 2018, respectively, establishment and changes of foreign investment enterprises not subject to the approval under the special entry management measures shall be filed with the relevant commerce authorities. However, as the Foreign Investment Law has taken effect, the Ministry of Commerce and the SAMR jointly approved the Foreign Investment Information Report Measures (《外商投資信息報告辦法》), or the Information Report Measures, on December 19, 2019, which took effect on January 1, 2020. According to the Information Report Measures, which repealed the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises, foreign investors or foreign invested enterprises shall report their investment related information to the competent local counterpart of the Ministry of Commerce through Enterprise Registration System and National Enterprise Credit Information Notification System.

The NDRC and the Ministry of Commerce jointly promulgated the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), or the Security Review Measures on the Foreign Investment on December 19, 2020, which came into effect on January 18, 2021. Pursuant to the Security Review Measures on the Foreign Investment, the NDRC and the Ministry of Commerce will establish a working mechanism office in charge of the security review of foreign investment, and any foreign investment which has or would possibly have an impact on the national security shall be subject to security review by such working mechanism office. The Security Review Measures on the Foreign Investment define foreign investment as direct or indirect investment by foreign investors in the PRC, which includes (i) investment in new onshore projects or establishment of wholly foreign owned onshore companies or joint ventures with foreign investors; (ii) acquiring equity or asset of onshore companies by merger and acquisition; and (iii) onshore investment by and through any other means. It further require that foreign investors or their domestic affiliates to apply for clearance of national security review with the working mechanism office before they conduct any investment into any of the following fields: (i) investment in the military industry or military-related industry, and investment in areas in proximity of defense facilities or military establishment; and (ii) investment in any important agricultural product, important energy and resources, critical equipment manufacturing, important infrastructure, important transportation services,

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important cultural products and services, important information technologies and internet products and services, important financial services, critical technologies and other important fields which concern the national security where actual control over the invested enterprise is obtained.

REGULATIONS RELATED TO REAL ESTATE BROKERAGE BUSINESS AND REAL ESTATE AGENCY ENTERPRISES

Pursuant to the PRC Urban Real Estate Administration Law (《中華人民共和國城市房地產管理法》), the real-estate agencies include real-estate brokerage agencies. Real estate agencies are required to have: (a) their own names and entities; (b) fixed premises to offer services; (c) necessary property and fund for operation; (d) adequate number of professionals; and (e) other conditions stipulated by laws and administrative regulations. To establish a real estate brokerage agency, one shall apply for incorporation registration of such real estate brokerage agency with the competent local counterpart of SAMR to obtain its business license before opening its business operation.

Specifically, the real estate brokerage business in China is primarily governed by the Real Estate Brokerage Administrative Measures (《房地產經紀管理辦法》), which was jointly promulgated by the MOHURD, the NDRC and the Ministry of Human Resources and Social Security on January 20, 2011 and amended on April 1, 2016. Pursuant to the Real Estate Brokerage Administrative Measures, the real estate brokerage business refers to the activities of providing intermediary and agency services to and collecting commissions from clients by real estate brokerage institutions and real estate brokers for purpose of promoting real estate transactions. To qualify as a real estate brokerage institution, an entity and its branches shall have a sufficient number of qualified real estate brokers and file with the local counterpart of the MOHURD within 30 days after obtaining its business license. The real estate brokerage services shall be uniformly undertaken by real estate brokerage institution, with the service remunerations collected by the agencies collectively. Branches shall undertake businesses in the name of the parental real-estate agencies. Individual real estate brokers are not allowed to undertake real estate brokerage services in his/her own behalf. In addition, real estate brokerage entity which provide real estate brokerage services such as providing real estate information, on-site house viewing, and contract drafting shall enter into written real estate brokerage service agreements with their clients. Real estate brokerage agencies shall not charge any fee that is not published to the public and shall not use false or misleading price contents and other pricing technique to cheat on clients. Furthermore, real estate brokerage institutions and brokers must not: (a) counterfeit and disseminate the pricing information, or collude with real-estate developers or operators to reserve premises for higher price and manipulate the market price; (b) conceal the real housing transaction information from the interested parties, and earn price discrepancies between lower buy-in price and higher sell-out (rent) price; (c) solicit business through improper means such as concealing, fraud, coercing or bribing, or lure/force real estate buyers into transaction; (d) disclose or improperly use the personal information/business secret of real estate buyers to seek unjust profits; (e) for illegal purposes such as evasion of property transaction tax, sign contracts of different prices for the same house; (f) change the internal structure of the house and divide them for rental; (g) embezzle

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and misappropriate the property transaction capital; (h) buy or rent his/her own agent house; (i) offer brokerage services with respect to indemnificatory houses that are not permitted to be sold or prohibited-for-sales houses; and (j) conduct other behaviors prohibited by laws and regulations.

According to the Opinions on Strengthening the Management over Real-Estate Agencies to Promote Healthier Development of the Industry (《關於加強房地產中介管理促進行業健康發展的意見》) as jointly promulgated and implemented on July 29, 2016 by the MOHURD, NDRC, MIIT, People's Bank of China, SAT, SAIC and China Banking Regulatory Commission, governmental departments undertake enhanced regulation of real estate brokerage institutions. Real estate brokerage institutions are required to check the ownership information of the property and the identification for the client before publication of the property information. Upon approval of the client, the agency shall verify the ownership information in the competent real-estate department and prepare specification of the house conditions. The property information published shall be authentic, comprehensive and accurate. The agency shall not publish the information of the properties without the prior written authorization of owner and shall not conceal the mortgage status of the property or other relevant information of the transaction. The real estate agency shall not in any form force client to take service of any financial institution it appoints. Property information shall be removed within 2 working days upon its sale or rental.

According to the Circular on Preventing Operating Loans from being Illegally Flowed into Real Estate Sector (《關於防止經營用途貸款違規流入房地產領域的通知》) as jointly issued by the MOHURD, the PBOC and the CBIRC on March 26, 2021, banking financial institutions are required to formulate a "White List" of intermediary agencies and shall not cooperate with any intermediary agency which assists any borrower to illegally obtain operating loans. In addition, this circular also prohibits real estate agencies from providing any consultations or services related to financial products of operating loans which are guaranteed by the buyer's real estate and inducing any buyer to illegally use the funds from operating loans. When providing the real estate brokerage services, real estate agencies shall request home buyers to undertake in writing that they do not misuse operating loans to fund the housing transactions. The local branches of the MOHURD will also establish a "Black List" to record the offending real estate agencies and real estate brokers, and will regularly disclose cases of violations.

On July 13, 2021, the MOHURD and other seven PRC regulatory agencies issued the Notice on Continuous Improvement and Regulation of the Real Estate Market Order (《關於持續整治規範房地產市場秩序的通知》), which aimed to strengthen the rectification of improper or illegal behaviours in real estate development, sales and leasing of properties, and property services by ways including, among others, rectifications of publishing false information of properties and illegal advertisements.

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On October 23, 2021, the NPC authorized the State Council to launch a five-year pilot property tax reform program in selected regions where the owners of residential and non-residential properties (excluding rural households) will be required to pay property tax. The State Council has the discretion in deciding where and how the property tax will be implemented and administrated.

REGULATIONS RELATED TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

Regulations Related to Value-Added Telecommunications Services

The PRC Telecommunications Regulations (《中華人民共和國電信條例》), or the Telecommunications Regulations, promulgated on September 25, 2000 by the State Council and most recently amended in February 2016, are the primary regulations governing telecommunications services. Under the Telecommunications Regulations, a telecommunications service provider is required to procure operating licenses from the MIIT or its provincial counterparts, prior to the commencement of its operations, otherwise such operator might be subject to sanctions including corrective orders and warnings from the competent administration authority, fines and confiscation of illegal gains. In case of serious violations, the operator's websites may be ordered to be closed.

The Telecommunications Regulations categorize all telecommunication services in China as either basic telecommunications services or value-added telecommunications services, and value-added telecommunications services are defined as telecommunications and information services provided through public network infrastructures. The Administrative Measures for Telecommunications Business Operating License (《電信業務經營許可管理辦法》) promulgated by the MIIT in 2009 and most recently amended in July 2017, or the Telecom License Measures, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining the licenses and the administration and supervision of these licenses. Pursuant to the Telecom License Measures, a commercial operator of value-added telecommunication services must first obtain an operating license for value-added telecommunication business, or the VATS License. The Telecom License Measures also provides that an operator providing value-added services in multiple provinces is required to obtain a cross-region VATS License, whereas an operator providing value-added services in one province is required to obtain an intra-provincial VATS License. Pursuant to the Telecom License Measures, any telecommunication services operator must conduct telecommunication business pursuant to the type and within the scope of business as specified in its VATS License.

Pursuant to the Catalog of Telecommunications Services (《電信業務分類目錄》), which was promulgated by the Ministry of Information Industry of the PRC (the predecessor of the MIIT) on February 21, 2003 and last amended by the MIIT on June 6, 2019, both online data processing and transaction processing services and internet information services fall within Class 2 value-added telecommunication services. The "online data processing and transaction processing services" mean the online data processing and transaction/affair processing services

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provided for users through public communication networks or the internet, using various kinds of data and affair/transaction processing application platforms connected to various kinds of public communication networks or the internet. A telecommunication services operator engaged in online data processing and transaction processing services shall obtain a VATS License for online data processing and transaction processing services. The “information services” refer to the information services provided for users via the public communication network or the internet and by the information collection, development, processing and construction of information platforms. The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), or the Internet Content Measures, which was promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, sets out guidelines on the provision of internet information services. The Internet Content Measures classifies internet information services into commercial internet information services and non-commercial internet information services. Pursuant to the Internet Content Measures, commercial internet information services refer to the provision with charge of payment of information or website production or other service activities to online users via the internet, non-commercial internet information services refer to the provision with free of charge of information that is in the public domain and openly accessible to online users via the internet. The Internet Content Measures requires that a provider of commercial internet information services shall obtain a VATS License for internet information services. The Internet Content Measures further requires that a provider of non-commercial internet information services shall carry out record-filing procedures with the provincial level counterparts of the MIIT.

Regulations Related to Foreign Investment Restriction on Value-Added Telecommunications Services

According to the 2021 Negative List, the equity ratio of foreign investment in the value-added telecommunications enterprises is subject to the cap of 50% except for the investment in the e-commerce operation business, a domestic multi-party communication business, an information storage and re-transmission business and a call center business.

Specifically, foreign direct investment in telecommunications companies in China is governed by the Administrative Regulations on Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which was promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016. The regulations require that foreign-invested value-added telecommunications enterprises must be in the form of a Sino-foreign equity joint venture, and the ultimate capital contribution percentage by foreign investor(s) in a foreign-invested value-added telecommunications enterprise must not exceed 50%, other than certain exceptions. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprises operating the value-added telecommunications business in China must satisfy a number of stringent performance and operational experience requirements, including demonstrating a good track record and experience in operating value-added telecommunication business overseas. Foreign investors that meet these requirements shall obtain approvals from the MIIT, which retain considerable discretion in granting such approval. On April 7, 2022, the State Council issued the Decision to Amend and Abolish Certain Administrative Regulations, which makes amendments to the

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Administrative Regulations on Foreign-Invested Telecommunications Enterprises. The amendments include, among others, removing the performance and operational requirements for main foreign investors that invest in PRC companies conducting value-added telecommunication business as set out in the Administrative Regulations on Foreign-Invested Telecommunications Enterprises. The amended Administrative Regulations on Foreign-Invested Telecommunications Enterprises will take effect on May 1, 2022.

In 2006, the predecessor to the MIIT issued the Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》), according to which a foreign investor in the telecommunications service industry of China must establish a foreign invested enterprise and apply for a telecommunications businesses operation license. This circular further requires that: (i) PRC domestic telecommunications business enterprises must not lease, transfer or sell a telecommunications businesses operation license to a foreign investor through any form of transaction or provide resources, offices and working places, facilities or other assistance to support the illegal telecommunications services operations of a foreign investor; (ii) value-added telecommunications enterprises or their shareholders must directly own the domain names and trademarks used by such enterprises in their daily operations; (iii) each value-added telecommunications enterprise must have the necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license; and (iv) all providers of value-added telecommunications services are required to maintain network and internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with the requirements in the circular and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holder, including revoking its license for value-added telecommunications business.

REGULATIONS RELATED TO MOBILE INTERNET APPLICATIONS

In June 2016, the CAC promulgated the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》), or the Mobile Application Administrative Provisions, which became effective on August 1, 2016. Pursuant to the Mobile Application Administrative Provisions, a mobile internet app refers to an app software that runs on mobile smart devices providing information services after being pre-installed, downloaded or embedded through other means. Mobile internet app providers refer to the owners or operators of mobile internet apps. Internet app stores refer to platforms which provide services related to online browsing, searching and downloading of app software and releasing of development tools and products through the internet.

Pursuant to the Mobile Application Administrative Provisions, an internet app program provider must verify a user's mobile phone number and other identity information under the principle of mandatory real name registration at the back-office end and voluntary real name display at the front-office end. An internet app provider must not enable functions that can collect a user's geographical location information, access user's contact list, activate the camera or recorder of the user's mobile smart device or other functions irrelevant to its

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services, nor is it allowed to conduct bundle installations of irrelevant app programs, unless it has clearly indicated to the user and obtained the user's consent on such functions and app programs. In respect of an internet app store service provider, the Mobile Application Administrative Provisions require that, among others, it must file a record with the local authority within 30 days after it rolls out the internet app store service online. It must also examine the authenticity, security and legality of internet app providers on its platform, establish a system to monitor app providers' credit and file a record of such information with relevant governmental authorities. If an app provider violates the regulations, the internet app store service provider must take measures to stop the violations, including giving a warning, suspension of release, withdrawal of the app from the platform, keeping a record of the incident and reporting the incident to the relevant governmental authorities.

REGULATIONS RELATED TO ADVERTISING SERVICES

On April 24, 2015, the Standing Committee of the NPC enacted the revised Advertising Law of the PRC (《中華人民共和國廣告法》), or the Advertising Law, effective on September 1, 2015 which was most recently amended in April, 2021. The Advertising Law increases the potential legal liability of advertising services providers and strengthens regulations of false advertising. The Advertising Law sets forth certain content requirements for advertisements including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest.

On July 4, 2016, the SAIC (currently known as the SAMR) issued the Interim Administrative Measures on Internet Advertising (《互聯網廣告管理暫行辦法》), or the Internet Advertising Measures, which came into effect on September 1, 2016. The Advertising Law and the Internet Advertising Measures require that online advertisements may not affect users' normal use of internet and internet pop-up ads must display a "close" sign prominently and ensure one-key closing of the pop-up windows. The Internet Advertising Measures provide that all online advertisements must be marked "advertisement" so that consumers can distinguish them from non-advertisement information. Moreover, the Internet Advertising Measures require that, among other things, sponsored search advertisements shall be prominently distinguished from normal research results and it is forbidden to send advertisements or advertisement links by email without the recipient's permission or induce internet users to click on an advertisement in a deceptive manner.

On November 26, 2021, the SAMR published the Draft Administrative Measures on Internet Advertising for public comment (《互聯網廣告管理辦法(公開徵求意見稿)》), or the Draft Measures on Internet Advertising, which require that users should be able to close pop-up advertisements using one button and provide that the pop-up advertisements shall not contain countdown timer or require more than one click to close and shall not pop up more than once on the same page. In addition, the Draft Measures on Internet Advertising provide that internet advertising operators and distributors shall establish a system for registering and reviewing advertisers and advertisements and verify and update such system on a regular basis. Platform operators that provide internet information services are required to inspect the content of

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advertisements displayed and published by using their information services and cooperate with market supervision administration authorities to inspect advertisements and provide information and evidence on alleged illegal advertisements requested by such authorities. Moreover, the Draft Measures on Internet Advertising provide that advertising via live-streaming is subject to the new rules.

REGULATIONS RELATED TO FINANCING

Regulations Related to Online Payment

On June 14, 2010, the PBOC issued the Administrative Measures on Non-Financial Institution Payment Service (《非金融機構支付服務管理辦法》) and its implementing rules, which set forth the basic regulatory requirements for payment market entry. According to the Administrative Measures on Non-Financial Institution Payment Service, non-financial institution payment service shall mean any of the following monetary asset transfer services provided by non-financial institutions as an intermediary between the payor and the payee: (i) online payment; (ii) pre-payment card issuance and receipt; (iii) bank card acceptance; (iv) other payment services as specified by the PBOC. Pursuant to the Administrative Measures on Non-Financial Institution Payment Service, non-financial institution which provides payment services shall obtain a payment business license to become a payment institution. No non-financial institution or individual shall engage in payment services without the PBOC's approval either expressly or in disguise.

On December 28, 2015, the PBOC issued the Administrative Measures for Internet Payment Services of Non-Bank Payment Institutions (《非銀行支付機構網絡支付業務管理辦法》), or the Online Payment Administrative Measures. Pursuant to the Online Payment Administrative Measures, online payment services shall mean activities where a payor or payee initiates a remote payment instruction via public network information system from its computer, mobile terminal or other electronic devices and, without interaction between the electronic device of the payer and the exclusive device of the receiver, and where the payment institution provides money transfer services between the payee and the payor. A payment institution shall obtain an online payment service permit before engaging in the online payment business. Payment institutions licensed for Internet payment services may, open a payment account for the client as requested at his or her own discretion. Payment institutions only licensed for providing mobile payment, landline payment or digital television payment services shall not open payment accounts for clients. Payment institutions shall fully warn their clients about the potential risk of online payments and provide necessary safety education and risk warning before processing the online payment services. Payment institutions shall establish and perfect their risk reserve procedures and a transaction compensation procedure, and shall protect the legitimate rights and interests of their clients by compensating in full amount of the losses of their clients if such losses cannot be effectively proved to be caused by the clients. In addition, a payment institution shall also provide transaction record search service for their clients for free through websites with legal and independent domain names and uniform service hotline for clients to search transaction records of at least the last year.

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On January 19, 2021, the PBOC issued the Measures for Deposit and Management of Clients' Reserves of Non-Bank Payment Institution (《非銀行支付機構客戶備付金存管辦法》), or the Administrative Measures of Reserves. Pursuant to the Administrative Measures of Reserves, clients' reserves mean the cash that payment institution received from its clients to be paid to the payee. Non-bank payment institutions are required to open a deposit account at the PBOC to deposit such reserves. The reserve received by non-bank institutions shall be fully deposit to the special reserve account opened at the PBOC or the qualified bank. The reserve can only be used for the payment business requested by the clients and any entity, individual cannot use, misappropriate, or borrow such reserve or use it as a guarantee.

Beijing Ehomepay, one of the Consolidated Affiliated Entities, has obtained the license for non-financial institution payment service covering online payment service.

Regulations Related to Micro Credit Business

According to the Guiding Opinion on the Pilot Operation of Micro Credit Companies, or the Guiding Opinion (《中國銀行業監督管理委員會、中國人民銀行關於小額貸款公司試點的指導意見》), which was promulgated by the CBIRC and the PBOC on May 4, 2008, a micro credit company is a company that specializes in operating a micro-loan business with investments from natural persons, legal entities or other social organizations, and which does not accept public deposits. The establishment of a micro credit company is subject to the approval of the competent government authority at the provincial level. The provincial governments may launch the pilot operation of micro credit companies within their prefectural regions if they could designate a competent department, financial affairs office or other relevant institutions to be responsible for the supervision and administration of micro credit companies and willing to take responsibility for handling the micro credit companies' risks.

Based on the Guiding Opinion, many provincial governments, including that of Beijing, promulgated local implementing rules on the administration of micro credit companies. In January 2009, the General Office of the People's Government of Beijing Municipality issued the Pilot Implementation Measures of Micro Credit Company of Beijing (《北京市小額貸款公司試點實施辦法》), which specifies the requirement for establishment and operation of micro credit companies in Beijing. According to this regulation, establishment of a micro credit company in Beijing is subject to the prior approval of the finance regulatory authority of the municipality. Besides, the funds of the micro loans provided by the micro credit company shall be limited to the capital contributions or donations of its shareholders, funds provided by no more than two banks and other funds as approved by the authorities.

On November 21, 2017, the Internet Financing Risk Special Rectification Work Leading Team Office, or the Leading Team Office, issued a Circular on Immediate Suspension on Approval of the establishment of Online Micro Credit Enterprises (《關於立即暫停批設網絡小額貸款公司的通知》), which stated that effective from November 21, 2017, no local governmental authorities shall approve any newly established online micro credit enterprises or approve any new cross-province small loan lending business for existing micro credit enterprises.

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Beike Small Loan, one of the Consolidated Affiliated Entities, has obtained the approval for its establishment as a micro credit company in Beijing.

Regulations Related to Financing Guarantee

In March 2010, seven governmental authorities including the predecessor of the CBIRC, the Ministry of Commerce and the Ministry of Finance, promulgated the Interim Administrative Measures for Financing Guarantee Companies (《融資性擔保公司管理暫行辦法》), which requires an entity or individual to obtain prior approval from the relevant governmental authority before engaging in the financing guarantee business. A financing guarantee is defined as an activity whereby the guarantor and the creditor, such as a financial institution in the banking sector, agree that the guarantor shall bear the guarantee obligations in the event that the borrower fails to meet its repayment obligations.

On August 2, 2017, the PRC State Council promulgated the Regulations on the Supervision and Administration of Financing Guarantee Companies (《融資擔保公司監督管理條例》), which became effective on October 1, 2017. These regulations define “financing guarantee” as a guarantee provided for the debt financing, including but not limited to the extension of loans or issuance of bonds, and set out that the establishment of a financing guarantee company or engagement in the financing guarantee business without approval may result in administrative penalties and even criminal liabilities. These regulations on financing guarantee also set forth that the outstanding guarantee liabilities of a financing guarantee company shall not exceed ten times of its net assets, and that the balance amount of outstanding guarantee liabilities of a financing guarantee company for the same guaranteed party shall not exceed 10% of its net assets, while the outstanding guarantee liabilities of a financing guarantee company shall not exceed 15% of its net assets. On April 2, 2018, the seven governmental authorities further issued four supplementary administrative measures for implementing the Regulations on the Supervision and Administration of Financing Guarantee Companies, which provide further guidance on the application for and management of financing guarantee business license, the calculation of the outstanding guarantee liabilities of the financing guarantee companies, the administration of the asset ratio of financing guarantee companies, and the business cooperation between financing banks and financing guarantee companies.

On October 9, 2019, nine governmental authorities including the CBIRC, the NDRC, the Ministry of Commerce and the Ministry of Finance jointly issued another Circular on the Issuance of the Supplementary Provisions on Supervision and Administration of Financing Guarantee Companies (《關於印發融資擔保公司監督管理補充規定的通知》), or the CBIRC Circular 37, which further clarified that residential real estate guarantee companies (centers) shall be regulated under the financing guarantee regulations and shall acquire a financing guarantee business license before June 2020. In addition, a financing guarantee company shall include the words “financing guarantee” in its company name. The CBIRC Circular 37 also amended one of the Four Supplementary Measures by including the outstanding liabilities of residential real estate guarantee business as a factor in calculating the overall outstanding guarantee liabilities of a financing guarantee company.

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Beijing Zhongrongxin, one of the Consolidated Affiliated Entities, and Shenzhen Beike Financing Guarantee Co., Ltd., one of our PRC subsidiaries have obtained the license for financing guarantee business.

Regulations Related to Insurance Brokerage

On February 1, 2018, the China Insurance Regulatory Commission, or the CIRC, the predecessor of CBIRC, promulgated the Provisions on the Regulation of Insurance Brokers (《保險經紀人監管規定》), which became effective on May 1, 2018. Pursuant to the Provisions on the Regulation of Insurance Brokers, the establishment and operation of an insurance broker must meet the qualification requirements specified by the CIRC, obtain the approval from the CIRC and be licensed by the CIRC. Specifically, the paid-in registered capital of a cross-province insurance brokerage company must be at least RMB50 million and that for an intra-province insurance brokerage company (the one only operates within the province in which it is registered) must be at least RMB10 million.

On April 27, 2018, the CBIRC promulgated the Notice on Relaxing Restrictions on the Business Scope of Foreign-Funded Insurance Brokerage Companies (《關於進一步放開外資保險經紀公司經營範圍的通知》), which became effective on April 27, 2018. Pursuant to this notice, the foreign-funded insurance brokerage institutions that obtain insurance brokerage business permits upon approval by the insurance regulatory authority of the State Council may engage in the following insurance brokerage business within the territory of the People's Republic of China: (i) drafting insurance application proposals, selecting insurers, and undergoing the insurance application formalities for insurance applicants; (ii) assisting the insured parties or beneficiaries in claiming compensation; (iii) reinsurance brokerage business; (iv) providing disaster or loss prevention or risk evaluation and management advisory services; (v) other business approved by the CBIRC.

On December 3, 2021, the General Office of the CBIRC issued the Circular on Clarifying Relevant Measures on Open up of Insurance Agency Markets, which provides that qualified foreign insurance brokerage companies with actual operation experience are allowed to set up insurance brokerage companies in China to conduct insurance brokerage business, and the following qualification requirements for the foreign investor of an insurance brokerage company are abolished: (i) the foreign investor shall have engaged in insurance brokerage business for more than thirty years within the territories of World Trade Organization members; (ii) the foreign investor shall have established its representative office in China for two consecutive years; and (iii) the total assets of the foreign investor shall be no less than US\$200 million as of the end of the year prior to its application.

Anli Insurance Brokerage, one of the Consolidated Affiliated Entities, has obtained the license for insurance brokerage business.

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Regulations Related to Commercial Factoring

On June 27, 2012, the Ministry of Commerce promulgated the Notice on Pilot Scheme for Commercial Factoring (《商務部關於商業保理試點有關工作的通知》), or Notice 419, along with other circulars to launch the pilot scheme for commercial factoring in Shanghai Pudong New District, Tianjin Binhai New District and certain other areas. According to the local implementation rules, a commercial factoring enterprise may be established upon approval by the local counterparts of the Ministry of Commerce or other competent authorities (e.g. local financial work offices) in the said regions. The business scope of a commercial factoring company may cover trade financing services, management of sales ledgers, customer credit investigation and evaluation, management and collection of accounts receivable and credit risk guarantee. On May 8, 2018, the Ministry of Commerce announced that the regulatory authority of commercial factoring industry was transferred from the Ministry of Commerce to the CBIRC on April 20, 2018. On October 18, 2019, the CBIRC announced the Circular on Enhancing the Supervision and Management of Commercial Factoring Enterprises (《關於加強商業保理企業監督管理的通知》), which further emphasized that commercial factoring enterprises shall not engage in, among others, the following businesses: (i) absorbing public funds either directly or in disguise; (ii) lending or borrowing money from other commercial factoring enterprises, directly or in disguise; (iii) facilitating loans or entrusted by another person to facilitate loan.

Zhongjia Guotai Commercial Factoring (Shenzhen) Co., Ltd. (中嘉國泰商業保理(深圳)有限公司) and Beike (Tianjin) Commercial Factoring Co., Ltd. (貝殼(天津)商業保理有限公司), our subsidiaries in China, are approved by the local authorities to provide commercial factoring services.

REGULATIONS RELATED TO INTERNET SECURITY AND PRIVACY PROTECTION

Regulations Related to Internet Security

The Decision in Relation to Protection of Internet Security (《關於維護互聯網安全的決定》) enacted by the Standing Committee of the NPC on December 28, 2000, as amended in August 2009, provides that, among other things, the following activities conducted through the internet, if constituted a crime under PRC laws, are subject to criminal punishment: (i) hacking into a computer or system of strategic importance; (ii) intentionally inventing and spreading destructive programs such as computer viruses to attack the computer system and the communications network, thus damaging the computer system and the communications networks; (iii) in violation of national regulations, discontinuing the computer network or the communications service without authorization; (iv) leaking state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights through internet.

The Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), or the Internet Security Protection Measures, promulgated on December 13, 2005 by the Ministry of Public Security require internet service providers and organizations that use interconnection implementing technical measures for internet security protection, such as technical measures for preventing any matter or act that may endanger

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network security, for example, computer viruses, invasion or attacks to or destruction of the network. All internet access service providers are required to take measures to keep a record of and preserve user registration information. Under these measures, value-added telecommunications services license holders must regularly update information security and content control systems for their websites and must also report any public dissemination of prohibited content to local public security authorities. If a value-added telecommunications services license holder violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

On July 1, 2015, the Standing Committee of the National People's Congress issued the PRC National Security Law (《中華人民共和國國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cyber security development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact national security of China.

On November 7, 2016, the Standing Committee of the NPC promulgated the PRC Cybersecurity Law (《中華人民共和國網絡安全法》), which came into effect on June 1, 2017, and applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in China. The Cybersecurity Law defines “networks” as systems that are composed of computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with certain rules and procedures. “Network operators,” who are broadly defined as owners and administrators of networks and network service providers, are subject to various security protection-related obligations, including: (i) complying with security protection obligations in accordance with tiered cybersecurity system's protection requirements, which include formulating internal security management rules and manuals, appointing cybersecurity responsible personnel, adopting technical measures to prevent computer viruses and cybersecurity endangering activities, adopting technical measures to monitor and record network operation status and cybersecurity events; (ii) formulating cybersecurity emergency response plans, timely handling security risks, initiating emergency response plans, taking appropriate remedial measures and reporting to regulatory authorities; and (iii) providing technical assistance and support for public security and national security authorities for protection of national security and criminal investigations in accordance with the law. Network service providers who do not comply with the Cybersecurity Law may be subject to fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses.

On April 13, 2020, twelve PRC government authorities including the CAC issued the Measures for Cybersecurity Review (《網絡安全審查辦法》), with effect from June 1, 2020, which provide detailed cybersecurity review procedures for the purchase of network products and services by operators of “critical information infrastructure.” According to the Measures for Cybersecurity Review, operators of “critical information infrastructure” are operators identified by the PRC governmental department in charge of the protection of critical

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information infrastructure, and “network products and services” primarily are core network equipment, high-performance computers and servers, mass storage equipment, large databases and applications, network security equipment, cloud computing services, and other network products and services that may have an important impact on the security of critical information infrastructure.

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022 and replaced the Measures for Cybersecurity Review. Pursuant to Cybersecurity Review Measures, critical information infrastructure operators that purchase network products and services and network platform operators engaging in data processing activities are subject to cybersecurity review under the Cybersecurity Review Measures if such activities affect or may affect national security. According to the Cybersecurity Review Measures, before purchasing any network products or services, a critical information infrastructure operator shall assess potential national security risks that may arise from the launch or use of such products or services, and apply for a cybersecurity review with the cybersecurity review office of CAC if national security will or may be affected. In addition, network platform operators who possess personal information of more than one million users, and intend to be listed on a foreign stock exchange must be subject to the cybersecurity review. The relevant government authorities may initiate the cybersecurity review against the relevant operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security.

To apply for a cybersecurity review, the applicant shall submit (i) an application letter, (ii) a report to analyze the impact or the potential impact on national security, (iii) purchase documents, agreements, the draft contracts or application documents for initial public offering or other listing application documents to be submitted to the relevant stock exchange regulators, and (iv) other necessary materials for conducting cybersecurity review. The Cybersecurity Review Measures further elaborate the factors to be considered when assessing the national security risks of the relevant activities, including, among others: (i) the risk of any critical information infrastructure being illegally controlled, interfered, or sabotaged; (ii) the harm to the business continuity of any critical information infrastructure caused by the disruption of supply of these products and services; (iii) the security, openness, transparency and variety of sources of these products or services, the reliability of supply channels, as well as risks of supply interruptions due to factors such as politics, diplomacy and trade; (iv) the level of compliance with PRC laws and regulations of the product and service providers; (v) the risk of core data, important data, or a large amount of personal information being stolen, leaked, destroyed, and illegally used or cross-border transferred; (vi) the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign governments and the cyber information security risk in connection with listing; and (vii) other factors that may adversely affect the security of critical information infrastructures, cyber security or data security.

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If the cybersecurity review office of CAC deems it necessary to conduct a cybersecurity review, it should complete a preliminary review (including reaching a review conclusion suggestion and sending the review conclusion suggestion to the implementing body for the cybersecurity review mechanism and the relevant authorities for their comments) within 30 business days from the issuance of a written notice to the operator, or 45 business days for complicated cases. Upon the receipt of a review conclusion suggestion, the implementing body for the cybersecurity review mechanism and the relevant authorities shall respond with their opinions in writing within 15 business days. If the cybersecurity review office of CAC and these authorities reach a consensus, then the cybersecurity review office of CAC shall inform the operator in writing, otherwise, the case will go through a special review procedure. The special review procedure should be completed within 90 business days, or longer for complicated cases.

On June 10, 2021, the Standing Committee of the NPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which became effective in September 2021. The Data Security Law requires data processing, which includes the collection, storage, use, processing, transmission, provision and publication of data, to be conducted in a legitimate and proper manner. The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data processing activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it may cause to national security, public interests, or legitimate rights and interests of individuals or organizations if such data are tampered with, destroyed, leaked, illegally acquired or illegally used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data is required to designate the personnel and the management body responsible for data security, carry out risk assessments of its data processing activities and file the risk assessment reports with the competent authorities. State core data, i.e. data having a bearing on national security, the lifelines of national economy, people's key livelihood and major public interests, shall be subject to stricter management system. Moreover, the Data Security Law provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information. In addition, the Data Security Law also provides that any organization or individual within the territory of the PRC shall not provide any foreign judicial body and law enforcement body with any data without the approval of the competent PRC governmental authorities. Violation of Data Security Law may subject the relevant entities or individuals to warning, fines, and business suspension, revocation of permits or business licenses, or even criminal liabilities.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which request improvement on the laws and regulations related to data security, cross-border data transfer and the management of confidential information,

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strengthening principal responsibility for the information security of overseas listed companies, strengthening standardized mechanisms for providing cross-border information, and improvement of cross-border audit regulatory cooperation in accordance with the law and the principle of reciprocity.

On August 17, 2021, the State Council promulgated the Regulations on Protection of Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which took effect on September 1, 2021, and pursuant to which, “critical information infrastructures” refer to critical network facilities and information systems involved in important industries and sectors, such as public communication and information services, energy, transportation, water conservancy, finance, public services, governmental digital services, science and technology related to national defense industry, as well as those which may seriously endanger national security, national economy and citizen’s livelihood or public interests if damaged or malfunctioned, or if any leakage of data in relation thereto occurs. Pursuant to these regulations, the relevant governmental authorities are responsible for stipulating rules for the identification of critical information infrastructures with reference to several factors set forth in the regulations, and further identify the critical information infrastructure operators in the related industries in accordance with such rules. The relevant authorities shall also notify operators identified as the critical information infrastructure operators.

On November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Regulations on Cyber Data Security, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing on a foreign stock exchange by the data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. In addition, the Draft Regulations on Cyber Data Security also provides specific requirements for data processors conducting data processing activities in China in various respects, including, among others, protection of personal information, security of important data, cross-border transfer of data, and obligations of internet platform operators. As for the protection of personal information, the Draft Regulations on Cyber Data Security provides that data processors shall provide individuals with convenient supports in respect of access, copy, rectification, restriction of the process, and deletion of their personal information, withdrawal of consent and deregistration of their accounts and shall not impose unreasonable restrictions for such requests. Data processors shall handle such requests and respond to the individuals within 15 business days. Data processors shall delete or anonymize personal information within 15 business days under any of the following circumstances: (i) the purpose of processing personal information has been achieved or the purpose of processing is no longer needed; (ii) the storage term agreed with the users or specified in the personal information processing rules

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has expired; (iii) the service has been terminated or the account has been canceled by the individual; or (iv) unnecessary personal information or personal information unavoidably collected due to the use of automatic data collection technology but without the consent of the individual.

The Draft Regulations on Cyber Data Security also requires data processors processing over one million users' personal information to comply with the regulations on important data processors, including, among others, appointing a person in charge of data security and establishing a data security management organization, filing with the competent authority within fifteen working days after identifying its important data, formulating data security training plans and organizing data security education and training for all staff every year, and that the education and training time of data security related technical and management personnel shall not be less than 20 hours per year. Data processors are also required to reserve the records of consent of individuals, the logs of provision of personal information and sharing, transaction, commissioned processing of important data for at least five years. In addition, data processors processing important data or going public overseas (including Hong Kong) are required to conduct an annual data security assessment by themselves or by entrusting data security service agencies, and submit the data security assessment report of the previous year to the local branch of CAC before January 31 each year. Where data collected and generated within the PRC are provided by the data processors overseas, if such data includes important data, or if the relevant data processor is a critical information infrastructure operator or processes personal information of more than one million people, the data processor shall go through the security assessment of cross-border data transfer organized by the CAC. Further, Internet platform operators shall establish platform rules, privacy policies and algorithm strategies related to data, and solicit public comments on their official websites and personal information protection related sections for no less than 30 working days when they formulate platform rules or privacy policies or makes any amendments that may have significant impacts on users' rights and interests. Platform rules and privacy policies formulated by operators of large Internet platforms with more than 100 million daily active users, or amendments to such rules or policies by operators of large Internet platforms with more than 100 million daily active users that may have significant impacts on users' rights and interests shall be evaluated by a third-party organization designated by the CAC and reported to local branch of the CAC for approval. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted.

On September 17, 2021, the CAC and other eight government authorities jointly issued the Guiding Opinions on Strengthening the Comprehensive Governance of Network Information Service Algorithms (《關於加強互聯網信息服務算法綜合治理的指導意見》), with the aim to, within three years, gradually establish a comprehensive governance pattern for algorithm security with a complete governance mechanism, a refined regulatory system and a standardized algorithm ecosystem. According to the Guiding Opinions on Strengthening the Comprehensive Governance of Network Information Service Algorithms, enterprises shall establish an algorithm security accountability system and a system for the review of scientific and technological ethics, enhance the organizational structure for algorithm security, intensify

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efforts in the prevention of risks and the handling of hidden dangers, and increase the capacity and level in handling algorithm security emergencies. Enterprises shall raise their awareness of responsibility and assume primary responsibilities for outcomes caused by the application of algorithms.

On December 31, 2021, the CAC, the MIIT, the Ministry of Public Security, the Ministry of State Security promulgated the Administrative Provisions on Internet Information Service Algorithm Recommendation (《互聯網信息服務算法推薦管理規定》), which implements classification and hierarchical management for algorithm recommendation service providers based on various criteria. Moreover, it requires algorithmic recommendation service providers to provide users with options that are not specific to their personal characteristics, or provide users with convenient options to cancel algorithmic recommendation services. If the users choose to cancel the algorithm recommendation service, the algorithm recommendation service provider shall immediately stop providing relevant services. Algorithmic recommendation service providers shall also provide users with the function to select, modify or delete user labels which are used for algorithmic recommendation services.

Regulations Related to Privacy Protection

On December 29, 2011, the MIIT issued the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), pursuant to which an internet information service provider may not collect any user personal information or provide any such information to third parties without the consent of a user. In addition, an internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly maintain the user personal information, and in case of any leak or likely leak of the user personal information, online lending service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), issued by the Standing Committee of the NPC on December 28, 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information, issued by the MIIT on July 16, 2013, any collection and use of a user's personal information must be subject to the consent of the user, be legal, reasonable and necessary and be limited to specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering with or destroying any such information, or selling or providing such information to other parties. An internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Any violation of these laws and regulations may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

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With respect to the security of information collected and used by mobile apps, pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which was issued on January 23, 2019, app operators should collect and use personal information in compliance with the Cybersecurity Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the personal information protection. Furthermore, app operators must not force their users to make authorization by means of bundling, suspending installation or in other default forms and should not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of Apps Infringing upon User's Personal Rights and Interests (《關於開展App侵害用戶權益專項整治工作的通知》), which was issued by MIIT on October 31, 2019. On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SMAR jointly issued the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information (《App違法違規收集使用個人信息行為認定方法》). This regulation further illustrates certain commonly-seen illegal practices of apps operators in terms of personal information protection, including “failure to publicize rules for collecting and using personal information,” “failure to expressly state the purpose, manner and scope of collecting and using personal information,” “collection and use of personal information without consent of users of such App,” “collecting personal information irrelevant to the services provided by such app in violation of the principle of necessity,” “provision of personal information to others without users’ consent,” “failure to provide the function of deleting or correcting personal information as required by laws” and “failure to publish information such as methods for complaints and reporting.” Among others, any of the following acts of an app operator will constitute “collection and use of personal information without consent of users”: (i) collecting an user's personal information or activating the permission for collecting any user's personal information without obtaining such user's consent; (ii) collecting personal information or activating the permission for collecting the personal information of any user who explicitly refuses such collection, or repeatedly seeking for user's consent such that the user's normal use of such app is disturbed; (iii) any user's personal information which has been actually collected by the app operator or the permission for collecting any user's personal information activated by the app operator is beyond the scope of personal information which such user authorizes such app operator to collect; (iv) seeking for any user's consent in a non-explicit manner; (v) modifying any user's settings for activating the permission for collecting any personal information without such user's consent; (vi) using users' personal information and any algorithms to directionally push any information, without providing the option of non-directed pushing such information; (vii) misleading users to permit collecting their personal information or activating the permission for collecting such users' personal information by improper methods such as fraud and deception; (viii) failing to provide users with the means and methods to withdraw their permission of collecting personal information; and (ix) collecting and using personal information in violation of the rules for collecting and using personal information promulgated by such app operator.

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Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》), issued on April 23, 2013, and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which was issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

Pursuant to the PRC Civil Code (《中華人民共和國民法典》), which came into effect on January 1, 2021, the information processor shall take technical measures and other necessary measures to protect the personal information collected and stored by it and to prevent any information from being leaked, falsified and lost. In the event that any personal information is or may be leaked, falsified or lost, the information processor shall take immediate remedial measures, inform the natural person concerned and escalate such situation to the competent department as required.

On August 20, 2021, the Standing Committee of the NPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, which became effective on November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information bear responsibilities for their personal information handling activities, and shall adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

REGULATIONS RELATED TO INTELLECTUAL PROPERTY

Patent

Patents in the PRC are principally protected under the Patent Law of the PRC (《中華人民共和國專利法》). The Chinese patent system adopts a first-to-file principle. To be patentable, an invention or a utility model must meet three criteria: novelty, inventiveness and practicability. The duration of a patent right is either 10 years or 20 years from the date of application, depending on the type of patent right.

Copyright

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) and related rules and regulations. Under the Copyright Law, the term of protection for copyrighted software is 50 years. The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks (《信息網絡傳播權保護條例》), as most recently amended on January 30, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and internet service providers.

The Computer Software Copyright Registration Measures, or the Software Copyright Measures (《計算機軟件著作權登記辦法》), promulgated by the National Copyright Administration on April 6, 1992 and amended on May 26, 2000 and February 20, 2002, regulates registrations of software copyright, exclusive licensing contracts for software copyright and assignment agreements. The National Copyright Administration administers software copyright registration and the Copyright Protection Center of China, is designated as the software registration authority. The Copyright Protection Center of China shall grant registration certificates to the Computer Software Copyrights applicants which meet the requirements of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例》).

Trademark

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》) and related rules and regulations. Trademarks are registered with the Trademark office of National Intellectual Property Administration under the SAMR, formerly the Trademark Office of the SAMR. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

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Domain Name

Domain names are protected under the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective as of November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

REGULATIONS RELATED TO EMPLOYMENT AND SOCIAL WELFARE

Labor Contract Law

The PRC Labor Contract Law (《中華人民共和國勞動合同法》), which became effective on January 1, 2008 and amended on December 28, 2012, primarily aims at regulating rights and obligations of employer and employee relationships, including the establishment, performance, and termination of labor contracts. Pursuant to the PRC Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

Social Insurance

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended on December 20, 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999, and the PRC Social Insurance Law (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018, employers are required to provide their employees in China with welfare benefits covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, and medical insurance. These payments are made to local administrative authorities. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue. On July 20, 2018, the General Office of the State Council and the General Office of the Central Committee of the Communist Party of China

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issued the Plan for Reforming the State and Local Tax Collection and Administration Systems (《國稅地稅徵管體制改革方案》), which stipulated that the tax authorities are solely responsible for collecting social insurance premiums from January 1, 2019.

Housing Fund

In accordance with the Regulations on the Administration of Housing Funds (《住房公積金管理條例》), which was promulgated by the State Council in 1999 and amended in 2002 and 2019, employers must register at the designated administrative centers and open bank accounts for depositing employees' housing funds. Employers and employees are also required to pay and deposit housing funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time.

Labor Dispatch

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) and Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), which was promulgated on 24 January 2014 and became effective on 1 March 2014, labor dispatch employment is a supplemental form which can only be adopted for temporary, auxiliary or alternative job positions. Temporary positions are positions subsisting for no more than nine months; auxiliary positions are positions of non-major business serving for major businesses; and alternative positions are positions that can be held by dispatched laborers for a certain period of time during which the former laborers are temporarily out of their positions for reasons. An employer is required to strictly control the number of dispatched laborers not to exceed 10% of the total number of its labor force.

REGULATIONS RELATED TO FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

Regulations Related to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996, and most recently amended in 2008. Under PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

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In 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), or Circular 59, as amended in May 2015, which substantially amends and simplifies the foreign exchange procedure. Pursuant to Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Notice 13. Instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration.

The PRC governmental authorities have gradually relaxed restrictions on the settlement of the foreign exchange capitals of foreign-invested enterprises in recent years. In March 2015, SAFE promulgated the Circular of General Affairs Department of SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or Circular 19, which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 replaced both the Circular of SAFE on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or Circular 142, and the Circular of SAFE on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas (《國家外匯管理局關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》), or Circular 36. Circular 19 allows all foreign-invested enterprises established in the PRC to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation, provides the procedures for foreign invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments and removes certain other restrictions that had been provided in Circular 142. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope and providing entrusted loans or repaying loans between non-financial enterprises. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or Circular 16, effective June 2016, which reiterates some of the rules set forth in Circular 19. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt

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offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). On October 23, 2019, SAFE further issued Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or the Circular 28, which took effect on the same day. Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China as long as such investments do not violate the relevant negative list and the target investment projects are genuine and in compliance with laws. In addition, Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments.

Pursuant to the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated and effective on April 10, 2020 by SAFE, the reform of facilitating the payments of incomes under the capital accounts will be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt, and overseas listing, for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

Regulations Related to Dividend Distribution

The principal regulations governing distribution of dividends of foreign-invested enterprises are included in the Company Law of the PRC (《中華人民共和國公司法》). Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with China accounting standards and regulations. In addition, a PRC company, including a foreign-invested enterprise in China, is required to allocate at least 10% of its accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprise. A PRC company may, at its discretion, allocate a portion of its after-tax profits based on China accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

Regulations Related to Foreign Exchange Registration of Overseas Investment by PRC Residents

In 2014, SAFE issued SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, replacing SAFE Circular on Issues Concerning the Regulation of

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Foreign Exchange in Equity Finance and Return Investments by Domestic Residents through Offshore Special Purpose Vehicles, or SAFE Circular 75. SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under SAFE Circular 37, a “special purpose vehicle” refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while “round trip investment” refers to direct investment in China by PRC residents or entities through special purpose vehicles, namely, establishing foreign-invested enterprises to obtain ownership, control rights and management rights. SAFE Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch.

In 2015, SAFE promulgated SAFE Notice 13, which has amended SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of SAFE Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. An amendment to the registration is required if there is a material change with respect to the special purpose vehicle registered, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in SAFE Circular 37 and the subsequent notice, or making misrepresentations or failing to disclose the control of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign-invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

Regulations Related to Stock Incentive Plans

In February 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, domestic individuals, which means the PRC residents and non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures.

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Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before exercising rights.

REGULATIONS RELATED TO TAX

Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, which became effective on January 1, 2008 and was subsequently amended on February 24, 2017 and December 29, 2018, and its implementing rules, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. An enterprise established outside of the PRC with its “de facto management bodies” located within the PRC is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define a de facto management body as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. Enterprises qualified as “High and New Technology Enterprises” are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The preferential tax treatment continues as long as an enterprise can retain its “High and New Technology Enterprise” status.

Value-added Tax and Business Tax

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. However, if the services provided are related

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to technology development and transfer, such business tax may be exempted subject to approval by the relevant tax authorities. Whereas, pursuant to the Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) and its implementation regulations, unless otherwise specified by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or VAT, for revenues generated from sales of products, while qualified input VAT paid on taxable purchase can be offset against such output VAT.

In November 2011, the Ministry of Finance and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》). In March 2016, the Ministry of Finance and the State Administration of Taxation further promulgated the Notice on Fully Promoting the Pilot Plan for Replacing Business Tax by Value-Added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which became effective on May 1, 2016. Pursuant to the pilot plan and relevant notices, VAT is generally imposed in lieu of business tax in the modern service industries, including the VATS, on a nationwide basis. VAT of a rate of 6% applies to revenue derived from the provision of some modern services. Certain small taxpayers under PRC law are subject to reduced value-added tax at a rate of 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the modern services provided.

On April 4, 2018, the Ministry of Finance and the SAT issued the Notice on Adjustment of VAT Rates, which came into effect on May 1, 2018. According to the abovementioned notice, the taxable goods previously subject to VAT rates of 17% and 11% respectively become subject to lower VAT rates of 16% and 10% respectively starting from May 1, 2018. Furthermore, according to the Announcement on Relevant Policies for Deepening Value-added Tax Reform jointly promulgated by the Ministry of Finance, the SAT and the General Administration of Customs (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), which became effective on April 1, 2019, the taxable goods previously subject to VAT rates of 16% and 10% respectively become subject to lower VAT rates of 13% and 9% respectively starting from April 1, 2019.

Dividend Withholding Tax

The EIT Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within China.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), and other applicable PRC laws, if a Hong Kong resident

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enterprise is determined by the competent PRC tax authority to have met the relevant conditions and requirements under this arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued on February 20, 2009, if the relevant PRC tax authorities determine, in their discretions, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Pursuant to the Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), which was issued on February 3, 2018 by the SAT and became effective on April 1, 2018, when determining the applicant’s status as the “beneficial owner” regarding tax treatments in connection with dividends, interests, or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant any tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and such factors will be analyzed according to the actual circumstances of the specific cases. This circular further provides that an applicant who intends to prove his or her status as the “beneficial owner” must submit the relevant documents to the relevant tax bureau pursuant to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements (《國家稅務總局關於發佈<非居民納稅人享受稅收協定待遇管理辦法>的公告》).

Tax on Indirect Transfer

On February 3, 2015, the SAT issued the Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or SAT Bulletin 7. Pursuant to SAT Bulletin 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises, may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a ‘reasonable commercial purpose’ in the transaction arrangement, features to be taken into consideration include, *inter alia*, whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income is mainly derived from China; and whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have a real commercial nature which is evidenced by their actual function and risk exposure. Pursuant to SAT Bulletin 7, where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. SAT

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Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange. On October 17, 2017, the SAT issued the Circular on Issues of Tax Withholding Regarding Non- PRC Resident Enterprise Income Tax (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》), or SAT Bulletin 37, which was amended by the Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents (《國家稅務總局關於修改部分稅收規範性文件的公告》) issued on June 15, 2018 by the SAT. SAT Bulletin 37 further elaborates the relevant implemental rules regarding the calculation, reporting, and payment obligations of the withholding tax by the non-resident enterprises. Nonetheless, there remain uncertainties as to the interpretation and application of SAT Bulletin 7. SAT Bulletin 7 may be determined by the tax authorities to be applicable to our offshore transactions or sale of our shares or those of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved.

REGULATIONS RELATED TO ANTI-MONOPOLY AND ANTI-UNFAIR COMPETITION

On August 30, 2007, the Standing Committee of the NPC adopted the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》), or the AML, which became effective on August 1, 2008 and provides the regulatory framework for the PRC anti-monopoly. Under the AML, the prohibited monopolistic acts include monopolistic agreements, abuse of a dominant market position and concentration of businesses that may have the effect to eliminate or restrict competition.

Pursuant to the AML, a business operator that possesses a dominant market position is prohibited from abusing its dominant market position, including conducting the following acts: (i) selling commodities at unfairly high prices or buying commodities at unfairly low prices; (ii) without justifiable reasons, selling commodities at prices below cost; (iii) without justifiable reasons, refusing to enter into transactions with their trading counterparts; (iv) without justifiable reasons, allowing trading counterparts to make transactions exclusively with itself or with the business operators designated by it; (v) without justifiable reasons, tying commodities or imposing unreasonable trading conditions to transactions; (vi) without justifiable reasons, applying differential prices and other transaction terms among their trading counterparts who are on an equal footing; and (vii) other acts determined as abuse of dominant market position by the relevant governmental authorities.

Pursuant to the AML and relevant regulations, when a concentration of undertakings occurs and reaches any of the following thresholds, the undertakings concerned shall file a prior notification with the anti-monopoly agency (i.e., the SAMR), (i) the total global turnover of all operators participating in the transaction exceeded RMB10 billion in the preceding fiscal year and at least two of these operators each had a turnover of more than RMB400 million within China in the preceding fiscal year, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion in the preceding fiscal year, and at least two of these operators each had a turnover of more than RMB400 million within China in the preceding fiscal year) are triggered, and no concentration shall be

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implemented until the anti-monopoly agency clears the anti-monopoly filing. “Concentration of undertakings” means any of the following: (i) merger of undertakings; (ii) acquisition of control over another undertaking by acquiring equity or assets; or (iii) acquisition of control over, or exercising decisive influence on, another undertaking by contract or by any other means.

In addition, pursuant to the AML and relevant regulations, entering into monopolistic agreements, which means agreements or concerted practices to eliminate or restrict competition, are prohibited, unless such agreements satisfy the specific exemptions prescribed therein, such as improving technologies or increasing the efficiency and competitiveness of small and medium-sized undertakings.

On October 23, 2021, the Standing Committee of the NPC issued a discussion draft of the amended Anti-Monopoly Law (《中華人民共和國反壟斷法修正草案》), which proposes to increase the fines for illegal concentration of business operators to no more than ten percent of its last year’s sales revenue if the concentration of business operator has or may have an effect of excluding or limiting competitions, or a fine of up to RMB5 million if the concentration of business operator does not have an effect of excluding or limiting competition. The draft also proposes that the relevant authorities shall investigate a transaction where there is any evidence that the concentration has or may have the effect of eliminating or restricting competitions, even if such concentration does not reach the filing threshold.

On September 11, 2020, the Anti-Monopoly Committee of the State Council issued the Anti-Monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which provides general guidance on compliance management system, compliance risk focus, compliance risk management, and compliance management guarantee on the basis of the AML to encourage the operators prevent the compliance risk of the AML.

In February 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Platform Economy Sector (《關於平台經濟領域的反壟斷指南》). The Anti-Monopoly Guidelines for the Platform Economy Sector are consistent with the Anti-Monopoly Law and prohibit monopolistic conduct such as entering into monopoly agreements, abusing market dominance and concentration of undertakings that may have the effect to eliminate or restrict competition in the field of platform economy. More specifically, the Anti-Monopoly Guidelines for the Platform Economy Sector outlines certain practices that may, if without justifiable reasons, constitute abuse of a dominant position, including without limitation, discriminating customers in terms of pricing and other transactional conditions by virtue of big data and analytics, coercing counterparties into monopolistic arrangements, using technological means to block competitors’ interface, using bundled services to sell services or products, and compulsory collection of users’ unnecessary data. Besides, the Anti-Monopoly Guidelines for the Platform Economy Sector expressly states that concentration involving variable interest entity will also be subject to antitrust filing requirements, and therefore will also fall within the scope of the antitrust review.

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If business operators fail to comply with the AML or other relevant regulations, the anti-monopoly agency is empowered to cease the relevant activities, unwind the transactions, and confiscate illegal gains and fines.

On August 17, 2021, the SAMR issued the Provisions on Preventing Online Unfair Competition (Draft for Public Comments) (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》), or the Draft Provisions on Preventing Online Unfair Competition, which aims to regulate the unfair competition behaviours of business operators through Internet and other information networks. The Draft Provisions on Preventing Online Unfair Competition provides, among others, business operators should not use any technical means to impede, interfere or conduct unfair competition behaviours.

On November 15, 2021, the SAMR published the Overseas Anti-monopoly Compliance Guidelines for Enterprises (《企業境外反壟斷合規指引》), which is aimed at helping PRC companies establish and strengthen overseas anti-monopoly compliance systems to reduce overseas anti-monopoly compliance risks. The Guidelines apply to both PRC enterprises that conduct business and operation overseas and PRC enterprises that conduct business and operations in the PRC and may have certain impacts on overseas markets, in particular for those that conduct import and export trade, overseas investments, acquisition, transfer or license of intellectual properties and tendering and bidding activities.

On December 24, 2021, the NDRC and other eight governmental authorities jointly issued the Opinions on Promoting the Standardized, Healthy and Sustainable Development of the Platform Economy (《國家發展改革委等部門關於推動平台經濟規範健康持續發展的若干意見》) which provide guidelines on regulating various aspects of online platform businesses in China, including, among other, anti-monopoly, unfair competition, platform-related price behaviors, investments in financial institutions and user data issues in the internet platform economy, to promote the industry's sound and sustained development.

REGULATIONS RELATED TO M&A RULES AND OVERSEAS LISTINGS

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or the CSRC, adopted the Regulations on Mergers of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. However, the Foreign

REGULATORY ENVIRONMENT

Investment Law has partly replaced the M&A Rules in terms of its rules on equity or assets acquisition of a non-related domestic company by a foreign investor. As for equity/assets acquisition of a related domestic company by a foreign investor, such activity shall still be subject to the M&A Rules.

On July 6, 2021, the General Office of the State Council and General Office of the Central Committee of the Communist Party of China issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). The opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On December 24, 2021, the CSRC published the draft Administrative Provisions of the State Council on the Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), or the Administrative Provisions and the draft Measures for the Overseas Issuance and Listing of Securities Record-filings by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》), or the Draft Measures for public comments. Pursuant to these drafts, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, including a PRC company limited by shares and an offshore company whose main business operations are in China and intends to offer shares or be listed in an overseas market based on its onshore equities, assets, incomes or other similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the regulator in the place of intended listing. Failure to complete the filing under the Administrative Provisions may subject the domestic enterprise to a warning and a fine of RMB1 million to RMB10 million. If the circumstances are serious, the domestic enterprise may be ordered to suspend its business or suspend its business pending rectification, or its permits or businesses license may be revoked.

Pursuant to the Draft Measures, when determining whether an offering and listing shall be deemed as “an indirect overseas offering and listing by a Chinese company,” the principle of “substance over form” shall be followed, and if the issuer meets the following conditions, its offering and listing shall be determined as an “indirect overseas offering and listing by a Chinese company” and is therefore subject to the filing requirement: (a) the revenues, profits, total assets or net assets of the Chinese operating entities in the most recent financial year accounts for more than 50% of the corresponding data in the issuer’s audited consolidated financial statements for the same period; (b) the majority of senior management in charge of business operation are Chinese citizens or domiciled in the PRC, and its principal place of business is located in the PRC or main business activities are conducted in the PRC. The Draft Measures also require subsequent report to the CSRC on material events, such as material change in principal business and change of control.

REGULATORY ENVIRONMENT

Further, at the press conference held for these draft regulations on December 24, 2021, officials from the CSRC clarified that only the initial public offerings by PRC domestic companies and financing by existing overseas listed PRC domestic companies will be required to complete the filing process if these drafts become effective in the current form, and the existing overseas-listed companies that do not have subsequent financing activities will be allowed to complete the filing within the transition period. The officials from the CSRC also confirmed that if complying with applicable PRC laws and regulations, companies with VIE structure may conduct overseas offering and listing. Therefore, if these draft regulations become effective in their current forms before the Listing is completed, we may be required to complete the filing procedures with the CSRC in connection with this Listing.

In addition, pursuant to the Administrative Provisions, an overseas offering and listing of a PRC company is prohibited under any of the following circumstances, if (i) it is prohibited by PRC laws; (ii) it may constitute a threat to or endanger national security determined by competent PRC authorities; (iii) it has material ownership disputes over equity, major assets, and core technology; (iv) in recent three years, the Chinese operating entities and their controlling shareholders and actual controllers have committed relevant prescribed criminal offenses or are currently under investigations for suspicion of criminal offenses or major violations; (v) the directors, supervisors, or senior executives have been subject to administrative punishment for severe violations, or are currently under investigations for suspicion of criminal offenses or major violations; or (vi) it has other circumstances as prescribed by the State Council.

As of date of this document, the Administrative Provisions and the Draft Measures are still in draft form and there is no schedule for the adoptions of such drafts.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

Beike is the leading integrated online and offline platform for housing transactions and services. We are a pioneer in building infrastructure and standards to reinvent how service providers and housing customers efficiently navigate and complete housing transactions in China, ranging from existing and new home sales, home rentals, to home renovation and furnishing and other services. We commenced operations in 2001 through Beijing Lianjia, which was founded in September 2001 by Mr. Zuo, our founder and permanent chairman emeritus. Beijing Lianjia and its subsidiaries developed various businesses over time and expanded nationwide in China.

From November 2016 to January 2017, we restructured Yiju Taihe, which was originally a subsidiary of Beijing Lianjia and operated the financial service business. In November 2017, we incorporated Tianjin Xiaowu to conduct operations related to value-added telecommunication services.

Along with the launch of our *Beike* platform, the Company was incorporated in the Cayman Islands in July 2018 as our holding company. From July 2018 to June 2019, the Company established a series of intermediary holding entities which directly or indirectly hold the equity interests in Onshore Holdcos, including Beike Tianjin, Jinbei Tianjin and Beike Jinke. Through a series of transactions, most of the original subsidiaries and all of operating branches of Beijing Lianjia have become wholly-owned by the applicable Onshore Holdcos and our other PRC subsidiaries.

As part of the reorganization, most of the shareholders of Beijing Lianjia and Yiju Taihe or such shareholders' affiliates subscribed for ordinary shares, Series B and C convertible redeemable preferred shares of the Company, as applicable, substantially in proportion to their respective equity interests in Beijing Lianjia and Yiju Taihe prior to the reorganization. Further, through a series of reorganization transactions, the Company obtained control over Beijing Lianjia, Yiju Taihe and Tianjin Xiaowu through contractual arrangements.

In August 2020, we listed our ADSs on the NYSE under the symbol “BEKE.”

MILESTONES

The following is a summary of our key development milestones:

Year	Milestone(s)
2001	We commenced operations in 2001 through Beijing Lianjia.
2004	We became the first player in the industry to propose tripartite agreements in housing transactions.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestone(s)
2008	We pioneered to introduce Housing Dictionary, which has become the largest and most comprehensive residential housing database in China.
2010	We became the first player in the industry to develop and offer comprehensive SaaS systems.
2011	We introduced and advocated the standards of “authentic property listings” in China and launched the first ACN in the industry.
2011 to 2015	We expanded our national footprints to 24 major cities in China.
2016	We completed our Series B financing arrangement, raising gross proceeds of RMB2.6 billion.
2017	We completed our Series C financing arrangement, raising gross proceeds of RMB8.7 billion.
2018	We launched our <i>Beike</i> platform, introduced virtual reality experience to the housing transactions and services industry in China and completed our Series D financing arrangement, raising gross proceeds of USD1.6 billion.
2019	We completed our Series D+ financing arrangement, raising gross proceeds of USD1.4 billion.
2020	We completed our initial public offering and listing on the NYSE as well as a follow-on offering.
2022	We completed the acquisition of Shengdu and Shengdu became a wholly-owned subsidiary of the Company.

MAJOR SUBSIDIARIES AND OPERATING ENTITIES

As of the Latest Practicable Date, we conducted our business operations through more than 600 subsidiaries and operating entities, 34 of which are of strategic importance to us or have made material contributions to our results of operations during the Track Record Period:

Name of Company	Place and Date of Incorporation	Shareholding Controlled by the Company	Principal Business
Beike Group (Cayman) Limited	Cayman, August 6, 2018	100%	investment holding

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Company	Place and Date of Incorporation	Shareholding Controlled by the Company	Principal Business
Beike Group (BVI) Limited	British Virgin Islands, July 12, 2018	100%	investment holding
Sharehome HK International Limited	Hong Kong, December 16, 2016	100%	investment holding
Shanghai Haibi Technology Co., Ltd. (上海海氐科技有限公司)	PRC, October 25, 2018	100%	investment holding
Beijing Lianjia Zhidi Real Estate Brokerage Co., Ltd. (北京鏈家置地房地產經紀有限公司)	PRC, July 25, 2005	100%	agency service
Deyou Real Estate Agency Co., Ltd. (德佑房地產經紀有限公司)	PRC, September 5, 2002	100%	agency service
Beike Beijing	PRC, August 3, 2015	100%	research and development
Beike Technology Co., Ltd. (貝殼技術有限公司)	PRC, June 28, 2017	100%	research and development
Sichuan Lianjia Real Estate Brokerage Co., Ltd. (四川鏈家房地產經紀有限公司)	PRC, December 30, 2009	100%	agency service
Chengdu Fangjianghu Information Technology Co., Ltd. (成都房江湖信息科技有限公司)	PRC, March 4, 2015	100%	new home transaction service
Shanghai Xiaoheng Internet Technology Co., Ltd. (上海小桁網絡科技有限公司)	PRC, May 6, 2015	100%	new home transaction service

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Company	Place and Date of Incorporation	Shareholding Controlled by the Company	Principal Business
Shanghai Deyou Property Consulting Co., Ltd. (上海德佑物業顧問有限公司)	PRC, April 16, 2014	100%	new home transaction service
Beijing Lianjia Gaoce Real Estate Brokerage Co., Ltd. (北京鏈家高策房地產經紀有限公司)	PRC, September 20, 2016	100%	new home transaction service
Shenzhen Lianjia Real Estate Brokerage Co., Ltd. (深圳鏈家房地產經紀有限公司)	PRC, September 6, 2002	100%	agency service
Guangdong Lianjia Real Estate Brokerage Co., Ltd. (廣東鏈家房地產經紀有限公司)	PRC, June 30, 2000	100%	agency service
Xi'an Fangjianghu Information Technology Co., Ltd. (西安房江湖信息科技有限公司)	PRC, May 15, 2015	100%	new home transaction service
Beijing Fangyuan Real Estate Consulting Services Co., Ltd. (北京方源房地產諮詢服務有限公司)	PRC, October 24, 2016	100%	agency service
Tianjin Lianjia Fangjianghu Technology Co., Ltd. (天津鏈家房江湖科技有限公司)	PRC, September 23, 2016	100%	new home transaction service
Chongqing Naohai Fangjianghu Information Technology Co., Ltd. (重慶鬧海房江湖信息科技有限公司)	PRC, September 6, 2018	100%	new home transaction service

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Company	Place and Date of Incorporation	Shareholding Controlled by the Company	Principal Business
Zhengzhou Fangjianghu Information Technology Co., Ltd. (鄭州房江湖信息科技有限公司)	PRC, August 28, 2017	100%	new home transaction service
Wuhan Fangjianghu Information Technology Co., Ltd. (武漢房江湖信息科技有限公司)	PRC, July 17, 2015	100%	new home transaction service
Beijing Lianjia	PRC, September 30, 2001	Controlled through contractual arrangements	mobile application development and operation
Tianjin Xiaowu	PRC, November 14, 2017	Controlled through contractual arrangements	mobile application and webpage development and operation
Yiju Taihe	PRC, July 23, 2010	Controlled through contractual arrangements	holding company of licensed financial business
Beijing Zhongrongxin	PRC, November 10, 2006	Controlled through contractual arrangements	financing guarantee
Beijing Ehomepay	PRC, August 8, 2013	Controlled through contractual arrangements	third party payment
Beike Tianjin	PRC, September 29, 2018	100%	investment holding

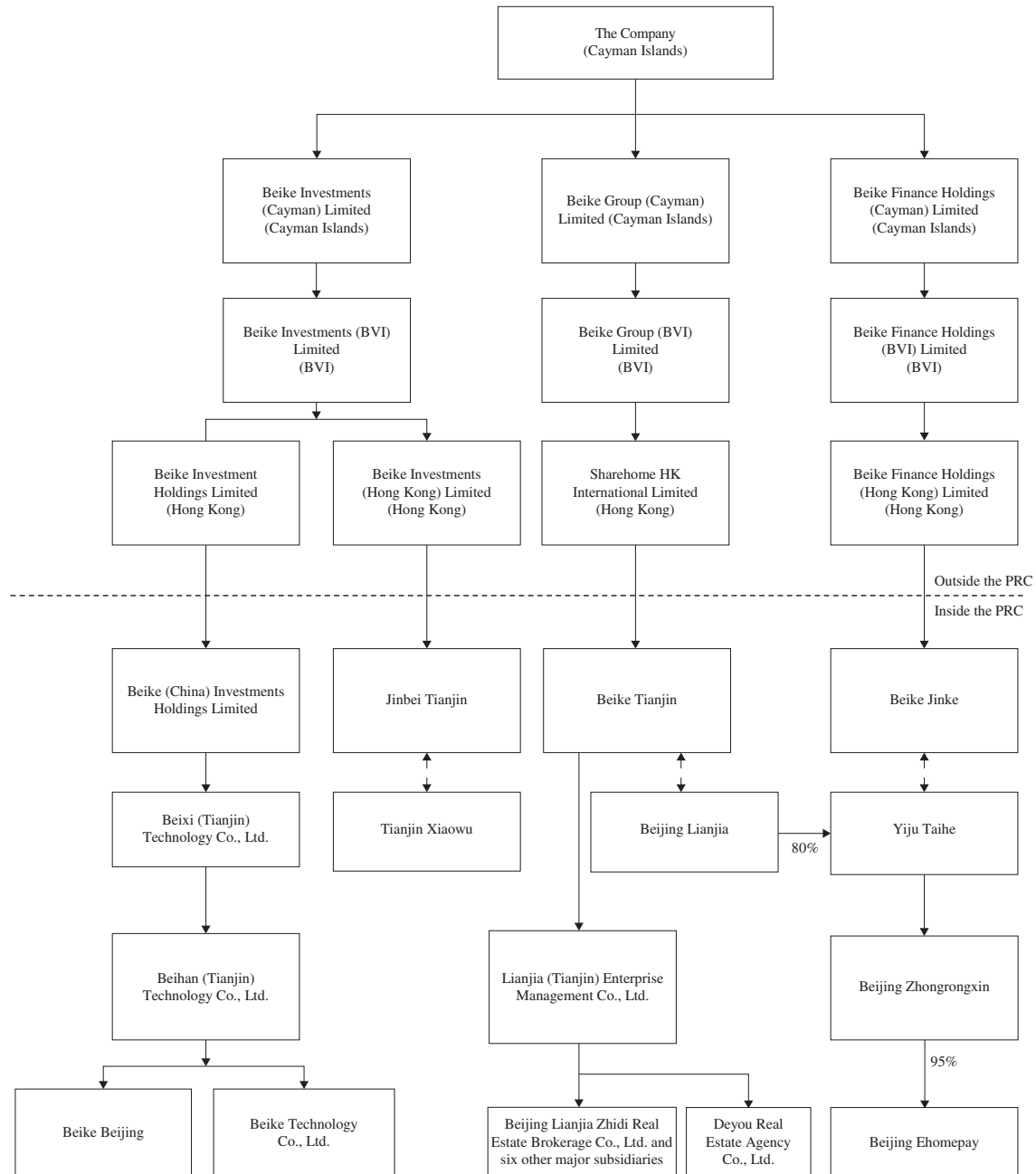
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Company	Place and Date of Incorporation	Shareholding Controlled by the Company	Principal Business
Jinbei Tianjin	PRC, August 22, 2018	100%	investment holding
Beike Jinke	PRC, October 30, 2018	100%	investment holding
Lianjia (Tianjin) Enterprise Management Co., Ltd. (鏈家(天津)企業管理有限公司)	PRC, August 13, 2018	100%	investment holding
Beike Zhaofang (Nanjing) Technology Co., Ltd. (貝殼找房(南京)科技有限公司)	PRC, May 18, 2017	100%	new home transaction service
Tianjin Beike Real Estate Brokerage Co., Ltd. (天津貝殼房地產經紀有限公司)	PRC, July 19, 2017	100%	new home transaction service
Wuhan Beike Zhaofang Technology Co., Ltd. (武漢貝殼找房科技有限公司)	PRC, June 8, 2018	100%	new home transaction service
Guangzhou Beike Technology Service Co., Ltd. (廣州貝殼科技服務有限公司)	PRC, August 18, 2017	100%	new home transaction service

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following diagram illustrates our corporate structure as of the Latest Practicable Date, including our certain principal subsidiaries, VIEs and their principal subsidiaries. Certain entities have been omitted. Except as otherwise specified, equity interests depicted in this diagram are held as to 100%.



→ Equity interest (100% unless otherwise specified).

↔ Contractual arrangements. See "Contractual Arrangements" for more details.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

COMPLIANCE OF THE COMPANY WITH RULE 8.05(3)(C) OF THE LISTING RULES

Rule Requirement

Rule 8.05(3)(c) of the Listing Rules provides that, to meet the market capitalization/revenue test, a new applicant must satisfy, among other things, ownership continuity and control for at least the most recent audited financial year (the “**Ownership Continuity Requirement**”). The below sets out the basis of the Company’s compliance with Rule 8.05(3)(c) of the Listing Rules.

Relevant Facts

The “controlling group” of the Company comprised Mr. Zuo, Mr. Peng and Mr. Shan and has been formed since 2015. They have a deep trust in and understanding on each other and worked collectively to make all strategic decisions of the Company.

As of January 1, 2021, based on then total number of issued Shares, (i) Mr. Zuo controlled 885,301,280 Class B ordinary shares through Propitious Global, representing 76.8% of the voting power in the Company; (ii) Mr. Peng controlled 110,116,275 Class A ordinary shares, representing 1.0% of the voting power in the Company; (iii) Mr. Shan controlled 47,777,775 Class A ordinary shares, representing 0.4% of the voting power in the Company; and (iv) in aggregate, the “controlling group” controlled an aggregate of 78.2% voting power in the Company (without taking into consideration the voting power of the Class A ordinary shares controlled by Mr. Zuo through voting proxy arrangement, which was terminated after Mr. Zuo’s passing away).

On July 28, 2021, due to the passing of Mr. Zuo in May 2021, Propitious Global executed an irrevocable proxy and power of attorney to authorize Baihui Partnership to exercise the voting power represented by the 885,301,280 Class B ordinary shares (or approximately 76.7% of the total voting power in the Company, calculated based on then total number of issued Shares). As a result, since July 28, 2021, Baihui Partnership has controlled more than 30% of the voting power in the Company. Baihui Partnership currently has two limited partners, being Mr. Peng and Mr. Shan, the remaining two members of the “controlling group”. The general partner of Baihui Partnership is Ample Platinum Holdings Limited, which is an exempt company incorporated in Cayman Islands controlled as to 50% by Mr. Peng and 50% by Mr. Shan as of the Latest Practicable Date.

Satisfaction of Ownership Continuity

The Company satisfies the Ownership Continuity Requirement as (i) the “controlling group” had made all decisions collectively since the formation in 2015; (ii) in spite of the passing away of Mr. Zuo in May 2021, the “controlling group” (now comprising Mr. Peng and Mr. Shan) continues and will continue to control over 30% the Company’s voting rights upon

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

the completion of the Listing as a result of the POA Arrangement; and (iii) all senior management members have been with the Company for more than six years and are expect to remain unchanged upon the completion of the Listing.

GRANTING CLASS A ORDINARY SHARES TO MR. PENG AND MR. SHAN

Pursuant to the terms of 2022 Share Incentive Plan, in order to recognize the extraordinary contribution from Mr. Peng and Mr. Shan to the Company, we granted 71,824,250 Class A ordinary shares to Mr. Peng and 53,868,189 Class A ordinary shares to Mr. Shan, which take effect from the date of this document. Such Class A ordinary shares are not transferable and may not be sold, pledged or otherwise disposed of and are not entitled to receive dividends paid. Such restrictions will be removed in whole in five years from the date of this document with restriction on certain portion being removed in each year, subject to the approval by a resolution of the compensation committee of the Board.

See “Waivers – Waiver in Relation to the Minimum Economic Interest of the WVR Beneficiaries at Listing” and “Statutory and General Information – The Share Incentive Plans.”

SHENGDU ACQUISITION

On July 4, 2021, the Company, together with a wholly-owned Hong Kong subsidiary, have entered into a definitive agreement with (i) Shengdu, (ii) the subsidiaries of Shengdu, (together with Shengdu, the “**Shengdu Group**”) and (iii) all of the existing shareholders of Shengdu (together with Shengdu Group, the “**Shengdu Parties**”), which was amended and restated on April 11, 2022, pursuant to which the Company agreed to acquire 100% beneficial interests in Shengdu Group from all of the existing shareholders of Shengdu Group, for a total consideration of RMB3,920 million in cash and 44,315,854 Class A ordinary shares, subject to a staggered acquisition arrangement and customary closing conditions, including regulatory approvals (the “**Shengdu Acquisition**”).

With over 20 years of operating experience, Shengdu has become a renowned home renovation service provider in East China with a service network covering seven provinces and municipalities, providing quality one-stop home renovation service for a large customer base. The Directors believe that the Shengdu Acquisition could enable us to strengthen our capabilities in providing better housing services to satisfy the evolving needs of customers. The consideration of the Shengdu Acquisition was determined on normal commercial terms after arm’s length negotiations between the Company and Shengdu Parties, after taking into account (i) the financial results of Shengdu Group; (ii) results of legal, business, financial and technical due diligence on Shengdu Group; and (iii) prospects of home renovation industry and the strategic synergies we could achieve after the completion of the Shengdu Acquisition.

As of the Latest Practicable Date, the Shengdu Acquisition has been completed and the Company has acquired 100% beneficial interests in Shengdu Group. The cash consideration of RMB3,920 million has been fully settled and the Company has also issued 44,315,854 Class A ordinary shares to settle the equity consideration.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

To the best knowledge of the Directors, Shengdu Parties and their respective beneficial owners are independent third parties.

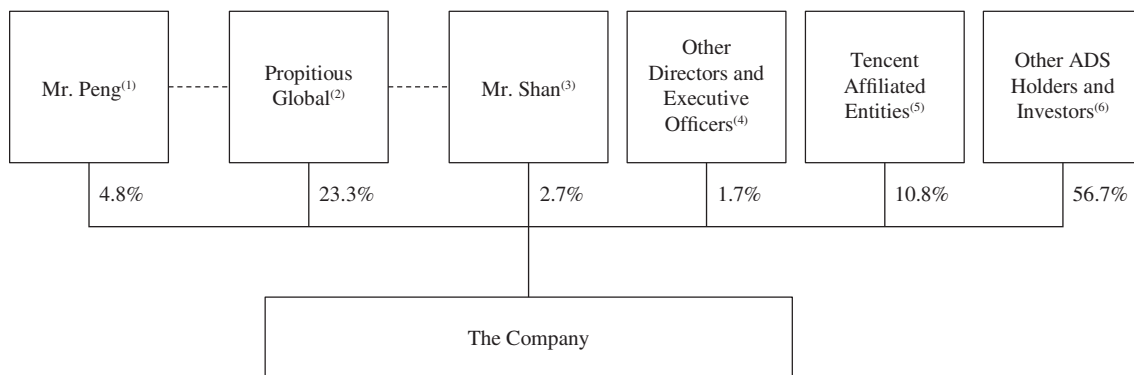
ZHONGHUAN ACQUISITION

On June 28, 2019, the Company has entered into share purchase agreement with Nanchang Zhonghuan Hulian Information Co., Ltd. (南昌中環互聯信息服務有限公司) (“**Zhonghuan**”) and selling shareholders of Zhonghuan (the “**Zhonghuan Shareholders**”), pursuant to which the Company agreed to acquire a total of 100% shares of Zhonghuan from the Zhonghuan Shareholders, for a total consideration of RMB1,841.4 million (the “**Zhonghuan Acquisition**”).

The Company believes that the Zhonghuan Acquisition could help expand its business along the value chain of housing transactions as Zhonghuan is a regional real estate brokerage firm in central China. In 2021, the revenue of Zhonghuan was RMB110.2 million. As of December 31, 2021, the total assets of Zhonghuan was RMB195.5 million. To the best knowledge of the Directors, Zhonghuan Shareholders and their respective beneficial owners are independent third parties.

SHAREHOLDING STRUCTURE

The following diagram illustrates our shareholding structure upon the Listing (assuming that (i) the shareholdings below remain unchanged, (ii) no further Class A ordinary shares are issued under the Share Incentive Plans):



Notes:

- (1) As of the date of this document, 110,116,275 Class B ordinary shares and 71,824,250 restricted Class A ordinary shares were held by Ever Orient International Limited, which was wholly-controlled by Mr. Peng.
- (2) As of the date of this document, 157,894,050 Class A ordinary shares and 727,407,230 Class B ordinary shares were held by Propitious Global.

On May 20, 2021, Mr. Zuo passed away. On July 28, 2021, Propitious Global executed and delivered an irrevocable proxy and power of attorney (as supplemented on November 8, 2021), pursuant to which Propitious Global irrevocably authorized Baihui Partnership to exercise the voting rights represented by the Shares held by Propitious Global.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On November 8, 2021, the Company convened an extraordinary general meeting (the “EGM”), at which, the Shareholders had approved that 110,116,275 Class A ordinary shares that were beneficially owned by Mr. Peng, and 47,777,775 Class A ordinary shares that were beneficially owned by Mr. Shan, be re-designated as Class B ordinary shares on a one-to-one basis (the “**Re-designation**”). Immediately prior to the completion of the Re-designation, 157,894,050 Class B ordinary shares held by Propitious Global were converted into Class A ordinary shares on a one-to-one basis. In connection with the Introduction, Propitious Global has delivered a conversion notice to the Company that, subject to and immediately upon the completion of the Introduction, the remaining 727,407,230 Class B ordinary shares held by Propitious Global will be converted into Class A ordinary shares on a one-to-one basis. Upon the Listing, Propitious Global will hold 885,301,280 Class A ordinary shares.

- (3) As of the date of this document, 47,777,775 Class B ordinary shares and 53,868,189 restricted Class A ordinary shares were held by Clover Rich Limited, which was wholly-owned by Sapient Rich Holdings Limited. Sapient Rich Holdings Limited was wholly-owned by Trident Trust Company (HK) Limited as the trustee of De Chang Trust, a discretionary trust established by Mr. Shan (as the settlor).
- (4) Representing 64,272,705 Class A ordinary shares held by our Directors and executive officers other than Mr. Peng and Mr. Shan as of the date of this document.
- (5) Representing (i) 49,169,495 Class A ordinary shares held by Morespark Limited; (ii) 33,625,445 Class A ordinary shares held by Parallel Stellar Investment Limited; (iii) 245,499,801 Class A ordinary shares (including 20,400,000 Class A ordinary shares represented by 6,800,000 ADSs) held by Tencent Mobility Limited; (iv) 78,947,370 Class A ordinary shares held by Parallel Galaxy Investment Limited; and (v) 3,600,000 Class A ordinary shares represented by 1,200,000 ADSs held by Sunshine Peak Holding Limited (collectively, the “**Tencent Affiliated Entities**”, which are all controlled by Tencent), based on the latest Schedule 13D filed with the SEC on August 24, 2020.

Tencent Affiliated Entities, as sophisticated investors for the purpose of Guidance Letter HKEX-GL93-18, have undertaken to the Company to retain at least an aggregate of 50% of its shareholding at the time of Listing for a period of at least six months following the completion of the Listing.

- (6) Including (i) 43,109,607 Class A ordinary shares registered in the name of our depositary bank for future issuance of ADSs upon the exercise or vesting of awards granted under the Share Incentive Plans as of the Latest Practicable Date. Our depositary bank does not exercise voting rights over such Class A ordinary shares; and (ii) 17,324,989 Class A ordinary shares held by Shing Lee International Limited on behalf of our employees as of the Latest Practicable Date. The voting rights in respect of such Class A ordinary shares is controlled and exercised by the director of Shing Lee International Limited, an employee of the Company and an independent third party. In terms of the above-mentioned Class A ordinary shares held by our depositary bank and Shing Lee International Limited, our depositary bank and Shing Lee International Limited are entitled to receive the dividend that may be declared and paid by the Company. Such dividend will be retained by the Company.
- (7) The Company will have a WVR structure immediately upon the Listing through two classes of Shares (Class A ordinary shares and Class B ordinary shares). Therefore, the ownership percentage does not reflect Shareholders’ voting rights upon the Listing. See “Share Capital – Weighted Voting Rights Structure” and “Share Capital – Authorized and Issued Share Capital” for details.

INVESTMENT PRIOR TO THE NYSE LISTING

From 2010 to 2019, we have conducted multiple rounds of fund raising before our initial public offering on the NYSE, with the participation of various professional equity investment funds and prestigious internet technology companies. The aggregate net proceeds from such investments amounted to an equivalent of more than RMB30 billion. Our Directors are of the view that we have benefitted from business synergy between us and the investors, the investors’ knowledge and experience and the endorsement of our performance, strength and prospects reflected by such investment.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In connection with the fund raising, we have entered into investor rights agreement with the investors (as amended), pursuant to which certain special rights were granted to the investors, including, among other things, right of first refusal, co-sale rights, and preemptive rights. The special rights have automatically terminated upon the completion of our initial public offering on August 17, 2020 on the NYSE. All the preferred shares of the Company that were issued and outstanding at the time, including the preferred shares held by the investors, were converted into our Class A ordinary shares on a one-for-one basis, immediately prior to the completion of our initial public offering on August 17, 2020 on the NYSE.

LISTING ON THE NYSE AND FOLLOW ON OFFERING

In August 2020, the Company completed an initial public offering and was listed on the NYSE and issued an aggregate of 121,900,000 ADSs (including 15,900,000 ADSs issued upon the full exercise of the underwriters' over-allotment option), representing 365,700,000 Class A ordinary shares at a public offering price of USD20.00 per ADS, raising a total of USD2,359 million in net proceeds after deduction of underwriting discounts, commissions and expenses.

In November 2020, the Company completed a follow-on public offering at a price of USD58.00 per ADS (the **"U.S. Follow-on Public Offering"**). In this offering, we issued an aggregate of 40,710,000 ADSs (including 5,310,000 ADSs sold upon the full exercise of the underwriters' over-allotment option), representing 122,130,000 Class A ordinary shares, raising a total of USD2,323 million in net proceeds after deduction of underwriting discounts, commissions and expenses.

Since the date of our listings on the NYSE and up to the Latest Practicable Date, our Directors confirm that we had no instances of non-compliance with the rules of the NYSE in any material respects and to the best knowledge of our Directors after having made all reasonable enquiries, there is no matter that should be brought to investors' attention in relation to our compliance record on the NYSE.

We founded our Company with the belief that we can transform the housing related industry in China. The Listing on the Stock Exchange brings us closer to home market and further strengthens our brand. It also allows us to share the benefits from China's long-term stable development and Hong Kong capital markets' diversified investor base.

PUBLIC FLOAT

So far as our Directors are aware, immediately following the Listing (assuming that, except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans), the following persons, (a) Directors and chief executive officer of our Company and subsidiaries who will hold their position and directorship on the Listing Date and own our Shares or ADSs by

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

themselves or through shareholding vehicles; (b) Propitious Global; and (c) Tencent, will hold approximately 43.3% of our total issued and outstanding Shares in aggregate, and such Shares will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing.

SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, “**SAFE Circular 37**”), promulgated by SAFE on July 4, 2014 and which replaced the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》, “**SAFE Circular 75**”), (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division.

Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), “**SAFE Circular 13**”), promulgated by SAFE on February 13, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Adviser, except that Mrs. Zuo is in the process of the registration, Mr. Peng, Mr. Shan and other 27 individuals, who are our indirect beneficial owners and known to us as being PRC residents, have registered with the relevant local SAFE branch under the SAFE Circular 37.

OVERVIEW

Who We Are

Beike is the leading integrated online and offline platform for housing transactions and services. We are a pioneer in building infrastructure and standards to reinvent how service providers and housing customers efficiently navigate and complete housing transactions in China, ranging from existing and new home sales, home rentals, to home renovation and furnishing, and other services. We believe our proactive engagement with platform participants both online and offline enables us to know them better and serve them better. In 2021, we facilitated over 4.5 million housing transactions on our platform with an aggregate GTV of RMB3,853.5 billion, making us the largest housing transactions and services platform in China, and a top three commerce platform across all industries globally, both in terms of GTV, according to the CIC Report.

We own and operate *Lianjia*, China's leading real estate brokerage brand and an integral part of our *Beike* platform. We believe the success and proven track record of *Lianjia* pave the way for us to build our infrastructure and standards and drive the rapid and sustainable growth of *Beike*. We have more than 20 years of operating experience through *Lianjia* since our inception in 2001. Such extensive industry experience has provided us with distinct insights into markets, business conditions and customer needs, which we believe are critical for us to offer effective solutions, expand market footprint and capture adjacent opportunities.

Industry Opportunities and Challenges

According to the CIC Report, China's housing related market reached RMB39.6 trillion in terms of GTV in 2021, and is expected to grow to RMB55.7 trillion by 2026, at a CAGR of 7.1%, remaining to be the world's largest market in terms of spending. While demand is expected to stay resilient as a result of continuous urbanization, smaller family size and higher disposable income, customers have new engagement and service expectations. At the same time, existing home sales and home rentals are playing an increasingly important role in the total housing supply. As China continues to refine its long-term mechanism for the housing market and pushes for stable and balanced growth, there are significant market opportunities for real estate brokerage services serving both ends. According to the CIC Report, the total GTV of home sales and rental transacted through real estate brokerage services in China is expected to grow from RMB12.7 trillion in 2021 to RMB19.4 trillion by 2026, representing a growing penetration rate from 49.8% in 2021 to 61.6% in 2026. Moreover, the market of other housing related services, including home renovation and furnishing, among other things, also has high growth potential and is expected to reach RMB24.2 trillion by 2026.

Despite the massive market size, the housing related industry remains digitally disconnected and has been struggling with low efficiency. For example, it is common in China for a home seller to contact multiple brokerage stores and agents as there is no industry framework for exclusive engagement. At the same time, a home buyer has to deal with a number of brokerage stores and agents in the decision-making process. Without an assurance

mechanism for their economic interests, brokerage stores and agents are unwilling to share information and resources. Over time, information isolation and vicious competition in customer acquisition become prevalent in the industry. In addition, the industry is short of professional agents with experiences and tenure due to the historical lack of recognition for the housing brokerage profession. These challenges hinder service quality and lead to lack of trust from housing customers.

Our Solutions – ACN and Beyond

We believe the key to capturing market opportunities while solving industry challenges lies in the ability to build an infrastructure that fundamentally redefines relationships among industry participants. To that end, we introduced Agent Cooperation Network, or ACN, as the operating system underpinning our infrastructure. ACN has been transforming the housing transactions and services industry in China through the following three reinventions: (i) fostering information and resources sharing among service providers to demolish the walls among isolated information islands, (ii) assigning cooperative roles to achieve cross-store and cross-brand collaboration, and (iii) creating a professional network for agents, stores, brands and other service providers to get connected and engaged on the platform. Through over 20 years of refinement and evolvement under *Lianjia* and *Beike*, ACN has enabled us to foster a culture of transparency, collaboration and shared success.

Leveraging ACN, we have been promoting standardization across information, transaction process, and service quality, and building our core competencies that level up the industry playfield. In particular, to effectively motivate agents to share information and resources, ACN consists of standard protocols and practices to specify roles and prescribe agents' rights and obligations through proper commission allocation mechanism. To that end, ACN partitions a housing transaction into various steps and allows multiple agents to cooperate, which creates more opportunities for agents to participate and earn allocated commission, increases transaction efficiency, and enhances agent retention. This is particularly important in the midst of market volatility, as specialization and collaboration ensure better strategy execution and team stability. As agents serving both home buyers and sellers, or landlords and tenants, are connected through our ACN, these housing customers at different locations can be efficiently matched through collective efforts. After pioneering a prototype ACN in Beijing and becoming the leading brand locally, *Lianjia* extended the power of ACN to Shanghai and other first- and second-tier cities in China and achieved leading positions in local markets.

Built on the success of our time-tested ACN, we horizontally extended the core competencies of *Lianjia* to *Beike* platform in April 2018 to serve the broad housing related market. As of December 31, 2021, the number of real estate brokerage brands and active stores on *Beike* platform reached 300 and over 45,000 respectively, demonstrating the compatibility of our infrastructure. The adoption of ACN has also brought shared success. In 2021, approximately 76% and 37% of the existing home sales completed on *Beike* platform involved cross-store and cross-brand collaborations, respectively. As of December 31, 2021, approximately 86% of existing home listings on *Beike* platform were posted by agents

affiliated with connected stores. In addition, leveraging our extensive presence and local insights, we have become real estate developers' partner of choice and helped them effectively improve sell-through and cash cycle. As our scale grows, we enjoy a powerful network effect that draws more participants, improves efficiency and quality, and allows us to capture more transactions and expand service offerings.

Our Competencies – Technologies and Beyond

We aspire to lead the innovations in the new era of China's housing related industry. Our integrated online and offline operations give us unparalleled insight into the entire industry value chain. Our constantly advancing technology platform allows us to become a pioneer in the industry to streamline and digitalize manual and time-consuming workflows through combining technologies, such as artificial intelligence and machine learning, with our operational know-hows – a characteristic that has now become iconic to *Beike* and followed by our peers. Through modularizing our vertical skills and creating integrated solutions, we have been able to continuously improve operational efficiency and empower platform participants.

Our solutions are purpose-driven and user-oriented. We believe virtual reality will fundamentally redefine the way people interact with the spaces around them. As such, we introduced VR experience to the housing transactions and services industry in China in 2018 to capture and track hundreds of interactions that a home tour may involve and support the home-searching journey in the age of “connected consumer.” Our *RealSee* VR technology integrates industry-leading computer vision and AI to provide three-dimensional walkthroughs of properties and real-time agent interaction, therefore significantly accelerating customers' decision making and enhancing agents' productivity and reach. With instant rendering of home renovation and furnishing effects, *RealSee* also creates high-quality visual experience and makes “what you see is what you get” possible. In 2021, our housing customers had approximately 1.6 billion views and spent over 66 million hours on VR property showings. As we further advance our VR capabilities and set the standard for visualizing residential spaces, *RealSee* is well positioned to deliver value across a diverse set of industries and use cases.

We continuously innovate and enhance our digital realm with large scale investments in talents and technology. In 2019, 2020 and 2021, our research and development expenses were RMB1,571 million, RMB2,478 million and RMB3,194 million, significantly higher than our peers. The caliber and pedigree of our technology leadership helps us attract and retain software engineers, AI and VR talent, reinforcing our core value of innovation and creating a competitive moat.

Our Path Forward – Transactions and Beyond

China's housing market is moving towards a new equilibrium with stable home prices. While the housing transactions and services industry is expected to remain robust in the foreseeable future on favorable demographic trends, the underlying shift from “buying a right home” to “living a joyful life” has spurred the demand for other housing related services, which are consumption-driven and recurring in nature. In particular, home renovation and furnishing

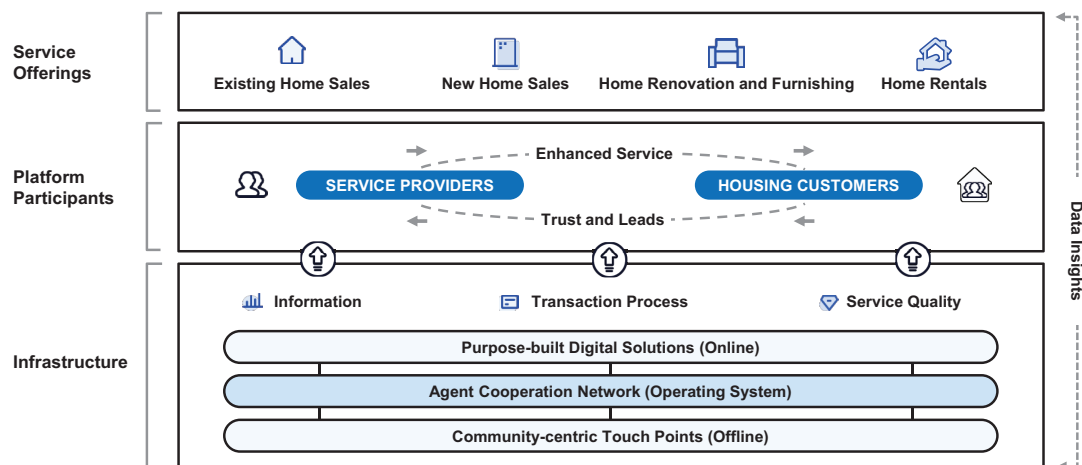
industry presents a massive opportunity driven by a growing share of existing homes in the overall housing supply and Chinese families’ pursuit of better living conditions. According to the CIC Report, the market size of home renovation and furnishing in China grew from RMB4.5 trillion in 2016 to RMB6.9 trillion in 2021, and is expected to grow further to RMB10.4 trillion in 2026. Despite its size and resilience, the home renovation and furnishing industry is highly fragmented and lacks a digital infrastructure, industry-wide standards and qualified service providers – the same pain points that we have successfully solved for existing and new home sales.

As such, we have adopted our proven “vertical to horizontal” playbook, underpinned by industry-leading standardization and digitalization capabilities, to reinvent home renovation and furnishing industry. We introduced our own home renovation brand, *Beiwoo*, to create an informed, connected and personalized customer experience. As part of our efforts to develop vertical skills, we launched our proprietary *Home SaaS* for renovation and furnishing in 2021, fully modularizing, standardizing and digitalizing the key steps of the home renovation process. These efforts, together with a series of pioneering service commitments, have helped us build our brand and increase its awareness. In 2021, *Beiwoo* has delivered over 3,500 property units to customers. In addition, our acquisition of Shengdu, a full-service home renovation service provider in China with 20 years of operation history, will further strengthen the breadth and depth of our product offerings and extend our presence along the value chain.

We believe that as our business continues to scale and diversify, our increasingly comprehensive solutions will arm us with the ability to address a wider range of housing related consumer needs and serve as further growth drivers.

Our Platform

The diagram below illustrates the major components of our technology driven *Beike* platform and synergies among them.



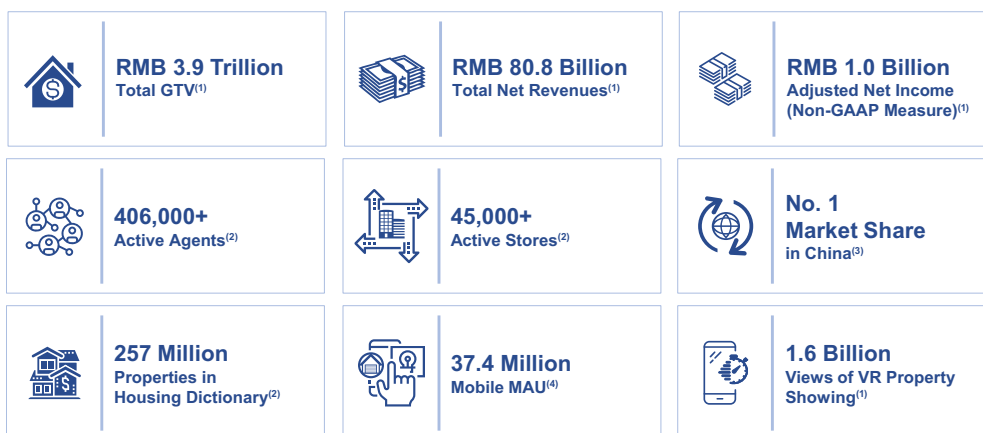
Our Purpose and Commitment in Environmental, Social and Governance (ESG)

Beike is a brand rooted in purpose and communities. Our purpose is to achieve “admirable service, joyful living.” We founded our company with the belief that we can transform the housing related industry in China by improving the quality and efficiency of service providers and enhancing customer experience. The three pillars of our belief are that digitalization catalyzes industry transformation, service providers are indispensable, and service quality builds customer trust that transcends market cycles. We are excited and firmly committed to pursuing our purpose by leveraging our people, insights, technology and platform. We aspire to provide comprehensive and trusted housing services to 300 million families.

Led by our purpose and the core values, *Beike* integrates ESG criteria into our corporate strategies and stands up for housing customers and service providers on our platform. We are dedicated to helping build and maintain a healthy economy with sustainable growth, common prosperity, and continued innovation. We believe a practical method is more important than mere willingness, therefore we strive to engage through our social impact initiatives. In particular, we have provided funding support for the education of nearly 80,000 students in rural areas in China, and have donated over 600,000 books to 201 charity libraries and contributed to funds that built 12 primary schools in less developed areas in China as of December 31, 2021. As an integral part of the communities, we collaborated with other industry participants to give back to the communities, including providing comprehensive on-the-ground supports for students and parents during the National College Entrance Examination. We initiated an ongoing elderly care program where our agents teach elderly in the community to use smart phones through regular workshops and free Q&A sessions. As of December 31, 2021, the program has been established in over 2,000 communities in 48 cities nationwide, providing over 300,000 times of services to the elderly. These initiatives not only bring warmth to the residents in the communities, but also give us greater strength to uphold our purpose – “admirable service, joyful living.”

As our business scale grows, we will continue to leverage the power of our online and offline integrated platform and strive to become a driving force in promoting elderly care and enhancing community welfare.

Our Scale and Financial Performance



Notes:

- (1) For the year ended December 31, 2021.
- (2) As of December 31, 2021.
- (3) In terms of housing related GTV in 2021, according to the CIC Report.
- (4) Average mobile MAU in the three months ended December 31, 2021.

Our industry leadership is further underpinned by the solid operating and financial performance. We continue to grow at scale with GTV increased from RMB3,499.1 billion in 2020 to RMB3,853.5 billion in 2021, representing a year-over-year growth rate of 10.1%.

We generate revenues mainly from fees and commissions in housing transactions and services. We have experienced substantial growth since the commencement of our operations, and our management team has a strong track record of executing our strategies. Our net revenues increased by 14.6% from RMB70.5 billion in 2020 to RMB80.8 billion in 2021.

OUR STRENGTHS

Largest integrated online and offline platform for housing transactions and services

We are China's largest housing transactions and services platform and a world's top three commerce platform across all industries, in terms of GTV in 2021, according to the CIC Report. Our GTV reached RMB3,853.5 billion in 2021, representing a year-on-year growth of 10.1%.

We have built and operated the first integrated online and offline housing transactions and services platform at scale in China, according to the CIC Report. ACN, together with other modules in our infrastructure, collectively reconstruct and streamline complex housing transactions and services and seamlessly integrate our offline and online operations:

- *Offline.* There were over 45,000 active brokerage stores and over 406,000 active agents affiliated with these stores across more than 100 economically vibrant cities in China in our extensive and community-centric network as of December 31, 2021. Our unparalleled know-hows and capabilities, developed through our success with *Lianjia*, have been transparently extended to support hundreds of selected brokerage brands joining our platform to help them grow and succeed. Our offline network serves as an entry point for our customers to our platform as they are conveniently located within the communities and at the same time have become our competitive advantage in the industry.
- *Online.* Our platform is significantly complemented by our online operations that drive efficiency and engagement among participants through data insights and technology. It is designed to streamline and digitalize complex and inefficient workflows from home tours to contract signing. Our purpose-built technologies and operational expertise allow us to mobilize resources and expand efficiently, while maintaining our unwavering commitment to service quality.

As a result, our extensive presence, both online and offline, brings us closer to housing customers and communities, allowing service providers on our platform to effectively hone deeper local market expertise, generate leads and win trust from customers. Our extensive store coverage allows our platform to amass housing information offline and gain local insights in customer needs and property information, providing solid basis for our insights and technology to empower stores and agents. The connections between housing customers and agents through our online platform allow housing customers to quickly find the tangible touchpoints offline for speedy and efficient service delivery. The seamless integration of digitalized online operations and community-centric offline network distinguishes our infrastructure from our peers in the industry. As a result, our housing related market share in China, in terms of GTV, increased from 6.4% in 2019 to 9.7% in 2021, according to the CIC Report. We believe we are uniquely positioned to further expand our market footprint and create more monetization opportunities as we continue to unleash the power of our integrated online and offline operational capabilities and lead the evolution of China's housing transactions and services industry.

Pioneer in developing infrastructure and promoting digitalization and standardization across information, transaction process and service quality

Our infrastructure reshapes the landscape of China's housing transactions and services industry and we made it available to all industry participants along with our launch of *Beike* platform. This critical step in our business evolution was driven by our goal to maximize the efficiency and transparency of housing transactions and services industry for the benefit of all industry participants. In building this infrastructure, we endeavor to digitalize and standardize three key components, namely, information, transaction process and service quality, on our platform.

Information

We have digitalized and standardized both property information and qualifications of service providers to help housing customers make intelligent decisions. “Authentic property listings,” an industry standard that we introduced and advocated in China first, manifests our commitment to eradicating low transaction efficiency and untrustworthy customer services in our industry resulting from information asymmetry related to false, duplicate or outdated property information. The “*Housing Dictionary*” that we built has made authentic property listings possible. This real-time database contained comprehensive information on approximately 257 million properties as of December 31, 2021, and is the most comprehensive residential housing database in China, according to the CIC Report. As a result of years of substantial investment and efforts, we provide multi-dimensional information with highest granularity in China to aid agents’ operation and customers’ decision making, according to the CIC Report. By building and maintaining the *Housing Dictionary*, we are able to quickly verify the authenticity of existing home listings posted and displayed on our platform. As of December 31, 2021, we had approximately 4.3 million authentic property listings for existing home sales, the largest in the industry in China, according to the CIC Report. In addition, rather than one-time single verification, we adopt an automatic recurring verification system to dynamically track, monitor and analyze over 40 key attributes of our propriety listings, so as to fully reduce the possibilities of false listings and ensure the authenticity of the properties throughout the entire housing transactions and services lifecycle.

We have invented a multi-factor agent evaluation framework called “*Beike score*,” which quantifies agent’s performance and service quality and is visible to platform participants to promote transparency. In 2021, *Beike score* reached 2.7 billion views, demonstrating its broad acceptance across the industry. We are also quickly advancing our technological capabilities in artificial intelligence, virtual reality, and Internet-of-Things, and further promoting the transparency and accessibility of information to all platform participants.

Transaction Process

We have digitalized and standardized the transaction process through ACN, an operating system that not only fosters reciprocity and bonding among various service providers, but also enables them to enhance efficiency and service quality through collaborative efforts and commission allocation. In particular, ACN partitions a housing transaction into various steps and allows multiple agents to cooperate in one transaction and split commissions based on their respective roles and contributions under a pre-defined set of allocation mechanisms, resulting in more frequent cross-store and cross-brand collaborations. We believe that ACN, from its inception, is similar to the Multiple Listing Service, or MLS, in the United States. Through over 20 years of refinement and evolvement under *Lianjia* and *Beike*, ACN has grown beyond MLS and enabled us to foster a culture of transparency, collaboration and shared success amid the unique market dynamics in China. We grow with our agents’ growth powered by ACN. Rather than relying on a limited group of top agents, we have cultivated a scaled, strong and cohesive active agents group of over 406,000 by December 31, 2021, with shared sets of professional beliefs and standards that consistently deliver best-in-class service quality.

Leveraging our in-depth understanding of our industry and insights in market trends, we have also been constantly building new initiatives and protocols into our ACN to further optimize the transaction process. For example, we initiated the agent specialization strategy in 2021, encouraging agents to focus on one of existing home sales, new home sales, or home rentals, rather than fulfilling a mixed function. This strategy helps agents sharpen their skills, cultivate stronger and more specialized professional capabilities, and will ultimately improve store efficiency and consumer experience. As of December 31, 2021, the agent specialization strategy has covered over 29,000 of active stores.

In addition, we are also a pioneer in the industry to enhance transaction experience through migrating transaction steps and services online and promoting technological innovations such as personalized search, VR property showing, and real-time smart chat, a characteristic that has now become iconic to *Beike* and followed by our peers.

Service Quality

Low operating efficiency and rapid turnover of personnel in the housing transactions and services industry make it challenging to retain agents with experience or local market expertise and cultivate professionalism. We tackle these industry pain points through motivating and empowering our agents to be more productive so that they are better rewarded in terms of career development. This results in higher level of professionalism, self-esteem at work and service quality.

Leveraging our profound understanding of China's housing related market accumulated throughout our 20-year operation of *Lianjia*, we offer our SaaS systems and various other toolkits for store managers and agents to seamlessly follow our ACN and support their entire workflows. In addition, carefully designed platform governance mechanisms, along with bespoke training programs, are in place to incentivize store managers and agents to constantly enhance service quality, productivity and collaboration. The full supportive nature of our platform empowers store managers to build and manage larger teams of agents and increase operational efficiency at store level. As a result, our stores and agents consistently deliver outstanding performance in terms of productivity and service quality, and our platform has a higher agent retention rate within the industry, according to the CIC Report.

To mitigate transaction risks and create a more secure transaction experience for housing customers, we roll out multiple commitments for transactions and services facilitated on our platform. Agents are encouraged to participate in these commitments, which are viewable from customer front end to promote the high standard of service quality. For example, we pioneered the industry in providing unconditional refund options for our new home buyers for a specified period within the initial purchase. Our endeavors have resulted in higher customer satisfaction rate among housing platforms in China, according to the CIC Survey.

We believe our infrastructure is instrumental to the shared success of our business and our industry. As we achieve higher digitalization and standardization across information, transaction process and service quality, we are able to mobilize resources, align interests

among agents better, give agents more appropriate roles and responsibilities, and match listings more precisely for housing customers. As a result, we and the industry participants on our platform enjoy higher lead conversion, transaction efficiency and enhanced customer satisfaction.

Brand of choice for industry participants

Service quality is the foundation of our success and, guided by this principle, we aim to bring a high level of satisfaction to our housing customers, and growth and success to industry participants on our platform. Over the past 20 years, our management built *Lianjia* from scratch to a household name synonymous with trust, integrity and experience. *Lianjia* has been recognized as “China’s Famous Brand.” Our profound understanding of China’s housing market and goodwill accumulated throughout our operation of *Lianjia* has led to the fast development of our *Beike* platform through a broad spectrum of service offerings from ourselves and the service providers on our platform.

- *Goodwill among housing customers.* Housing transactions feature high average transaction value, and therefore invoke great emphasis on service quality and transparency. These attributes correlate with the strong preference of housing customers to work with brands with proven track record. As we gain trust from housing customers through existing and new home sales and home rentals, they often refer us to their families, friends and social contacts, or return to our platform when they have other housing related needs, be it home renovation and furnishing, or other services. To uphold our brand image and further enhance our service quality, we are constantly investing in people and upgrading our operating paradigm to deliver a consistent and satisfactory experience under *Beike*. Our endeavors have resulted in high customer satisfaction rate.
- *Validation from platform participants.* Our commitment to true openness and our vision to elevate the entire housing related industry have also made *Beike* the partner of choice. Since the inception of *Beike*, we have successfully attracted approximately 300 recognizable real estate brokerage brands as of December 31, 2021 and we have continuously helped them grow. Leveraging our extensive footprints and access to a large pool of housing customers, we have also become a powerful sales channel for real estate developers and effectively improved their cash cycles. While we continue to gain trust and mind share in the new home sales market, our receivable turnover remained healthy at 97 days in 2021, as a result of our robust and comprehensive risk assessment measures.

Proprietary technology with powerful and purpose-built applications

We have invested significantly in insights and technology and made them our core competencies. The substantial volume of property listings and housing transactions, multi-layer agent-customer engagement through offline and online interfaces, and the broad participation of various parties on our platform, necessitate a reliable and scalable technology architecture.

Our unparalleled insight into the entire housing transactions and services value chain, which could be further utilized to feed our proprietary algorithms to optimize products and solutions, guide the efficient operation of our offline network and enhance the local market insights of agents on our platform. We have also been enhancing customer experience and platform efficiency through using new technology, such as virtual reality, artificial intelligence, and Internet-of-Things, to create and develop real-life use cases and applications and benefit all platform participants. For example:

- Our *RealSee* VR property showing function allows customers to visit properties remotely using advanced VR technology, achieving an immersive real-time experience with on-demand real-time agent interaction, therefore significantly enhancing decision-making efficiency and minimizing the costs of physical home tours. In 2021, we had accumulated approximately 1.6 billion views of VR property showing and our housing customers have aggregately spent over 66 million hours on VR property showing, representing significant increases compared to 2019 and 2020 with 420 million and 1.3 billion views of VR property showings and 23 million and 59 million hours spent on VR property showings, respectively. In addition, we further extend our VR capabilities to offer AI-powered *Futurehome* renovation system, enabling three-dimensional visualization and instant rendering of home renovation and furnishing effects tailored for customers' unique preferences. This innovative system provides refreshingly immersive and convenient online experiences all at housing customers' fingertips.
- Leveraging our proprietary technology, we have digitalized and standardized key work streams of our agents. Through our comprehensive SaaS systems, agents can post authentic property listings, interact with housing customers in real time, manage existing housing customers, cooperate with other agents through referrals and recommendations, browse for leads assigned or in the sharing pool, and access to visualized transaction process management.
- By introducing "*Beike's Pick*," we use artificial intelligence to recommend quality listings tailored to personal preferences, leading to more completed transactions that can further enhance our recommendation accuracy and fasten the transaction cycle.

Robust platform with significant network effects to serve the ecosystem

Our platform brings us close to a variety of participants in our ecosystem and industry, including housing customers, brokerage brands and their affiliated store managers and agents, real estate developers, and strategic partners, as well as industry participants across other housing related services, such as home renovation and furnishing, among others.

The rapid adoption of our platform has proven the compatibility of our infrastructure in empowering other brands and service providers. As we extend our reach to serve the entire industry, our platform has also attracted additional industry participants to leverage *Beike's* infrastructure to improve their own businesses, service quality and efficiency. As more service providers and industry participants are drawn to our platform, ACN enables them to collaborate for better service quality and higher efficiency, which in turn improve customer experience, enhance our brand and attract more customers in a self-reinforcing virtuous cycle. As we aim to foster the shared success and growth of our industry players, they collectively, in turn, amplify the network effects of our own growing platform.

Our successes with new home sales and other housing related services serve as compelling proofs that our platform can be easily extended as new businesses emerge, thereby delivering synergistic results. Leveraging our established infrastructure and trust with housing customers, we are able to act as a powerful sales channel for real estate projects. We have established business relationships with leading real estate developers in China. Our revenue from new home sales grew rapidly from RMB37.9 billion in 2020 to RMB46.5 billion in 2021, demonstrating our unique and exceptional value proposition to real estate developers. We have also successfully adopted our well-tested experiences in housing transactions to reinvent other housing related services verticals such as home renovation. Our proprietary *Beiwoo* brand and *Home SaaS* for renovation and furnishing, which fully modularize, standardize and digitalize the key steps of the home renovation process, have delivered over 3,500 property units to customers in 2021. Our revenue from emerging and other services, primarily including home renovation and furnishing and other services, reached RMB2.3 billion in 2021, representing a 17.9% increase from 2020, manifesting that our platform can consistently expand service offerings and capture emerging opportunities.

As we further digitalize and standardize information, transaction process and service quality, we believe we can reconstruct the value chain and transform the way platform participants interact, transact and cooperate with each other across our increasingly diversified ecosystem. Expansion of monetization avenues in this nature further testifies our ability to scale our platform and infrastructure to reach more growth areas across multitudes of verticals in the housing related industry efficiently and effectively.

Visionary management team with proven track record of innovations and execution

Self-driven transformation is our core DNA.

Mr. Hui Zuo, our founder and permanent chairman emeritus, was a pioneer, visionary and respected leader in China's housing transactions and services industry. Through his vision and leadership, we have gained tremendous amount of industry and operational know-hows through over 20 years of execution excellence, and evolved into the leading platform we are today. During his chairman capacity, Mr. Zuo, together with Beike's co-founders Mr. Yongdong Peng and Mr. Yigang Shan, had led our senior management to execute his strong vision to build and launch our *Beike* platform, pioneer the creation of ACN, continuously invest in talents and technologies, and proactively address industry-wide issues to achieve our continued growth and success. Honored as permanent chairman emeritus, Mr. Zuo's values and beliefs have been imprinted in our core DNA, strengthening the commitment of our management team and leading our self-driven transformations along the journey ahead.

Our senior management team has been with us for an average of more than ten years, navigating through various industry cycles and challenges. Mr. Peng, our chairman and chief executive officer, joined us since 2010 and has since then become the mastermind that spearheads our standardization and digitalization efforts. Mr. Shan, our executive director, joined us since 2007 and made significant contribution to our strategic and financial strengths, as well as the formulation of our core management, including Mr. Tao Xu, our executive director and chief financial officer, and Mr. Wangang Xu, our executive director and chief operating officer. Most of our senior management team have gone through rotations among different internal functions and therefore developed a holistic and deep understanding of our business landscape. They uphold our shared value and belief about the future of housing related industry, collaborating cohesively to deliver significant contributions from strategic, technological and operational perspectives. In addition, substantially all of our regional captains are home grown with hands-on involvement through our evolutionary path, and therefore possess local expertise and knowledge that serve as the building blocks of our nationwide success.

OUR STRATEGIES

We will focus on the following key growth strategies to realize our vision:

Continue to develop our infrastructure to enhance efficiency and customer experience

We intend to implement this strategy in the following directions:

Further expand our platform coverage

We will continue to connect more brokerage brands and their affiliated stores and agents on our platform, strategically expanding our network in new markets. We aim to continue to leverage the extensive reach of our platform to drive up the volumes of cross-brand and cross-store home tours and transactions. We believe that a deeper penetration of our platform, more active participation from agents and brokerage brands, and the increasing number of property listings will add to the network effect that makes our platform more efficient and versatile in serving broader needs.

Consistent with our past practice, we will continue to roll out refined operational know-hows, standards, and management programs from *Lianjia* across our platform and share with other brands and stores on our platform for the benefit of all agents and participants.

Deepen our penetration and enhance efficiency

We intend to further penetrate in our existing markets, especially in the upcoming major cities where we already have a strong foothold. Regional or local incumbent players joining the platform are excited to benefit from the industry know-hows, platform protocols and practices and technology available on *Beike* platform that can further increase the efficiency of platform participants. With the assistance of our infrastructure and insights, we aim to help brokerage stores and agents joining our platform to further build local market expertise and relationship with the designated community they are responsible for.

Further enhance our service quality and invest in talents

While we enlarge our scale and broaden our service offerings, we will also relentlessly solidify our *Beike* brand by continuing to enhance service quality. With customers' needs on transaction security and efficiency and service reliability in mind, we will continue to improve our platform infrastructure to enhance customer experience. We intend to continue to assess and enhance our ACN to make sure that the transactions on our platform are done in the most efficient way. We also target to continue to promote authentic property listings and stick to our service standards and commitments to our customers.

We will keep recruiting and retaining top talents and provide continuous training programs to ensure consistently high-quality service. We will continue to invest in our career development and training system for the service providers on our platform and further implement related initiatives, such as operating the brokerage academies and providing online training courses.

Continue to invest in our technology

We will continue to invest in technology that empowers our one-stop services to platform participants, and to make housing transactions and services fundamentally more efficient. We will further upgrade the proprietary technology that we developed, including adding more useful features to, improving the functionalities of, existing applications for customers and agents, enhancing our algorithms for applications such as smart chat, VR property showing and AI Assistant, and developing more applications for new use cases. Through improved analytic capabilities, including AI algorithms, we will be able to offer more effective SaaS systems to facilitate our platform participants' operations, and enhance our own operations through improved matching accuracies, more robust listing authenticity verification and recommendation, better user interface, and targeted marketing.

Enrich our service offerings and expand into adjacent opportunities

We endeavor to provide one-stop solutions that address customers' demand along the home ownership lifecycle. To this end, we are consistently enriching the product and service offerings available on our platform leveraging our infrastructure, standards and technology.

For example, by cooperating with more real estate developers, we will continue to include more new home projects on our platform. We are also constantly replenishing our authentic property listings inventory for existing homes. We are broadening our product categories into other housing related services verticals and have reached meaningful achievements in home renovation and furnishing sector, further extending our presence along the value chain. Aside from housing customers, we care about the needs of our service providers and have been providing operational management tools to meet their daily needs. We will further optimize our product offerings to appeal to more service providers.

Leveraging our established presence in housing transactions and services, we intend to further expand the strengths of our platform into the vast emerging opportunities, such as home renovation and furnishing, among others. We are committed to further increasing our investment and enhancing our operations in other home related services offerings, so as to enhance customer engagement, explore more diversified revenue potential, and deliver synergistic value across an increasingly thriving ecosystem.

Selectively pursue strategic investments and acquisitions

We made strategic acquisitions of real estate brokerage brands in Shanghai, Chengdu, Shenzhen, Nanchang, and other cities as part of our long-term strategy to selectively pursue acquisition and consolidation opportunities. We intend to continue to explore acquisitions that would allow us to extend our market leadership position. We also intend to focus on alliances, investments and acquisitions that can attract new participants to our platform and broaden our service offerings, for example, our acquisition of Shengdu, a full-service home renovation service provider in China. In addition, we plan to continue to invest in companies that are complementary to our platform business that can improve overall transaction efficiency.

OUR PATH OF EVOLUTION

Driven by our mission and vision, we have gone through the following evolutionary paths in our business:

- 2001 to 2009: *Lianjia* grew into the largest real estate brokerage brand in Beijing according to the CIC Report, which enabled us to accumulate unparalleled know-hows and valuable human capital.

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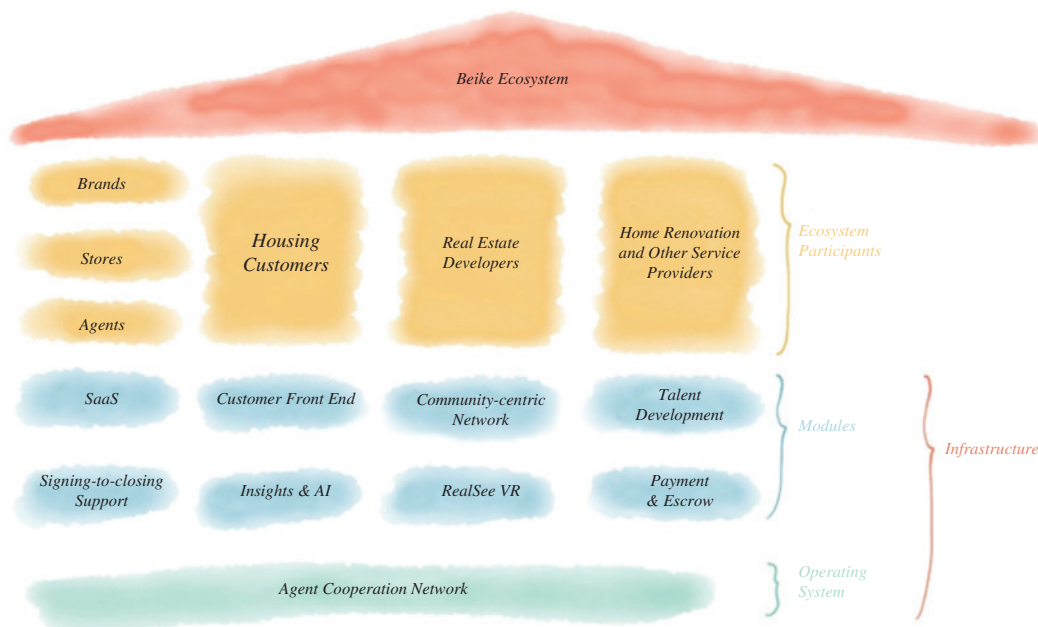
- 2010 to 2014: With the launch of *Lianjia Online* and *Lianjia.com*, we became a leading real estate brokerage brand with integrated online and offline operations.
- 2015 to 2018: We expanded nationwide to 29 cities in China.
- 2018 to present: We launched and expanded our *Beike* platform to cover the broad housing ecosystem and provide information, services and solutions to our housing and related services industry participants.
- 2020 to present: By launching *Beiwoo* and acquiring Shengdu, we accelerated our business expansion in the home renovation and furnishing industry and facilitated the standardization of industry practices and protocols.

OUR PLATFORM

We launched our *Beike* platform in 2018. Today, *Beike* is the leading integrated online and offline platform for housing transactions and services. In 2021, we facilitated over 4.5 million housing transactions on our platform with an aggregate GTV of RMB3,853.5 billion, making us the largest housing transactions and services platform in China, and a top three commerce platform across all industries globally, both in terms of GTV, according to the CIC Report.

We are a pioneer in building the infrastructure and standards to reinvent how service providers and housing customers efficiently navigate and complete housing transactions in China, ranging from existing and new home sales, home rentals, to home renovation and furnishing, and home services. We believe the success of *Lianjia*, China's leading real estate brokerage brand which we own and operate on our platform, paves the way for us to build our infrastructure and standard, and support the rapid growth of *Beike*. We implemented through *Lianjia*'s large network of stores a series of industry "firsts" over the years, including fostering agent collaborations for shared success through our ACN, building a "*Housing Dictionary*," promoting authentic property listings, and leveraging technology to digitalize and standardize processes. These efforts have ultimately resulted in *Lianjia*'s market leadership as well as industry-leading service quality and efficiency, making it a trusted household name. More importantly, *Lianjia* has laid the foundation for our infrastructure with ACN, operational know-hows, and technology systems that seamlessly integrate our online and offline network that has proven to work at a large scale. We further horizontally extended the core competencies of *Lianjia* to the *Beike* platform in 2018 so that we can help hundreds of real estate brokerage brands, including *Lianjia*, and their affiliated stores and agents to succeed. Meanwhile, we created an even more scalable infrastructure by a series of efforts, including digitalizing and standardizing three key components, namely, technology, transaction process and service quality to specifically address the challenges facing our industry.

Below is a diagram illustrating the composition and structure of our platform:



Our *Beike* platform is an open platform for participants in the housing related industry and ecosystem. It enables housing customers, including home buyers, home sellers, landlords and tenants, to enjoy smooth housing transactions with high-quality real estate brokerage brands, stores and agents. Our platform serves as an innovative sales channel for real estate developers and also enables other ecosystem participants such as home renovation service providers to benefit from our technology and extensive customer and agent base. The foundation of our platform is ACN, through which we streamline the entire housing transaction process by promoting collaborations among brokerage brands, stores and agents, standardizing authentic property listings and applying a series of cooperation rules. We also offer various service modules to our ecosystem participants, which, along with ACN, form the scalable infrastructure applicable and beneficial to the whole industry. These modules include SaaS systems, customer front end, community-centric network, technology applications, training and recruiting programs and transaction service centers.

Our service offerings to ecosystem participants mainly include:

- *To housing customers:* As the leading housing transactions and services platform, we provide comprehensive services to satisfy the evolving needs of housing customers. These services primarily belong to three categories: (1) brokerage services relating to existing and new home sales and home rentals; (2) signing-to-closing support that include contract service, secure payment, escrow, among other things; and (3) home renovation and furnishing services. Together with the brokerage brands, stores, agents and other service providers, we provide housing customers with access to the largest authentic property listing inventory in China and handhold our customers throughout various phases of home ownership lifecycle professionally and efficiently.

- *To brokerage brands, stores and agents:* Our infrastructure is open to all real estate brokerage brands, stores and agents joining our platform. We provide primarily two categories of services to the brands, stores and agents on our platform: (1) platform services, to enable the brokerage service providers on our platform to conduct automatic role-based commission allocation and use our infrastructure and its different modules in a collaborative manner, including SaaS, technology, training and recruiting, signing-to-closing service, among other things; and (2) branding services, which allow small brokerage stores to join reputable brokerage brands and benefit from better quality control and lead conversion.
- *To real estate developers:* Leveraging our established infrastructure and a broad base of housing customers, our platform is able to act as a powerful sales channel for new home projects, thereby reconstructing the value chain and transforming the way real estate developers discover and interact with home buyers. We primarily offer comprehensive sales and marketing solutions to real estate developers that include brokerage services, sales planning, reception services, online marketing as well as innovative tools.

We have three main revenue streams, namely existing home transaction services, new home transaction services, and emerging and other services. For existing home transaction services, we generate revenues (i) from our own *Lianjia* brand where we charge commissions for existing home sales and home rentals, and split of commissions from other brokerage firms that operate brokerage stores on our *Beike* platform in collaboration with *Lianjia* agents to complete transactions, (ii) from brokerage firms which own and operate brokerage stores on our *Beike* platform where we receive platform service fees, and those under our franchise brands such as *Deyou* to which we charge an additional franchise fee, and (iii) by providing other value-added services including transaction closing services, field work assistance such as on-site verification, agent recruiting and training services. For new home transaction services, we recognize revenues from sales commissions charged to real estate developers. In addition, we generate revenues from a variety of other housing related services, such as home renovation and furnishing services.

- (i) *Existing home transaction services.* In the years ended December 31, 2019, 2020 and 2021, our revenues from existing home transaction services are RMB24.6 billion, RMB30.6 billion and RMB31.9 billion, respectively, accounting for 53.4%, 43.4% and 39.6% of the total revenues in these periods. For existing home transaction services, we generate revenues from:
- our own *Lianjia* brand where we charge commissions for existing home sales and home rentals, and split the commissions with other brokerage firms on *Beike* platform that collaborate with *Lianjia* agents to complete the transactions. We recognize the commissions from transactions through *Lianjia* brand, on a gross basis, as commission revenue. In the years ended December 31, 2019, 2020 and 2021, the GTV of existing home transactions through *Lianjia* brand are RMB855.3 billion, RMB1,011.9 billion and RMB1,034.8

billion, respectively, and the revenues from existing home transaction services through *Lianjia* brand in the same periods are RMB23.0 billion, RMB27.6 billion and RMB28.4 billion, respectively.

- brokerage firms which own and operate brokerage stores on *Beike* platform where we receive platform service fees, and those under our own brands such as *Deyou* to which we charge an additional franchise fee. We recognize platform service and franchise fees on a net basis. In the years ended December 31, 2019, 2020 and 2021, the GTV of existing home transactions through non-*Lianjia* brands are RMB442.1 billion, RMB928.1 billion and RMB1,023.4 billion, respectively, and the revenues from platform service and franchise fees in existing home transaction services through non-*Lianjia* brands in the same periods are RMB0.6 billion, RMB1.3 billion and RMB1.6 billion, respectively.
- providing other value-added services including transaction closing services, field work assistance such as on-site verification, agent recruiting and training services. We recognize the service fees for these other value-added services primarily on a net basis.

The commission rates of our existing home transaction services, including those recognized on a gross basis and those recognized on a net basis, are consistent with the industry practice, according to CIC, which did not experience material change during the Track Record Period.

- (ii) *New home transaction services.* In the years ended December 31, 2019, 2020 and 2021, the GTV of new home transactions through *Beike* platform are RMB747.6 billion, RMB1,383.0 billion and RMB1,608.6 billion, respectively. In the years ended December 31, 2019, 2020 and 2021, our revenues from new home transaction services are RMB20.3 billion, RMB37.9 billion and RMB46.5 billion, respectively, accounting for 44.1%, 53.8% and 57.5% of the total revenues in these periods. For new home transaction services, we recognize revenues from sales commissions charged to real estate developers on a gross basis. We sign new home agency service contracts with real estate developers in which the terms and conditions for sales commission earned are defined. New home transactions are facilitated by *Lianjia* and connected stores on *Beike* platform, and dedicated sales teams and other sales channels that we specifically procured for new home transactions.

The commission rates of our new home transaction services are consistent with the industry practice, according to CIC, which did not experience material change during the Track Record Period.

- (iii) *Emerging and other services.* In the years ended December 31, 2019, 2020 and 2021, the GTV of emerging and other services through *Beike* platform are RMB82.7 billion, RMB176.1 billion and RMB186.6 billion, respectively. In the years ended December 31, 2019, 2020 and 2021, our revenues from emerging and other services

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are RMB1.2 billion, RMB2.0 billion and RMB2.3 billion, respectively, accounting for 2.5%, 2.8% and 2.9% of the total revenues in these periods. We generate revenues from a variety of other home-related services, such as home renovation and furnishing services, among others.

As we become a more trusted platform and the relationship between our agents and housing customers deepens, we are able to extend to other service verticals that are incidental to home ownership and other ecosystem participants. We endeavor to provide one-stop solutions that address customers' demands along the home ownership lifecycle, and we plan to further expand our service offerings and amplify the network effect of our ecosystem.

The table below presents our key operating data in the periods and as of the dates indicated.

Key Operating Metrics	For the Year Ended December 31,		
	2019	2020	2021
Total GTV	RMB2,127.7 billion	RMB3,499.1 billion	RMB3,853.5 billion
GTV of existing home transactions	RMB1,297.4 billion	RMB1,940.0 billion	RMB2,058.2 billion
GTV of new home transactions	RMB747.6 billion	RMB1,383.0 billion	RMB1,608.6 billion
GTV of emerging and other services	RMB82.7 billion	RMB176.1 billion	RMB186.6 billion
Number of housing transactions	2.2 million	3.7 million	4.6 million

REGULATIONS AND POLICIES OF HOUSING RELATED INDUSTRY: IMPACT AND OUTLOOK

We are susceptible to government regulations and policies of China's housing related industry, where we primarily conduct our business. Moves in regulations and policies on the housing related industry were more often made during the times when the housing prices are increasing overwhelmingly, in line with the central government's principle that "houses are for living in, not for speculation". For instance, in response to the accelerating housing price appreciation in the first half of 2021, the PRC regulatory authorities have subsequently tightened policy and credit environment. A number of municipal governments, considering their specific circumstances, have also issued market control policies targeting at, among other things, curbing speculative demand and reducing leverage. See "Risk Factors – Risks Related to Our Business and Industry – Our business is subject to government regulations and policies guiding China's economy in general and, specifically, on existing and new home transactions" for more details.

While the measures as mentioned above reflected the PRC regulatory authorities' focus on long-term stability, some of them have affected the growth rate of the housing related industry in the near term and led to a decline in both existing home and new home transactions since the second half of 2021. According to the CIC Report, the GTV of nationwide existing home sales decreased by 42% and 43% year-on-year in the third and fourth quarter of 2021, respectively, while the GTV of nationwide new home sales decreased by 15% and 20% year-on-year during the same periods. The market weakness negatively affected our financial

results. For the second half of 2021, our net revenues decreased by 17.0% to RMB35.9 billion from RMB43.2 billion in the same period of 2020, which was primarily attributable to the decline in total GTV of 28.0% to RMB1.6 trillion from RMB2.2 trillion in the same period of 2020. Due to relatively flat recurring operating costs and expenses as well as additional provisions, we recognized adjusted net loss (Non-GAAP measure) of RMB1,416 million and RMB613 million in the third and fourth quarter of 2021, respectively, compared to adjusted net income (Non-GAAP measure) of RMB1,744 million and RMB1,680 million in the same periods of 2020. Nonetheless, our full-year GTV and net revenues reached RMB3,853.5 billion and RMB80.8 billion respectively, representing a year-over-year growth rate of 10.1% and 14.6%, as a result of robust performance in the first half of 2021 and resilience of our business amid market downturn in the second half of 2021.

Since the fourth quarter of 2021, PRC regulatory authorities have been signaling easing for the housing related industry, aiming to adjust the previously tightened policies and improve the credit environment, such as cutting mortgage rates, lowering home purchase barriers, and introducing supportive measures for developers' refinancing activities. With market conditions stabilizing and gradually moving towards a new equilibrium in 2022, together with our continuous focus on operational efficiency and service quality, our business operations and financial performance are also expected to benefit. Over the long term, consumers' demands for housing remain resilient and expectations under "joyful living" continue to upgrade. As China further refines its long-term mechanism for the housing related industry, significant market opportunities are expected to arise for real estate brokerage services to serve both supply and demand, with the value of service providers becoming increasingly prominent in a rebalancing market.

OUR VALUE PROPOSITIONS TO PLATFORM AND ECOSYSTEM PARTICIPANTS

Through our platform, we bring values to housing customers, agents, real estate brokerage brands and store managers, real estate developers and many other parties that are united by our platform.

Value Proposition to Housing Customers

- *Integrated online and offline access to largest authentic property listing inventory.* We offer housing customers the largest authentic property listing inventory in China with detailed and real-time information on property and neighborhood.
- *Trusted professional services setting industry standards.* Our housing customers are served by a growing pool of over 406,000 active agents as of December 31, 2021 who are trained to possess high professional qualifications and empowered by our infrastructure and its various modules. We also use artificial intelligence to recommend suitable agents based on customers' needs.

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- *Transparent and informed decision-making process.* Our rich housing transaction know-hows and standardized transaction service help housing customers make informed decisions and navigate around common pitfalls in housing transactions.
- *Convenient and secure transaction experience.* We offer convenient online services to our customers leveraging multiple online access points and also allow them to enter our platform through extensive offline network. We also digitalized many transaction steps to achieve convenient, secure and cost-effective transaction experience.
- *Seamless signing to closing services.* We offer clearance and custodian solutions including secured payment, escrow, among other things.

Value Proposition to Agents

- *Effective customer matching and information sharing.* We help agents enhance their performance with lead referrals and customer matching services, and provide them with access to the largest authentic property listing inventory in China. Thanks to cross-brand and cross-store collaborations, an agent has access to and can sell listings posted or managed by other agents on our platform, making customer matching more efficient, resulting in more transactions and shorter transaction cycles on the platform.
- *Technology solutions to enhance operational efficiency.* Our technology-driven platform allows agents to conduct and track transaction steps online and target customer needs with precision, and provides advanced solutions and products such as customer and lead recommendation, smart chat and VR property showing to increase transaction efficiency for the agents.
- *Collaboration among agents.* We actively promote and encourage cross-brand and cross-store collaborations among agents throughout the transaction stages. Each transaction generally involves multiple agents, each performing a clearly defined role with pre-allocated commissions, creating more opportunities for the agents to facilitate transactions and resulting in more stable income streams.
- *Abundant training and development opportunities.* We share our accumulated operational know-hows and industry insights with agents on our platform to build their professional skills and capabilities through online training courses and offline training camps.

Value Proposition to Real Estate Brokerage Brands and Store Owners

- *Abundant resources and solutions for business growth.* We offer insights based on advanced AI algorithms that allow brokerage brand owners and store managers to better understand their business operations. We also provide access to our largest authentic property listing inventory in China and customer leads and significantly broaden their business opportunities. Brokerage brands and store managers can also benefit from operational and managerial know-hows we have accumulated from the operation of

Lianjia, thereby building a larger and more productive team of agents. We also provide account management solutions for brokerage brands and store managers to track their billing and earnings using our self-developed SaaS systems.

- *Other value-added services to enable better customer services.* We offer training programs for agents to enhance their service quality so that other brokerage brands can benefit from customer service skills we have accumulated from the operation of *Lianjia*. To further alleviate the operational burden for brokerage brands and store managers, we have also established one-stop transaction service centers that allow agents to complete cumbersome post-signing procedures for housing customers to deliver smooth transaction experience.
- *Revenue source diversification and cash cycle management.* Small brokerage brands and stores normally do not have access to new home projects. Even when they do, they generally have relatively low bargaining power with real estate developers, resulting in prolonged cash cycles and poor liquidity. Our *Beike* platform effectively collaborates with real estate developers and provides brokerage brands and store managers with access to high-quality new home projects, which can boost the revenues of brokerage brands and stores and shorten their cash cycle.

Value Proposition to Real Estate Developers

- *Effective marketing channels to shorten sales cycle.* We offer real estate developers access to our extensive channels across *Lianjia* and connected stores, as well as dedicated sales teams and other sales channels that we specifically procured for new home transactions. We also provide advanced technologies such as VR property showing which brings home tours at customers' fingertips to efficiently promote new home projects.
- *Precise matching of housing customers.* Empowered by artificial intelligence, we deploy agents with relevant expertise that suits the attributes of property listings and the needs of housing customers to achieve optimized sales results. This technology also brings more leads to the developers.

Value Proposition to Other Participants

- *Quality referrals.* Leveraging our access to our broad customer base, we provide referrals of quality customers to other industry participants such as rental companies.
- *Effective customer acquisition.* Leveraging our close relationship with our housing customers, we are able to effectively bring customers to other housing related businesses, such as home renovation and furnishing services.

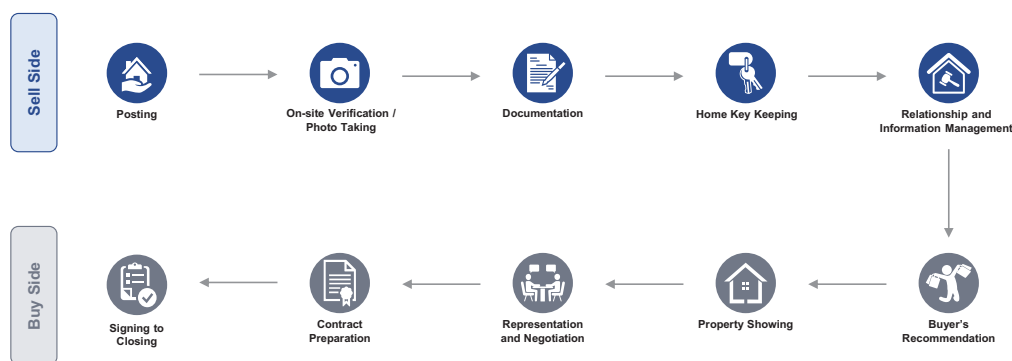
AGENT COOPERATION NETWORK (ACN)

At the core of our infrastructure is ACN, an operating system that not only fosters reciprocity and bonding among various service providers, but also enables them to enhance service efficiency and customer experience through collaborative efforts and commission allocation. We designed our ACN to radically solve the underlying challenges faced by our industry. It serves as the operating system on *Beike* platform that consists of protocols and practices to specify roles in cooperative housing transactions and prescribe agents' rights and obligations through commission allocation mechanism. Through ACN, we standardize authentic property listings, promote cooperation and information sharing among agents, streamline the whole transaction process, and enable agents to be more specialized in a transaction process and knowledgeable in a particular region. Built on our profound understanding of China's housing related industry and goodwill accumulated throughout our 20-year operation of *Lianjia*, ACN has transformed the housing transactions and services industry in China through the following three reinventions: (i) fostering information and resource sharing among service providers to demolish the walls among isolated information islands, (ii) assigning cooperative roles of agents to achieve cross-store and cross-brand collaboration, and (iii) creating a professional network for agents, stores, brands and other service providers to get connected and engaged on the platform.

Agent Cooperation and Operational Rules

We actively promote agent cooperation on our platform to enhance efficiency of the housing transactions and services industry. We partition a complete existing home transaction, including existing home sales and rentals, into different steps and allow multiple agents cross-brand and cross-store to cooperate in one transaction and share commissions based on their roles, through which the agents can become more specialized in their roles. In 2021, approximately 76% of the existing home sales completed on the *Beike* platform involve cross-store collaborations and approximately 37% involve cross-brand collaborations following our ACN.

The graph below illustrates the transaction flow in ACN:



For example, a home seller can be served by a group of agents, each performing different roles including posting, relationship and information management, documentation, field work, and key keeping. The agent filling a role for the home seller may share a portion of the commissions with the percentages specified under ACN rules. To post a new listing, the agent needs to fill in information such as whether it is for sale or for rent, the detailed address, floor plan, floor area, and target price, as well as information relating to the homeowner. The agent who posts the listing into the SaaS systems becomes the posting agent of this property. The information required to post a new listing is relatively preliminary and a managing agent is required to further enrich the property listing by supplementing and updating information related to the property and its owner. Among other things, this includes the preferred timeslots for property showing, price range and tax limitation, mortgage and title, description from the homeowner, facilities and other features of the property. The posting agent may refer the property listing to other agents for relationship and information management. In addition, a document agent needs to procure the deed and other certificates of the property and documentations of the homeowner and upload them into the system. Photographers may be booked through our SaaS systems to visit the property and collect picture, video and virtual reality, and the agent who uploads the visual information into the system becomes the field agent. Based on the location and nature of the property, an agent, who works in a real estate brokerage store with relationship and information management rights to such property, will be appointed to keep and manage the key to the property.

Our ACN encourages connection and collective work in conducting housing transactions by agents from both buy side and sell side on our platform. A home buyer's initiating agent can choose to cooperate with other buy-side agents who have more relevant transaction expertise or resources, and share commissions with the agent who closes the transaction. Under ACN, commission is allocated automatically based on agents' various roles in a housing transaction, and is not based on negotiations among agents.

Through role partition and commission allocation, we make sure that agents are fairly compensated for work they have done to facilitate a successful transaction, and thereby foster a healthy yet competitive working environment. More importantly, agents who are less experienced are incentivized to learn and accumulate expertise by taking relatively easy roles in more transactions and be compensated.

To protect property information and promote healthy competition among sell-side agents, we partition the geographic areas based on urban development and store distribution so that agents can become experts of the properties in their vicinity. A brokerage store has the right to manage existing home listings in vicinity of the store and act as sell-side agents for those listings. For buy-side agents, if their customers have intentions to buy homes in other regions, they can obtain a portion of the commission on completed transactions by recommending their housing customers to agents in the desired regions.

Platform Governance Mechanisms

We implement detailed rules to incentivize agents to follow our ACN and stick to the high standards of professionalism in service delivery, and offer them privileged access if they perform well. We have implemented the following platform governance mechanisms to encourage compliance with our ACN:

- Beike score.** We have established *Beike score* indicating the agent's performance and service quality to encourage more proactive cooperation and behaviors on our platform. A comprehensive multi-factor evaluation system is implemented to derive the *Beike score*, with attributes of agents such as professional qualifications, customer complaints, customer conversion rates and records of collaborative teamwork with other agents among these factors. Agents with higher *Beike score* can enjoy certain privileges, such as higher exposure to property listings, customized agent profile featured on customer front end, access to offline training camps and coupons for our online courses. Housing customers can view agents' *Beike score* on customer front end, and *Beike score* had approximately 2.7 billion views in 2021.



- Beike coins.** An agent on our platform has *Beike coins* which can be earned in many ways including through various promotional events to encourage compliance with ACN. With *Beike coins*, agents may purchase utilities relating to their brokerage job and agent display spots of their responsible property listings on our customer front end to increase their exposure, bring more leads from *Beike* customer front end, and enhance transaction probabilities.
- Credit points.** We have established a credit point system to encourage honest cooperation and fair competition on our platform. Agents begin to maintain their own credit points once they join our platform and there will be credit point

deduction for ACN rule violations and other inappropriate actions. Depending on the accumulated credit point deduction, the agent may be alerted, or restricted or barred from accessing our platform for a specific time period.

Store Qualification and Ranking System

The conduct of real estate brokerage stores may affect the reputation of *Beike* platform and our business in general. As such, we have established standards and procedures for brokerage stores joining our platform. For example, in addition to compliance with basic regulatory requirements to which they are subject, stores are also required to maintain a minimum number of agents and we adjust this threshold based on the location of the stores. We believe that stores maintaining sufficient qualified agents tend to be more productive and efficient statistically in providing customer service.

We rolled out a ranking system to reward high-performing brokerage stores on our platform. Under this ranking system, stores are categorized into Level A, B, C, and D based on monthly updated factors such as the average *Beike score* of its agents, average commission revenues, and other performance indicators, as well as store collaboration reviews. Through the ranking system, we believe that stores are more incentivized to engage in our platform and follow our standardized transaction procedures, thereby increasing efficiency and promoting collaborations across stores and brands.

Authentic Property Listings

We believe that authentic property listing is the foundation of agent cooperation as effective collaboration among agents require valid and reliable listing information. Authentic property listing encourages information transparency and trust from housing customers, increases agents' operating efficiency, enhances transaction experience, and strengthens our brand image.

An authentic property listing on our platform should meet the following requirements:

- *Truly existing.* The property should truly exist in our *Housing Dictionary* and meet various verification requirements on our platform.
- *Truly available for sale or for rent.* The owner's intention is either proved by a valid agency agreement which clearly specifies the scope of agency services, or verified through online and offline communication with the owner.
- *Verified address and property related information.* The property address of the listing should be the true physical and title address. The agents should make sure that floor area, transfer right, ownership and floor plan are accurate for property. The pictures and VR should be real and taken on-site.

- *Authentic price.* The owner should have confirmed and agreed with the most updated price on the platform, and the owner can adjust the price.

We monitor and verify the authenticity of property listings on our platform and timely update or delete unqualified listings through customer callback, physical visits and AI. When an agent is posting a new property listing in our SaaS systems, information of the listing is checked against *Housing Dictionary* to ensure authenticity of the listing. Floor plan and other visual and environmental information can be automatically populated in the listing based on *Housing Dictionary* to enhance the quality of the listing. We strive to maintain the authenticity and accuracy of our property listings through strict enforcement of authentic property listing rules, under which agents who are found to have posted fraudulent information could be fined or penalized through our credit point system.

As of December 31, 2021, we had approximately 4.3 million property listings for existing home sales. Over 95% of property listings on the *Beike* platform for existing home sales are “authentic listings” as of December 31, 2021, which is much higher than the industry average of less than 20% according to the CIC Report. We will continue to devote sufficient resources to fortify this key strength of ours. See “Risk Factors – Risks Related to Our Business and Industry – If our platform is unable to continue to offer comprehensive authentic property listings, our business, financial condition and results of operations could be materially and adversely affected.”

MODULES IN OUR INFRASTRUCTURE

Based on our ACN, we have been constantly innovating and building various modules to supplement our infrastructure that serves participants on our platform, such as agents, brokerage stores and brands, housing customers, and real estate developers. Examples of modules include SaaS systems for agents and store managers, *Beike* front end for housing customers, AI technology and applications as the foundation of our platform, virtual reality technology that benefits agents, housing customers and real estate developers, community-centric network that serves housing customers offline, payment solutions tied to electronic wallets that enable secure online and offline transactions, transaction service centers that streamline the transaction process for agents and housing customers, title clearance and escrow services that effectively help with closing, as well as agent development and recruiting services for agents and store managers. Together with ACN, these modules form integral parts of our infrastructure supporting various phases of housing transactions and other housing related services offered on our platform.

SaaS Systems

We provide various SaaS systems to our ecosystem participants. According to the CIC Report, we are the first in the industry to empower agents and brokerage stores through our SaaS systems, which incorporate the cooperation mechanisms that we envision in ACN and many other tools and functions relating to housing transactions and services. We implement *A+ SaaS system* for connected brokerage stores and agents and *Link SaaS system* for *Lianjia*

personnel. *Link SaaS system* includes functional support for our internal operation and is otherwise substantially the same with *A+ SaaS system*. Assisted by the SaaS systems in their day-to-day work, agents and store managers can seamlessly follow our digitalized and standardized housing transaction process. Agents and store managers can access the cloud-based SaaS systems conveniently through desktop application, website, or mobile application. We also provide SaaS systems for home renovation service providers. See “– Home Renovation and Furnishing Services – *Home SaaS* for Renovation and Furnishing.”

Smart Property Listing

We have established the mechanism of listing properties on our platform and agents are also encouraged to update the listing in a timely manner. Our system automatically compares the property listing information with our *Housing Dictionary* to spot inconsistency, and alerts the posting agent if the price is unreasonable according to local property pricing policies and guidance, if any. With the enormous and organized *Housing Dictionary*, information such as neighborhood maps and pictures, floor plans and adjacent facilities may be automatically populated to provide complete and consistent introduction of properties in the same neighborhood.

We implement a verification procedure in our SaaS systems to ensure the reliability and authenticity of any new listing information. In addition to cross-verification with *Housing Dictionary*, our SaaS systems also arrange automatic call-backs and short messages to confirm with owners regarding the listings. A property listing will be visible in our SaaS systems and on *Beike* customer front end after it is verified, normally within 24 hours of posting. Once the property listing is visible, agents on our platform may start to introduce the listing to their customers and initiate dialogues for potential transactions.

Efficient Lead Recommendation and Referrals

We aim to provide high-quality customer services and our SaaS systems track agents’ interaction with customers to ensure timely communication. In general, a housing customer initially engaged by a particular agent is visible to that agent and his or her store manager. However, if the agent fails to follow up, the customer will become visible in the “sharing pool” where other agents in the same store can proactively take ownership.

Agents can always actively seek for new leads of housing customers in our SaaS systems, including browsing the sharing pool and engaging with platform assigned customers. When a customer provides contact information on *Beike* front end, including *ke.com* website, *Beike* app and *Beike* Weixin mini program, and/or through an instant message system, customer service hotline or other online interfaces, our platform will automatically assign the customer to an agent. The assignment is based on the neighborhood ranking that takes into account agent’s transaction history, lead conversion and home tours in the neighborhood. The selected agent

will be informed through the instant message system, and the agent is required to respond to the customer within 24 hours. The incoming customer is initially visible to the assigned agent as a private customer lead and will subsequently fall into the sharing pool if the customer is not timely contacted.

Cooperative and Intelligent Customer Relationship Management

Agents can manage housing customer information through our SaaS systems and initiate cooperation with other agents to maximize the possibility of a successful transaction. An agent may record a housing customer by filling in information such as name, phone number, source of customer, customer's demand and degree of interest. Through our SaaS systems, agents may conveniently search for customers visible to them using filtering and ranking functions. In addition, our SaaS systems will also tag certain customers as "high potential" based on intelligent analysis on customers' browsing and searching behavior on our platform so that agents can efficiently prioritize.

Agents may review follow-up interactions with a customer, including the customer's feedback and home tours history. Preferences and queries of the customers will be recorded for reference during agents' follow-ups. Through the mobile application of the SaaS systems, agents may also communicate with housing customers using an instant message system.

We deploy technology to effectively interact with the customers and maximize lead conversion. For example, our SaaS systems contribute to customer conversion through compiling recommended property listings ranked by AI algorithms for the agents to present to customers. We also use algorithms to detect fraudulent home tour record input by agents to ensure honest performance. We now support virtual reality property showing where the agent can directly communicate with the customer in virtual reality domain and introduce the listing using the mobile application of our SaaS systems.

Standardized Transaction Procedures

One aspect of our efforts to digitalize and standardize housing transaction process is reflected in the transaction facilitation functions of our SaaS systems. For example, we provide template contracts for home sales, home rentals, deposit and other related activities. Agents may easily prepare contracts in our system by choosing the type of contract and relevant property listing. Information related to the property will be automatically populated in the draft contracts. The draft contract then needs to be reviewed by the store manager and a legal professional on duty before the agent can arrange signing. After the customer signs the contract, the agent will upload the contract into the system for record.

We offer a visualized transaction management system that allows agents to track, manage and complete the transaction process from online contract signing, payment, escrow, mortgage, to title clearance, transfer and pledge. Once the transaction is completed and after the confirmation of the store manager, commissions may be distributed according to the agents' roles in the transaction automatically.

Insightful Operation Statistics for Store Managers

We aim to increase efficiency of the housing transactions and services industry through promoting efficient operation management by store managers on our platform. Through our SaaS systems, store managers can easily access summary operating data including instant message response rate, customer service hotline taking and responding rate, conversion rate at various steps from posting to contract signing, and statistics on revenues and commissions. Our SaaS systems also allow store managers to review and manage transaction and administrative records. Store managers can examine property listing details and customer engagement records maintained by agents.

Beike Customer Front End

Our *Beike* customer front end, including *ke.com* website, *Beike* apps, *Beike* Weixin mini program, offers housing customers relevant housing transaction resources and guide them along their journey to make an informed housing transaction decision.

We are the first among our peers to launch the mobile app, according to the CIC Report. *Lianjia* mobile app, launched in 2011, witnessed the advent of the mobile internet era in housing transactions and services industry in China. In addition to *Lianjia* app, we launched *Beike* app in 2018 to further improve the functionality and features of mobile apps and to provide users a more satisfactory experience on *Beike* platform. For housing customers, *Lianjia* and *Beike* mobile apps serve as a one-stop destination where they can easily access abundant new and existing home listings and rental listings with VR experience and make an informed real estate transaction decision with the guidance along their journey.

Leveraging the development and broad application of our mobile apps, the number of mobile monthly active users, or MAU, has significantly increased. In the three months ended December 31, 2019, 2020 and 2021, *Beike* platform had an average mobile MAU of 25.6 million, 48.2 million and 37.4 million, respectively.

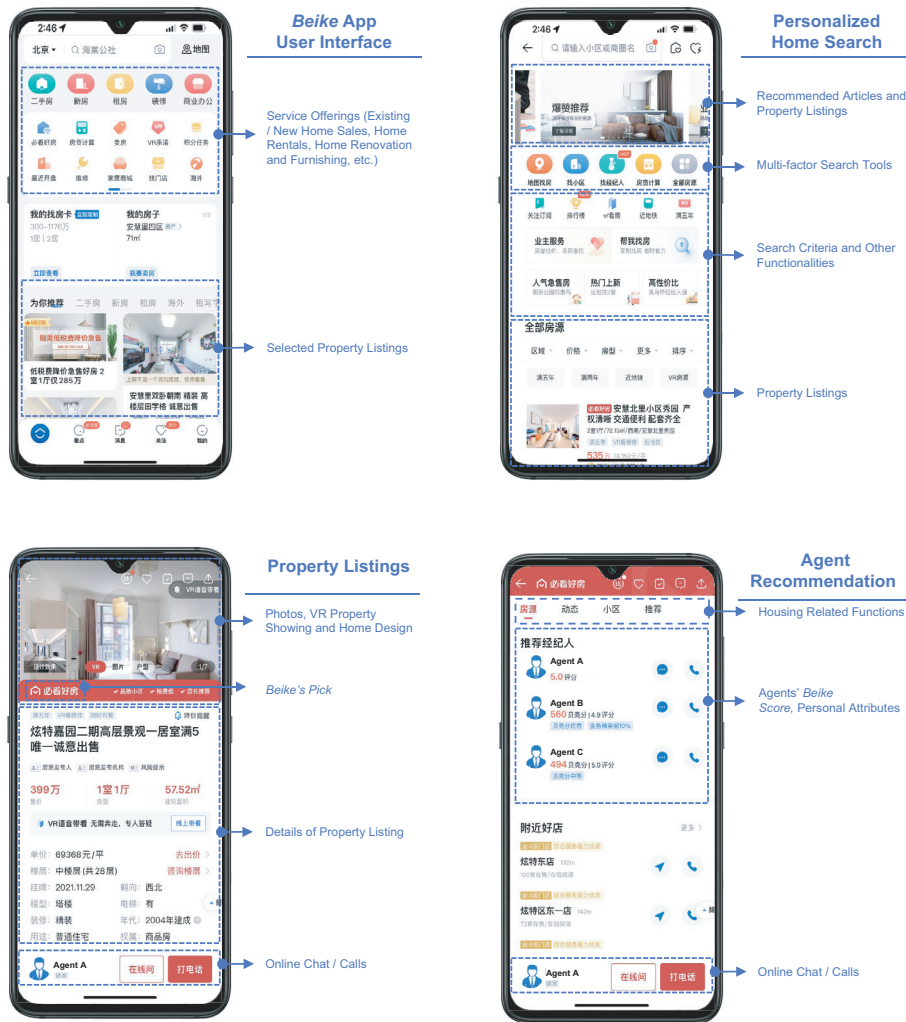
Rich and Personalized Property Listing Display

We believe that the authentic and extensive property listings on our platform form the foundation for high-quality customer services and successful transactions. Housing customers can easily access abundant existing and new home listings and rental listings through our *ke.com* website, *Beike* apps, and *Beike* Weixin mini program. Property listings can be filtered by neighborhood, price, number of rooms, floor area and other attributes. For existing home listings, customers can view visual presentations including virtual reality or pictures, floor plans, certificate of the brokerage store, comments from agents on the listing and past transaction history in the same neighborhood. Additionally, for new home projects, we provide an introduction to floor plans offered by the projects, updates relating to the sales, comments from agents and discussion among other housing customers. For rental listings, we also specify facilities and furniture provided by the landlord and details of rent, commission and deposit,

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and display a draft contract for reference. In addition, we include neighborhood information extracted from our *Housing Dictionary*, such as transportation, education, healthcare and entertainment resources and other services, so that housing customers can take these into consideration.

The screenshots below demonstrate the interfaces for property listings and agent recommendation as seen from *Beike* app:



We believe that providing information specific to local conditions and customers' personal preferences is a key element in our customer front end's ability to attract housing customers. Our customers can see lists of recommended existing and new home listings, as well as rental listings, on the home page of customer front end generated by our AI algorithms based on customers' past behavioral patterns. Moreover, under individual listings we also recommend to the customers other related listings based on similarity in terms of location, price and floor plan and behavioral pattern of other customers who have viewed the same listing.

Instant Interactions with Reliable Agents

We believe that detailed professional profiles of agents promote transparency in the housing transactions and services industry and promote trust on our platform. We display information of agents under property listings and customers may initiate inquiries through instant messaging or phone calls with one click. We have built individual profiles for agents so that customers can view the agents' names and titles, employment history, transaction records, awards, and ratings and reviews from past customers. In addition, we display *Beike score* of the agents and percentile on our platform, which generally represents service quality of the agents.

Capitalizing on the large agent base on our platform, we are able to serve housing customers in a timely and efficient manner. Customer hotline and instant messaging system are available on various interfaces on *Beike* customer front end to allow instant on-demand connection. Housing customers can directly authorize agents on our platform to find desirable homes on the home page of *Beike* customer front end. Customers need to input basic information and demand. Our platform will then automatically assign an agent to contact the customer and address his or her needs. In addition, homeowners may also input basic information relating to their properties for sale or rent and our agents will generally initiate contact within 30 minutes during working hours to serve their needs.

Comprehensive Knowledge Base

We have designed an interactive knowledge base on existing home sales process including buyer qualification, signing, payment procedures, escrow, mortgage, tax, title clearance, fund release, potential risks and other transaction matters. We have also developed calculators covering several transaction scenarios such as mortgage, home changing, inheritance and advance payment that are available on our *Beike* customer front end.

In addition, to foster a welcoming and informational community on our platform, we have invited many real estate media content providers to regularly publish opinions and market news covering a substantial number of housing transaction aspects. Customers may browse recommended content on *Beike* customer front end or choose to follow certain publishers.

Our Community-centric Network

Property transactions are generally high in value and involve high-risk, which requires substantial information analysis and research prior to consummation. Unlike a click-and-buy product, every residential property is unique in various aspects, such as location, property features, conditions and age, resulting in different values. Convenient accessibility and abundant local insights and knowledge on the community often carry heavy weights when housing customers select real estate brokerage agents in housing transactions. Furthermore, as China is a populous country, residential communities with high population density are

prevalent in urban areas. Focusing on community outreach and engagement, community-centric network serves as convenient access points for local walk-in housing customers and as tangible offline touchpoints of our platform.

Our extensive network allows our platform to amass housing information offline and gain local insights in customer needs and property features. The connections between customers and agents through our online platform allow customers to quickly find stores and agents offline for speedy, efficient and convenient delivery of local service. In addition, the supporting tools available on our platform empowers store managers to build and manage larger teams of agents and increase operational efficiency at store level, solidifying our advantages as an integrated online and offline platform. As each store functions as a working unit, where store managers perform managerial functions, we are able to maintain operational efficiency as our scale continues to grow.

Working in a larger-sized team also helps increase productivity of agents, where one could build business rapport with the colleagues and get more motivated to perform better.

In recent years, an increasing number of stores on our platform start to offer complimentary convenience services, such as printing, charging, and internet browsing, to community residents. Through these high-frequency interactions, our agents are able to build connections with housing customers, which not only generates effective housing transaction leads, but also positions us well for other housing related services, such as home renovation and furnishing, and home services.

Professional Development and Support

As we believe the success of our platform substantially hinges on the efficiency and service quality of the agents on our platform, we are fully committed to sharing our accumulated industry know-hows with the agents and home renovation service providers on our platform through offline trainings and online courses. See also “– Home Renovation and Furnishing Service – Craftsman (Jinggong) Academy.”

Offline Training System

We have established a comprehensive offline training system designed to improve the operational efficiency of the agents on our platform. We offer various types of regular trainings to our agents, including: (i) a mandatory three-day entrance training for agents and store managers joining our platform; (ii) regular promotional training that introduces advanced professional and management skills for agents entering higher levels in our ranking system; and (iii) customized training camps in which seminars are conducted and case studies are discussed and explained. We have been putting great efforts into training programs for new entrants. For example, new *Lianjia* agents in Shanghai are required to participate in a 30-day full-time training camp.

Huaqiao Academy. To further develop talents in senior positions and promote professionalism of real estate brokerage store owners, we opened *Huaqiao Academy*, an advanced career development academy providing professional brokerage certificates for store owners and senior management teams in real estate brokerage brands, in Kunshan, Jiangsu in 2019. The curriculum offered at *Huaqiao Academy* focuses on comprehensive skill sets related to real estate brokerage such as finance, negotiation and management. Graduates of *Huaqiao Academy* will receive our platform certification.

Beike Erudite Exam. To assess competency, promote professionalism and ensure service quality, we host *Beike Erudite Exam* on *Beike* platform for agents on our platform to participate. We provide abundant resources for agents to gain knowledge and develop professional skills required to pass the exam. Agents excelling in the exam are awarded with *Beike score*.

Online Open Courses and Beike Agent Academy

In addition to offline training programs, we offer online training courses to agents on our platform through our *Beike Agent Academy* mobile app. As of December 31, 2021, *Beike Agent Academy* provided agents with access to 7,300 online audio/video courses ranging from customer acquisition and management, interpersonal skills, to technology and management skills. Besides the 24/7 access to online open courses, agents can watch live streaming provided by experienced agents and managers through which they can instantly interact with the instructors.

Other Supports

Leveraging our industry understanding and know-hows we have accumulated for years, we are able to assist stores on our platform with agent recruiting. We also support the agents to grow their business by organizing promotional events, enabling them to serve the communities, enlarge their customer base, and deepen their cooperation with other agents.

Signing-to-closing Support

We offer comprehensive signing-to-closing support to our housing customers. These services include contract service, secure payment, escrow, among other things.

Online and Offline Transaction Service Centers

A housing transaction is typically a stressful exercise that involves many steps and procedural formalities in China, such as submitting purchase agreement to the housing administration, paying taxes to the taxation authority, conducting title transfer and registration of housing ownership with the municipal housing administration, and completing loan application with a bank and/or guarantee services with a guarantee company. These steps often take weeks and involve tens of visits to different locations. To reduce the hassle for both housing customers and agents, we operate the NTS, our proprietary comprehensive online

transaction support system available on *Beike* platform. Through the NTS, housing customers are able to accomplish many necessary transaction steps, such as signing the contracts online and submitting the contracts to the relevant housing administration. The NTS also makes transaction process visible via our apps and websites, which allows customers and agents to monitor various transaction steps and to provide feedbacks and inputs online.

In addition to the comprehensive online transaction support, we have established offline transaction service centers to facilitate housing transactions, helping housing customers and agents transfer property titles and complete administrative procedures seamlessly and effortlessly. We have opened transaction service centers in cities we entered and collaborate with banks, guarantee companies, real estate appraisers, and government agencies and station their personnel on-site. Our transaction support staff are also available to help with various administrative procedures in the transaction service centers. As a result, housing customers and agents are able to complete most steps necessary to close a transaction in our transaction service centers.

Combining the online NTS and the offline administrative support, we believe that our platform makes transactions much easier, saves time and cost, and leads to elevated customer experience.

Payment and Escrow Services

In 2014, we established *eHomePay*, an online payment platform providing digital payment processing services in housing transactions. As a licensed online payment platform, *eHomePay* also creates electronic wallets for participants on our platform. These electronic wallets are instrumental in automated accounting, settlement, and disbursement of funds from customers to real estate brokerage stores and agents.

Also functioning as an escrow service, *eHomePay* solves the trust problem in housing transactions in China where home buyers are concerned with whether the property titles to be received are free of encumbrance after making the payment, and home sellers are unwilling to transfer titles until they receive payment confirmation. The *eHomePay* platform would operate an escrow account to ensure both the buyer and the seller fulfill their obligations. The *eHomePay* platform enhances customer experience and ensures payment security, which in turn strengthens our brand image and attracts more customers to our *Beike* platform. Our *eHomePay* possesses a valid license granted by the People's Bank of China.

Other Modules

The modules in our infrastructure also include our insights and AI applications, as well as virtual reality and other technologies. See “– Insights and AI Applications” and “– Our Technology and Research and Development – *RealSee* Virtual Reality.”

REAL ESTATE BROKERAGE BRANDS ON OUR PLATFORM

We believe a large and active network of agents, brokerage stores and brokerage brands across China provides a solid foundation for serving a large number of housing customers. As of December 31, 2021, there were over 406,000 active agents and over 45,000 community-centric active brokerage stores on our platform, representing 300 real estate brokerage brands. Through the agents, stores and brokerage brands on our platform, we are able to effectively hone local market expertise, generate leads and build relationships with our housing customers.

***Lianjia* Brand**

We started to operate real estate brokerage business under “*Lianjia*” brand in housing transactions and services industry in 2001 and *Lianjia* has been recognized as “China’s Famous Brand.” Through *Lianjia*, we provide brokerage services to housing customers, offer marketing and sales services to real estate developers for new home sales and extend brokerage business to home rentals. Leveraging our strong online and offline operational capabilities, we implemented through *Lianjia* a series of industry “firsts” and successfully developed rules, operational know-hows, AI and technology systems that resulted in superior service quality and efficiency. For example, *Lianjia* was among the first to propose tripartite agreements in housing transactions, including brokerage service providers as a party to provide full transparency and elevated trust. *Housing Dictionary* was launched on *Lianjia* in 2008. *Lianjia* pioneered the migration from offline to online through launching *Lianjia.com* in 2010 and building its own *Link SaaS system* ahead of our peers. *Lianjia* also established the prototype of ACN in 2011, which we tested and refined before rolling out on *Beike*.

Lianjia aims to provide highest quality customer services in China and has strived to provide best customer experience. Taking service quality as its priority, *Lianjia* has been improving its customer services and established a comprehensive set of rules and standards accumulated over the past 20 years. Many ACN rules developed during *Lianjia* business operations, including authentic property listings, were compiled to guide *Lianjia* agents. *Lianjia* also pioneers in adopting protocols on service quality, such as service commitments and customer complaint handbooks, which are now standards and rules we aim to apply throughout the entire *Beike* platform.

We screen and recruit high-quality agents on *Lianjia* and train them to provide efficient and professional services to housing customers. *Lianjia* has built a strong and comprehensive agent development program that encompasses campus recruiting, regular examinations, offline training and online courses. Approximately 46% of *Lianjia* agents were college graduates or above as of December 31, 2021. In particular, approximately 48% of *Lianjia* agents in Beijing and approximately 68% of *Lianjia* agents in Shanghai were college graduates or above as of December 31, 2021.

As of December 31, 2021, *Lianjia* had approximately 108,000 active agents, and approximately 6,900 active offline brokerage stores across 29 cities in China. As of December 31, 2021, *Lianjia* had over 26,800 and 20,700 active agents, as well as approximately 1,400 and

1,000 active brokerage stores, in Beijing and Shanghai, respectively. Although the GTV served by *Lianjia* brand contributes to a significant portion of our total GTV, we expect its contribution as a percentage of our total GTV will decrease over time along with the proliferation of our platform.

Relationship between Lianjia and Beike

Capitalizing on our unparalleled industry know-hows and scalable infrastructure that we have established during our operation of *Lianjia*, we established *Beike* platform in 2018 to open our solutions to other qualified brokerage brands, stores and agents. Today, *Lianjia* is the most recognized and influential brand on *Beike* platform. In Beijing and Shanghai, where *Lianjia* has established significant market penetration, *Lianjia* is currently the only real estate brokerage brand with presence on *Beike* platform to guarantee high-quality customer services and strengthen market-leading positions in these two markets.

In cities other than Beijing and Shanghai, many other real estate brokerage brands have joined our platform because of *Lianjia*'s proven track record and market leadership. Today, *Lianjia* serves as the beacon for other brokerage brands on our platform thanks to its high operational efficiency, top-notch customer services and well-trained agents. *Lianjia* complies with qualifications and rules that we consistently implement on *Beike* platform just like other brokerage brands and is subject to a higher standard in many cases, such as the education level of its agents.

Deyou Brand

We own *Deyou* brand, which is offered for connected brokerage stores that seek for the branding effect and access to solutions offered by *Beike* platform. Participating brokerage stores can reduce their operating cost, increase business efficiency and productivity, enhance exposure to updated market news and industry trends, gain access to extensive authentic property listing inventory and gain high-quality customer leads on *Beike* platform. They are able to keep the culture of being a small team while enjoying the full-fledged infrastructure of a tremendous platform and cooperating within our extensive network.

Brokerage firms and store owners that are interested in joining *Deyou* must meet a number of selection criteria, including, among others, a good record of operation history, culture fit and knowledge of the local market. After a brokerage store submits its franchise application at its location, we will conduct a qualification review and a face-to-face interview with the store owner. If the store owner passes the review and interview, *Deyou* will generally enter into an agreement with the store owner, pursuant to which the store owner will be granted an initial term of three years. Before the store opens and operates, we will provide site selection assistance, integrative training and system adaptation and go through a store opening checklist to facilitate the store opening. According to the agreement, the brokerage store is authorized to carry out the real estate brokerage services under *Deyou* brand and provide referrals to our business partners in various scenarios. All the brokerage stores under *Deyou* brand are required to comply with our ACN and stick to other protocols and practices on *Beike* platform.

Other Brands

By sharing our deep industry understanding, operational know-hows, and powerful infrastructure, as well as highly efficient online and offline integration, we help other real estate brokerage brands to grow and succeed. As of December 31, 2021, our platform connected 299 real estate brokerage brands other than *Lianjia*, which operated over 38,000 active brokerage stores with approximately 299,000 active agents. As of December 31, 2021, approximately 86% of the existing home listings on our platform were posted by agents affiliated with connected stores, including stores operated by our franchise brand *Deyou*. In 2021, approximately 64% of the GTV of existing and new home transactions on our platform was generated by connected real estate brokerage stores and the sales channels we specifically procured for new home transactions.

The selection criteria of other brokerage brands are similar to that of *Deyou* brand. We generally enter into cooperation agreements with other brokerage brands for a term of five years. Under these agreements, we offer the brokerage brands access to the authentic property listing inventory and modules on our platform. The brokerage brands, in return, would commit to following our ACN as well as other protocols and practices on the platform and subscribe to an agreed-upon fee structure depending on the depth of cooperation. The cooperation agreements also specifically allocate responsibilities between the brokerage brands and us so that we are not responsible for the lawsuits and disputes arising from the brokerage brands' business activities.

COOPERATION WITH REAL ESTATE DEVELOPERS

According to the CIC Report, as land supply becomes more constrained in the more developed areas in city clusters, average size of new home projects is expected to decrease, making it less economically viable for real estate developers to maintain a large full-time sales team. New home projects are increasingly located in the peripheral cities within a city cluster, creating difficulties for the developers to target perspective home buyers in the more developed centers who have the upgraded demand. The shifting supply and demand dynamics in the housing market also make it more important for real estate developers to efficiently locate and convert customers to shorten their sales cycle. Real estate developers are increasingly turning to brokerage service providers for more effective and comprehensive sales and marketing solutions given their knowledge of the local community and the access to a large pool of housing customers with genuine demand.

Leveraging our established infrastructure and trust with housing customers, we are able to act as a powerful sales channel for real estate developers. We are favored and trusted by real estate developers to facilitate a large number of new home sales in China. The number of new home projects on our platform was over 9,000 as of December 31, 2021. New home sales through our platform generated an aggregate GTV of RMB1,608.6 billion in 2021, making us

the largest new home sales platform in China, according to the CIC Report. While we continue to gain trust and mind share in the new home sales market, our receivable turnover remained healthy at 97 days in 2021, as a result of our robust and comprehensive risk assessment measures.

We have various cooperation methods with real estate developers. For example, we enter into strategic cooperation with big real estate developers to get favorable terms for facilitating the sales of their new home projects. We also have local business development teams that directly cooperate with individual new home projects under various cooperation modes. For new home sales facilitated by us, the real estate developer typically pays us the commission after the home buyer signs the sales and purchase agreement with the real estate developer and makes the down payment. Also, when a real estate developer requires us to allocate more resource and focus on a certain project within a certain time period to boost sales, they will pay us a deposit in advance.

In addition, as China's housing market becomes more competitive, the real estate developers are under pressure to refine their marketing and sales strategy to increase their operation efficiency and compete more effectively. Based on our extensive industry know-how, we developed a prototype SaaS solution tailored to address real estate developers' evolving needs for effective sales and marketing. Leveraging technologies such as cloud computing, virtual reality and artificial intelligence, the system can empower our real estate developers in many business scenarios.

HOME RENOVATION AND FURNISHING SERVICES

Leveraging close connection between our agents and housing customers, we started to provide home renovation, re-modeling, and home furnishing services to our customers. We officially launched our home renovation and furnishing services, *Beiwoo*, in April 2020, aiming to offer a one-stop solution to give housing customers access to a comprehensive range of home renovation and furnishing services, ranging from interior design, renovation, re-modeling, furnishing, supplies, to after-sales maintenance and repair. We actively explore our customers' needs for home renovation through our online platform, brokerage stores, and experience centers. Recognizing the lack of standardized service procedure and poor service performance in the industry, we are committed to offering smooth home renovation and furnishing services through standardized and visualized practices. In our *Beiwoo* mobile app, customers may browse through portfolios of various independent interior designers and explore their personalized renovation plans. We also use VR to virtually show our customers what their homes will look like in the future through *RealSee* VR technology, which features a realistic experience. During the actual implementation of the renovation plans, we have established detailed standards and practices for each step of the core service process and use technology tools and AI algorithms to plan, manage, monitor and coordinate the renovation process. We cooperate with qualified and strictly selected contractors and directly control the supply chain. We purchase high-quality supplies, distribute and deliver the supplies through our own supply chain, and manage construction teams to execute the work. In addition, housing customers are able to observe the working site in a real-time manner and track the renovation progress online

through the app, which improves the transparency of the renovation and furnishing services. We have also implemented multiple service commitments to our customers, including, among others, providing four visits for on-site maintenance and repair services within two years after the completion of renovation and paying damages for unreasonable delay. We believe that our standardized, visualized service process leads to superior and care-free experience to housing customers, which further improves customer stickiness.

In July 2021, we entered into an acquisition agreement with Shengdu, a full-service home renovation service provider in China, and completed the acquisition in April 2022. We believe the transaction would enable us to realize the strategic synergies across the industry chain, and further strengthen our capabilities in providing better renovation and furnishing services to satisfy the evolving needs of housing customers.

Home SaaS for Renovation and Furnishing

We launched *Home SaaS* for renovation and furnishing, an all-in-one SaaS that empowers home renovation professionals to manage the entire lifecycle of their projects in one place. Our system enables them to capture sales leads, manage customer and supplier relationship, perform managing and supporting functions, design the remodeling plan, sign contracts, schedule payments, implement the construction plan and manage the supply chain.

- *AI-driven and Intelligent Design Management.* Our *Home SaaS* for renovation and furnishing equips our designers with ample resources and easy-to-use tools to create personalized and visually appealing remodeling plan for our housing customers efficiently. Leveraging advanced Building Information Modeling (BIM) technology embedded in the system, designers can easily build the 3-dimensional floor plans with accurate measurements, generate stunning high-definition photos with 360-degree view, drag and drop finishing materials and furniture to decorate the space with thousands of real-world products and their self-designed models. Additionally, we have developed a simplified cost estimation tool to make the transaction more smooth and transparent. By using preloaded, project-specific templates, designers can quickly generate accurate estimates that contain specific costs for supplies, materials, and installation fees based on the local labor and supply markets. With this system, housing customers can explore many possibilities for their future homes with varying costs before making a decision, which leads to a better customer experience.
- *Visualized and Standardized Construction Management.* The construction process of each home renovation project generally involves multiple service providers, each performing a different role in a collaborative manner. Our *Home SaaS* for renovation and furnishing implements a set of standard operating procedures to manage each key step of the renovation process, aiming to achieve efficiency, high-quality output and standardized performance. Our service providers are required to provide updates throughout the entire project via a built-in dashboard that is connected to *Beiwoo* customer front end. Housing customers can view a graphic project timeline showing

key milestones and phases, a detailed calendar showing daily task assignment, live streaming from the site in a real time manner, and purchase order and payment status. With this standardized visualization system, our service providers are able to stay organized with housing customers and within their teams, and manage the various moving pieces of the project.

- *Systematic Supply Chain Management.* We have developed a simplified and centralized supply chain management system that can track an order's lifecycle and handle various tasks in the procurement process. By integrating various functions, such as an order management system and a supplier relationship management system, our *Home SaaS* for renovation and furnishing offers real-time visibility of the entire supply chain, from supplier selection, order placement, shipping, receiving, product inspection, inventory control, to invoicing and payment. The systematic supply chain system helps ensure efficient, transparent and seamless procurement activities, thus improving profitability and optimizing operations for renovation service providers.

Craftsman (Jinggong) Academy

To address the lack of skill and career development infrastructure for renovation service providers in China, we established *Craftsman (Jinggong) Academy* in September 2021, a full-service vocational training base to provide a comprehensive step-by-step training system that caters to renovation service providers' upskilling needs. Located in Beijing, China, *Craftsman Academy* occupies over 2,000 square meters and features six lecture rooms and nine training labs, designed specifically to replicate the real-world residential renovation sites to provide participants with a practical learning experience. Aiming to build the industry standards and enhance the overall service quality, our training courses are tailored to meet the specific needs of service providers across the entire home renovation value chain, including leads consultants, account managers, interior designers, surveyors, engineers, general contractors and construction workers, among others.

We offer various levels of training to our home renovation service providers, including: (i) a mandatory pre-job orientation that equips new joiners with basic knowledge and skills related to renovation; (ii) a hands-on training program that involves skills essential to the practice of various trades, such as plumbing, carpentry, masonry, interior and exterior finishing, electrical wiring, tile setting, painting, installation, roof construction, among others; and (iii) a leadership training camp that offers interdisciplinary courses and introduces advanced management skills for people at senior levels. We believe our comprehensive training courses will empower service providers and increase their professional skills, thereby enhancing the service quality and our value propositions to housing customers.

INSIGHTS AND AI APPLICATIONS

Our platform generates a significant amount of insights from historical property information, interactions on our platform, and transactions that we facilitate. Moreover, given our scale, we have a holistic view of the market, including supply, demand and pricing trends. These valuable insights help us provide customized products and services, match agents with listings, housing customers, and facilitate transactions.

Our *Housing Dictionary*

We launched *Housing Dictionary* in 2008 and have been building it for over a decade. *Housing Dictionary* is the largest and most comprehensive residential housing knowledge base in China today, according to the CIC Report. It encompasses a wide range of housing related information from the neighborhoods, the communities, the buildings, to the floors and rooms. As of December 31, 2019, 2020 and 2021, our *Housing Dictionary* covered approximately 215 million, 240 million and 257 million properties, respectively. Agents on our platform can browse information relating to their own cities in *Housing Dictionary* through our SaaS systems. Agents can supply new property information or raise amendment through mobile app, Weixin mini program and other entrances. Through *Housing Dictionary*, we verify the authenticity of property listings, supplement real estate information on our platform and offer property valuation services based on property information and past transaction history.

Artificial Intelligence (AI) Applications

We have provided some of our AI applications to other ecosystem participants. Examples of the AI applications on our platform include:

- *Intelligent search and prediction.* We use advanced machine learning algorithms such as relevance ranking and click-through-rate prediction to produce high-quality search results. We use deep learning algorithms to intelligently predict the transaction probability of a property listing based on static features and time series features. We also provide valuation services using our proprietary algorithm based on *Housing Dictionary* and extensive transaction history.
- *Beike's Pick.* We have deployed *Beike's Pick* that recommends high-quality property listings to housing customers based on a rating system that considers factors such as property features, property viewing history, and property showing records. Based on housing customers' profiles, we are able to predict their interests on *Beike's Pick* properties with high accuracy and push the listings to their agents before pushing the listings to corresponding agents, resulting in higher conversion rate. In general, property listings on *Beike's Pick* enjoy more exposure on our platform, resulting in faster transaction decision, shorter transaction period and higher conversion rate.

- *Textual and speech assistant.* We have developed *Smart Chat* using natural language processing (NLP) algorithms to provide intelligent customer services to housing customers through instant messaging system. We have also developed and continue to upgrade our AI Assistant (*Xiaobei*) to provide agents with real-time interactive feedback and training, and offers smart management functions to store owners, thereby increasing transaction efficiency and service quality. In 2021, agents used AI Assistant to assist in 86 million home transaction consultations, and adopted over 40% of its suggestions.
- *Futurehome renovation system.* We have developed *Futurehome*, an AI-empowered system that features automatic generation of home renovation and furnishing plans. It can also generate interactive floor plans and 3-dimensional within minutes. Once the floor plan has been created, our housing customers may walk through and experience the renovation design through rendered high-definition visual presentations. *Futurehome* makes it easy for renovation service providers to create and analyze multiple plans for one project with different layouts and costs, thereby helping housing customers to make better decision.

OUR TECHNOLOGY AND RESEARCH AND DEVELOPMENT

We aspire to lead the innovations in the new era of China's housing related industry by leveraging our technologies. Our platform is built on a robust cloud-based technology infrastructure with comprehensive functionalities that support the entire lifecycle of housing transactions from initial customer acquisition, agent cooperation, lead referrals to property listing management, transaction workflow management, and further to payment, and closing management. We have developed our AI technologies specifically to increase business operational efficiency on our platform and of our agents. See “– Insights and AI Applications.” Our platform also provides agents, real estate developers, and housing customers with access to advanced virtual reality options to enrich customer experience.

Research and Development

We invest substantial resources in research and development to improve our technology, develop new products that are complementary to existing products and find ways to better support agents and other participants on our platform. We spent RMB1,571 million, RMB2,478 million and RMB3,194 million in research and development in the years ended December 31, 2019, 2020 and 2021, respectively.

Our research and development team includes engineers that build and maintain our infrastructure, AI algorithm engineers that conduct modeling and algorithm research, security and risk management engineers that focus on cybersecurity and risk control, infrastructure maintenance engineers that maintain the stability of our platform, platform development engineers that develop and implement products and services on our platform, and virtual reality engineers that specialize on *RealSee* virtual reality products.

Technological Infrastructure

We have developed a secure, efficient and cost-effective cloud-based core system to operate our business. Cloud-based technology allows us to process large amount of complex data in-house, which significantly reduces cost and improves operational efficiency. We currently rely on our three data center rooms, as well as third-party cloud services such as Tencent Cloud, for our computing, storage, bandwidth, content delivery network, backup and other services. For more details, see “Connected Transactions”. The robust technology infrastructure supports instant scaling with great flexibility to support traffic spikes. We have the capability to operate and serve during outbreaks related to servers, cables and power in data center scale or city scale. Even in the extreme hypothetical situation where all core data are deleted, we are able to restore to full service with our multi-layer backup system in a relatively short time. As of the date of this document, we have not experienced any service outbreak that materially affected our business operation. See “Risk Factors – Risks Related to Our Business and Industry – The proper functioning of technologies deployed by our platform is essential to our business. Any failure to maintain the satisfactory performance of our websites, mobile apps and systems could materially and adversely affect our business and reputation.”

***RealSee* Virtual Reality**

We are the first to introduce VR experience to the housing transactions and services industry in China at scale, according to the CIC Report. We started to research on VR technology from as early as 2015 and built our VR lab in early 2016. As of December 31, 2021, we had over 200 dedicated research and development professionals working on our *RealSee* VR technology and products. We believe that the power of VR technology can help agents grow their business, get more housing customers, and deliver top-level services, especially when a growing number of housing customers start their housing transaction journeys by searching properties online. In addition, interactions between agents and housing customers during VR property showing sessions are digitalized and recorded, which can be used for agents’ personalized training and skill improvement in a timely manner.

We believe that our *RealSee* VR technology has already been transforming the way the housing transactions and services industry functions. Typically, customers physically visit multiple properties before deciding on the one they want, which is inconvenient, expensive and time consuming. *RealSee* VR technology allows home buyers to virtually visit properties without leaving their couches and move within the properties by clicking on special hotspots in the interface. We offer our housing customers three-dimensional walkthroughs of properties along with on-demand real time explanation from our agents using *Beike* customer front end. We have also rolled out VR sales offices for new home projects where customers can check out virtually staged prototype homes and connect with our guiding agents with one click.

Our products based on *RealSee* VR technology include:

- *VR cameras and shooting solutions.* Our VR camera offers efficient, precise and detailed 3-dimensional scanning that provides the foundation of complete 3-dimensional reconstruction. Users can upload collected visual data through a tablet for automatic modeling and processing on an easily customizable dashboard. We believe that our VR cameras can be used in housing transactions and services industry as well as other industries.
- *VR property showing.* Our VR presentation mode includes computer-generated speech that can explain the property to the housing customers when they walk around the property. Our VR home tour mode allows agents to interact with housing customer in real time in VR space. We have also rolled out VR sales office for new home projects that can greatly enhance customer experience and increase conversion rate on our platform. In 2021, we had approximately 1.6 billion views of VR property showings and our housing customers have aggregately spent over 66 million hours for such services.
- *Home renovation rendering system.* Our *Futurehome* home renovation system allows instant rendering of home renovation effects on 3-dimensional and network connections to multiple interior designers and renovation professionals. We implement AI-empowered functions such as automatic generation and analysis of home renovation plans, allowing our customers to create, customize and populate the renovation plans in a convenient and highly visualized manner. In 2021, we facilitated 18.3 million renovation plans for our housing customers through *Futurehome* system.

Technology for Financial Solutions

We have developed cutting-edge technology to power the financial services on our platform. The core of our financial technology lies in our electronic wallets built in *eHomePay*. Capable of handling money transactions with high frequencies and value on our ecosystem, the electronic wallet is essentially a robust system that digitally transfers, clears and settles money in a stringent financial accounting manner.

OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INITIATIVES

We believe our continued growth depends on our integration of ESG values into our corporate strategies and operations. With the unprecedented challenges regarding climate change and the COVID-19 pandemic, we have become more active to take on social responsibilities and we will continue to bring innovations to better serve everyone in our society. We are committed to operating on an ethical and compliant basis and elevating service experience through technological innovation. We will continue to promote a diverse and inclusive environment for talents, and pursue environmentally friendly operations following the principles of low carbon economy, thereby contributing to public welfare and helping build a wonderful community.

Environmental Sustainability Initiatives

We actively promote environmental sustainability and have put forward a “*Green, Intelligent, Community+*” development strategy. Through technological innovations, we aspire to promote the digitalized economic development following the principles of low carbon economy, tackle the challenges of climate change, and make contributions to global carbon neutrality. Our innovative technologies, such as VR, help reduce energy consumption and reduce and greenhouse gas emission. We advocate for green office practices to reduce our carbon footprint and constantly raise the awareness of environmental protection among our employees. For example, we actively promote paperless online contract signing in existing home sales and home rentals, and we have saved around 47.2 million sheets of paper in 2021 through online contract signing. We also take a series of energy-saving measures to improve energy efficiency for daily operations in our stores. Our *Huaqiao Academy* was designed, constructed and operated following the green building standards and has received the certificate of Green Building Design Label. The building was designed with an energy-saving rate of 50%, a green space ratio of 30%, and a reusable and recyclable material utilization rate of 6%.

We are committed to supporting non-profit organizations devoted to protecting the environment. Through Beijing *Lianjia* Public Welfare Foundation, a charitable organization established in July 2016 where we act as the co-sponsor, we provide funds to charitable organizations in various areas between 2018 and 2020. We are currently supporting three influential environmental organizations, including: (i) a leading research center dedicated to connecting and analyzing environmental data, building information platforms on environmental protection and promoting green decision-making in government policies and business activities; (ii) a non-profit organization devoted to combating pollution through applying ecological data analytics and promoting public participation; and (iii) a long-standing non-profit organization dedicated to water protection and resource management that has conducted lots of field work.

In 2020, we jointly initiated the Blue Ocean Campaign, a low-carbon public welfare project, aimed at protecting and restoring mangroves in coastal wetland in Fujian, China. By the end of 2020, 109,000 mangroves had been planted in Fujian through this program, which will sequester an estimated 1,100 tons of carbon in the coming 40 years, according to data from a nonprofit group focusing on ecological protection in China. In November 2021, this project won an environmental award from China’s Green Economy Development Forum for its continuous efforts to leverage virtual reality technology to inspire green lifestyle and help reduce carbon footprints.

Social Responsibility Initiatives

We believe by integrating industrial advantages with community welfare, we are on the right path to promote efficient and sustainable community development. As the leading platform for housing transaction and services, we are able to support our communities through diversified interaction mechanisms and charity activities to meet community needs.

Elderly Care Service. We initiated an ongoing elderly care program where our agents teach elderly in the community to use smart phones through regular workshops and free Q&A sessions. As of December 31, 2021, the program has been established in over 2,000 communities in 48 cities nationwide, providing over 300,000 times of services to the elderly.

Rural Development. We are committed to providing charitable contributions to the underserved communities in China, many of which are in rural areas. We hope to leverage the power of our platform to address the living needs of these communities and offer localized and effective solutions. As of December 31, 2021, we contributed more than RMB70 million to the initiatives related to poverty relief, rural development and community charity, among other things. In addition, as of December 31, 2021, we have provided funding support for the education of nearly 80,000 students in rural areas in China, and have donated over 600,000 books to 201 charity libraries and contributed to funds that built 12 primary schools in less developed areas in China.

College Entrance Examination rest area. To support the community members' efforts in pursuing higher education, we launched the initiative in 2015 to offer comprehensive services and modify our stores as rest areas during the two or three-day period of the National College Entrance Examination in China.

Corporate Governance

We have built a sound corporate governance structure to ensure the effectiveness of our management. The board of directors authorized the corporate governance committee to oversee ESG-related issues and perform relevant ESG governance responsibilities on behalf of the board upon Listing. Following the framework of COSO (The Committee of Sponsoring Organizations of the Treadway Commission) framework, we have built a risk management structure consisting of three lines of defense to identify and analyze financial and non-financial risks during operations and established effective risk prevention and control mechanisms to achieve long-term operational stability.

Initiatives to Support the COVID-19 Campaign

We believe it is our responsibility to stand out in difficult times and our commitment to society is embodied in our efforts during the COVID-19 outbreak. We proactively supported China's nationwide efforts to contain the spread of COVID-19 and launched a variety of initiatives to combat the pandemic. To promote better corporate governance, we formed an emergency committee to lead our efforts promptly after the outbreak. We also prioritized the well-being of our employees and the real estate agents on our platform by enforcing daily health checks and encouraging working-from-home arrangements to reduce the risk of contracting the disease to the extent possible. In addition, we launched free online courses on maintaining productivity in times of adversity.

At the same time, we took responsibility to support the communities. We made an RMB10 million donation to the China Red Cross Foundation to fund purchases of negative pressure ambulances, among others, and donated face masks to a city in Hubei Province that suffered severely from the COVID-19 pandemic. Our local branches also provided monetary support and supplies and organized fund-raising events to support the campaign. Moreover, to utilize our nationwide network, we encourage the brokerage stores on our platform to reach out to the anti-disease authorities in the communities to offer support, such as conducting body temperature checks and disinfecting public areas. We also established an initiative to organize emergency service centers in the communities to distribute supplies and receive packages. We believe our supportive efforts in this special time strengthened our ties with the communities we serve and consolidated our long-standing value in being socially responsible.

CUSTOMER SERVICES

Providing satisfactory housing customer services is a high priority for *Beike* platform. Our commitment to housing customers is reflected in the high level of scrutiny over agents' behavior as well as our platform's service commitments. In addition, we were the first to provide refund options without conditions, or a cooling-off period, for new home buyers in China's housing transactions and services industry, according to the CIC Report. We continue optimizing our customer services to guarantee the best possible housing transaction experience.

We have built a comprehensive customer service team of over 900 employees as of December 31, 2021, consisting of a platform service team at our headquarters and employees at our customer service centers scattered across China. The agents support group of our platform service team is responsible for providing Q&A and general support service to real estate brokerage brands, store managers, agents and other staff on *Beike* platform for issues related to products and functions of the platform as well as handling complaints and reports from them. The customers support group of our platform service team is responsible for handling questions and complaints on our *Beike* customer front end and conducting satisfaction survey. We are committed to ensure reliable, accurate, sufficient and timely customer service information so as to improve transaction security and customer experience. As soon as a customer complaint is received, the department of *Beike* customer service support will forward the request to the corresponding customer service city center, which is required to respond to the complaint within 24 hours and assign personnel to follow up until the issue is properly resolved. Another group in our platform service team focuses on customer business development, addressing housing customers' requests for posting property listings on the platform.

RISK MANAGEMENT AND QUALITY CONTROL

We have implemented various policies and procedures to ensure rigorous risk management and quality control.

Data and Technology System Risk Management

We attach paramount importance to the protection of the personal privacy of our housing customers. To ensure the confidentiality and integrity of the data on our platform, we maintain a comprehensive and rigorous data protection program. We gain access to vast amounts of behavioral information through housing transactions completed on our platform and we encrypt and store the data on our own and third-party cloud servers, which are protected by state-of-the-art anti-hacking measures and firewalls. We collect housing customer information with their consents. We connect housing customers with suitable agents and, other than masked contact information, we do not provide housing customers' personal identifiable information to any agent at initial stage. We also implement strict anti-spam measures in our ACN to make sure that our housing customers are not harassed.

We deploy a variety of technical solutions to prevent and detect risks and vulnerabilities in user privacy and data security, such as encryption, firewall, vulnerability scanning and log audit. For instance, we store and transmit all customer data in encrypted formats and have a team of professionals who are dedicated to the ongoing review and monitoring of data security practices. We maintain data access logs that record all attempted and successful access to our data and conduct automated monitoring and routine manual verification of large data requests. We also have clear and strict authorization and authentication procedures and policies in place. Our employees only have access to data which is directly relevant and necessary to their job responsibilities for limited purposes and are required to obtain authorization upon every access attempt. See "Risk Factors – Risks Related to Our Business and Industry – Our business generates and processes a large amount of data and is subject to various evolving PRC laws and regulations regarding cybersecurity and data privacy. Failure of cybersecurity and data privacy concerns could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential customers from using our services."

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with data privacy and security laws or regulations. In the opinion of our PRC Legal Adviser, all of our significant subsidiaries complied in all material aspects with relevant data privacy and security laws and regulations during the Track Record Period.

Authentic Property Listings and Anti-fraud

We have a dedicated team to constantly monitor transactions, listings, and agents' behavior on our platform. As we believe the authenticity and accuracy of our property listings are critical to our success and brand image, we strictly enforce our authentic property listing rules and anti-fraud measures. We provide multi-level anti-fraud trainings for our employees to raise their awareness of business ethics. We have also established dedicated quality control teams in different areas to monitor the authenticity of the listings in their respective areas and to actively conduct investigations to detect problematic listings and other fraudulent activities. Additionally, we are able to enforce automatic authentic property listing monitoring with

advanced optical character recognition (OCR), visual recognition, semantic analysis and other AI algorithms to flag suspect property listings for manual review, which improves the efficiency of our anti-fraud measures.

We will immediately remove listings that are found to be false or duplicate from our platform and inform the responsible agents to make necessary corrections. If a case amounts to a violation of our ACN, we will deduct credit points of the agent. Accumulated credit point deduction may cause the agent to be alerted, imposed various limitations on the ability to utilize our platform, or barred from the platform for a specific time period. Additionally, many of the real estate brands on our platform also penalize stores and agents found to have engaged in fraudulent activities under their standards.

Anti-corruption Measures

An effective set of anti-kickback policies and procedures is critical to ensuring the integrity of the agents on our platform and protecting our brand image. We have adopted an Anti-Corruption Compliance Policy in which we strictly forbid any kickbacks or other payments to a customer to secure purchases. The prohibition applies to both direct and indirect payments, such as payments in disguise of discounts and gifts.

To effectuate our anti-kickback policies and policies against other prohibited conducts, our internal control department, legal department, and corporate governance department coordinate to monitor the compliance of our business activities and handle complaints and whistle-blowing cases through our internal compliance reporting email. We post violations and our decisions on our internal website. We have also established a Professional Ethics Promotion Center where we cooperate with personnel in law enforcement departments, prosecutors, and courts to promote integrity and professional ethics of our employees and the participants of our platform.

We protect the safety of whistle-blowers. Our Reporting and Investigation of Discipline Violation Policy includes measures to ensure that whistle-blowers are free from unfair treatment such as dismissal, demotion, suspension, intimidation, harassment, or any form of retaliation.

Anti-money-laundering Measures

We strictly comply with anti-money-laundering (AML) laws and regulations to protect our business from money laundry risk. We have adopted an Anti-Money Laundering Compliance Policy and set up an AML compliance officer for effective AML risk management. The AML compliance officer is responsible for establishing relevant AML procedures for relationship screening of transaction parties, and performing periodic internal review to ensure the effectiveness of our AML policies. We are also equipped with professionals to continuously monitor changes in AML laws and regulations, keep our internal policies up-to-date, and conduct regular training on AML to strengthen our AML risk management.

We require our employees to report suspicious activities identified during the customer background check process, due diligence process, financial activities and day-to-day operations to the AML compliance officer. After consulting with the relevant internal legal and compliance departments, the AML compliance officer will determine whether to report these suspicious activities to the law enforcement department.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our legal, finance and business departments to: (a) perform risk assessments and advise risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our Company. We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our internal control team conduct regular reviews to monitor the status and effectiveness of those licenses and approvals. Our in-house legal department works with relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. Through these trainings, we ensure that our agents' skill sets remain up-to-date and enable them to discover and meet our customers' needs. We have in place various agent handbooks approved by our management and distributed to all our employees, which contain internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanism, negligence and corruption.

We also have in place a code of business conduct and ethics, an anti-bribery and corruption policy and anti-harassment policy approved by our board of directors, providing to our agents and other employees the best commercial practice and work ethics as well as our anti-bribery guidance and measures. We make our internal reporting channel open and available to our employees for any wrongdoing or misconduct. Reported incidents and persons will be investigated and appropriate measures will be taken in response to the findings.

Investment Risk Management

We invest in or acquire businesses that are complementary to our business, such as businesses that can expand the services we offer and strengthen our research and development capabilities. In general, we intend to hold our investments for the long term. In order to protect our interests as shareholders and control the potential risks associated with our investments, we generally request our investee companies to grant us customary investor protective rights.

In our investment projects, our strategic investment department sources investment projects in accordance with our investment strategy and preliminarily assesses the risks and potential of the investment projects. We employ different levels of approval and due diligence mechanisms corresponding to the specific circumstances involved in an investment project. Our finance and legal departments cooperate with strategic investment department on deal evaluation, structuring, analysis, communication, execution, risk control, reporting, and post-investment risk management. In addition, our strategic investment department monitors the deal performance on a regular basis.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing, and mitigating risks involved in our business operations. The audit committee consists of three members, namely Ms. Xiaohong Chen, Mr. Hansong Zhu and Mr. Jun Wu. All of them are independent non-executive Directors. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management – Board of Directors.”

We also maintain an internal audit department that is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified thus are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors if necessary.

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our audit committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

MARKETING AND BRANDING

We promote our platform and enhance brand awareness through a variety of online and offline branding and business development activities. We cooperate with websites and mobile apps, particularly popular search engines and social media platforms, for online and mobile marketing. We also conduct offline marketing primarily in the form of promotional events, posters, and television commercials. For example, in Chinese New Year holidays in 2019 and 2020, we engaged in extensive promotional activities in forms of television and movie advertising and posters in the transportation system. We also organized the 2019 New Brokerage Business Summit in November 2019 to welcome various participants in the industry, during which we also launched our new products and services. In addition, we started to sponsor the China Women's National Volleyball Team in January 2020 for a period of two years.

We collaborate with Tencent, one of our principal shareholders and owner of Weixin and QQ, with respect to various aspects of our business. We have entered into a business cooperation agreement with Tencent, pursuant to which we and Tencent have agreed to cooperate in a number of areas including customer access to our platform via Tencent networks, advertising and cloud technology. For more details, see “Connected Transactions”.

We believe that our high-quality real estate brokerage services lead to strong word-of-mouth referrals, which drive customer awareness of our brands. As we gain trust from housing customers through facilitating housing transactions, they often refer us to their families, friends and social acquaintance, or return to our platform when they have other housing related needs, be it home rentals, renovation or other services.

As of December 31, 2021, we had over 6,000 business development, sales and marketing staff engaged in expanding our business geographically. We follow a standard process to enter a new geographic area. After enlarging the information in the *Housing Dictionary* of the target city to reach a satisfying level, we will set out our business development team to reach out to local real estate brokerage stores that share similar vision and values with us to discuss on potential cooperation. As soon as we have built a comprehensive network of stores, agents and listings, we would then open offline stores and connect that city onto our online platform.

SEASONALITY

Our business is subject to seasonal fluctuations, normally with relatively weaker performance in the first quarter, consistent with the housing related industry in general. The first quarter of each calendar year generally contributes the smallest portion of our annual revenue, primarily due to a reduced number of housing transactions completed during the Chinese New Year holiday period in the quarter. Although the seasonality of our business has been significantly offset by our expanding scale and diversified service offerings, the seasonality fluctuation may still increase in the future. See “Risk Factors – Risks Related to Our Business and Industry – Our results of operations are subject to seasonal fluctuations.”

INTELLECTUAL PROPERTY

We regard our patents, trademarks, copyrights, domain names, know-hows, proprietary technologies, and similar intellectual property as critical to our success. As of December 31, 2021, we had 874 patents registered and 1,091 pending patent applications. We also owned 5,538 registered trademarks, 1,307 pending trademark applications, copyrights to 612 software programs developed by us relating to various aspects of our operations, and 113 registered domain names, including *ke.com* and *Lianjia.com*.

We seek to protect our technology and associated intellectual property rights through a combination of patent, copyright and trademark laws, as well as license agreements and other contractual protections. In addition, we enter into employment agreements with confidentiality arrangements with our employees, and cooperation agreements with confidentiality arrangements with brokerage brands and business partners to protect our proprietary rights. The agreements we enter into with our employees also provide that all patents, software, inventions, developments, works of authorship and trade secrets created by them during the course of their employment with us are our property.

We intend to protect our technology and proprietary rights vigorously. We have employed internal policies, confidentiality agreements, encryptions and data security measures to protect our proprietary rights. From time to time, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. See “Risk Factors – Risks Related to Our Business and Industry – Our failure to protect our intellectual property rights may undermine our competitive position, and external infringements of our intellectual property rights may adversely affect our business” and “Risk Factors – Risks Related to Our Business and Industry – We have been and may be subject to intellectual property infringement claims or other allegations, which may materially and adversely affect our business, financial condition and prospects.”

COMPETITION

The housing related industry in China is rapidly evolving and increasingly competitive. We face competition from players in different segments of the housing transactions and services industry. We compete with other online housing transaction platforms for property listings and housing transactions, as well as traffic-focused platforms for customer traffic. For our new home sales business, we also compete with other new home sales channels. In addition to these platforms and companies at the national level, we compete with offline traditional real estate brokerage stores and brands for agents and housing customers locally. We also compete with other companies for value-added services related to housing transactions.

We believe that we are strategically positioned in China’s housing transactions and services industry and we compete with others primarily on the following factors: (i) the ability to build and expand our integrated online and offline platform for housing transactions and services; (ii) the amount and authenticity of property listings on our platform; (iii) the ability to further develop our infrastructure to enhance efficiency and customer experience; (iv) the superior service quality of our platform as well as the agents on our platform; (v) our brand recognition and reputation; and (vi) our ability to develop advanced technologies and utilize such technologies in housing transactions and services.

BUSINESS

CUSTOMERS AND SUPPLIERS

We endeavor to strengthen housing customer experience on our platform. Our housing customers include home buyers and sellers, landlords and tenants. We built *Beike* customer front end to provide housing customers with mobile and online access to our housing transaction brokerage services, property listings with rich visual presentations and other comprehensive housing related information. Through our infrastructure and platform, we address housing customers' demands on existing and new home sales and home rentals. We provide brokerage services through offline network as well as *Beike* online customer front end. As we gain trust from customers through housing transactions, they often refer us to their families, friends and social contacts, or return to our platform.

We have a broad base of customers, and we do not believe that we have customer concentration risks or counterparty risks. Our five largest customers for each respective period accounted for 8.8%, 13.4% and 8.6% of our total net revenues for the years ended December 31, 2019, 2020 and 2021, respectively.

Our suppliers primarily include vendors in advertising, human resources service providers, internet service providers, and suppliers for new homes transaction business, among others. Our five largest suppliers for each respective period accounted for less than 6.6% of our total purchases for each of the years ended December 31, 2019, 2020 and 2021. We do not believe that we have supplier concentration risks or counterparty risks.

During the Track Record Period, none of our Directors, their respective associates, or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest customers or suppliers.

EMPLOYEES

We had a total of 110,082 employees as of December 31, 2021. The following table sets forth the numbers of our employees categorized by function as of December 31, 2021.

Function	Number of Employees
Agents and supporting staff	82,009
Platform operations	10,719
Research and development	3,324
Business development, sales and marketing	6,015
Administration and management	8,015
Total	110,082

As of December 31, 2021, our employees were mainly based in mainland China. 36,976 of our employees are based in Beijing where our headquarters is located and the rest are mainly at our subsidiaries and branches across the nation.

Our success depends on our ability to attract, motivate, train and retain qualified personnel. See “– Modules in Our Infrastructure – Professional Development and Support.” We believe we offer our employees competitive compensation packages and an environment that encourages self-development and, as a result, have generally been able to attract and retain qualified personnel and maintain a stable core management team. In addition, we invest significant resource in the recruitment of employees to support our fast growth of business operations. In particular, we have been successfully attracted a large number of college graduates to join our offline operations in delivering real estate brokerage services to housing customers and experienced and talented research and development professionals to join us in expanding and enhancing our platform technology capabilities.

As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing provident fund. In addition to the required social security plans, we also offer bonuses to employees to encourage higher performance quality. Bonuses are generally discretionary and based in part on employee performance and 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 incentivize their contributions to our growth and development.

We enter into standard labor contracts with our employees. To date, we have not experienced any significant labor disputes. None of our employees are represented by labor unions.

In addition to our own employees, our labor force also includes dispatched workers. Historically, we had a relatively large number of dispatched workers. In 2020, we have initiated and implemented a comprehensive plan, including making more direct employment and outsourcing arrangements, to lower the percentage of dispatched workers without any material impact upon our labor demands. As of December 31, 2021, the total number of our dispatched workers was 8,218, which was below 6.9% of our total labor force of 118,300, and we do not expect the reduction in the percentage of dispatched workers to have any material impact on our business. See also “Risk Factors – Enforcement of stricter labor laws and regulations and increases in labor costs in the PRC may materially and adversely affect our business and our profitability.” In addition to employees and dispatched workers, we also work with labor outsourcing agencies to place their outsourced personnel in stores on our platform to perform onsite supporting services to meet our temporary staffing demand with flexibility. We do not count these outsourced personnel towards our total labor force as these personnel do not enter into employment arrangements with us.

FACILITIES

We are headquartered in Beijing where we leased an aggregate area of over 108,462 square meters as of December 31, 2021 for office space. We leased approximately 8,000 facilities as of December 31, 2021 primarily for real estate brokerage stores we operate under *Lianjia* brand across 29 cities in China. We owned a facility of approximately 55,210 square meters as of December 31, 2021 as our training center, *Huaqiao Academy*, in Kunshan, Jiangsu Province, China.

INSURANCE

In addition to providing social security insurance for our employees as required by PRC law, we also provide supplemental commercial medical insurance for our employees. Consistent with customary industry practice in China, we do not maintain business interruption or product transportation insurance, nor do we maintain key-man insurance. See “Risk Factors – Risks Related to Our Business and Industry – We have limited insurance coverage, which could expose us to significant costs and business disruption.”

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

From time to time, we have been and will be involved in disputes and legal or administrative proceedings in the ordinary course of our business. On December 30, 2021, we and certain of our current officers and directors were named as defendants in a putative securities class action filed in federal court, captioned *Chin v. KE Holdings Inc. et al.*, No. 1:21-cv-11196 (U.S. District Court for the Southern District of New York). This action was brought shortly after Muddy Waters Capital LLC (“Muddy Waters”) announced on December 16, 2021, that it took a short position in the Company as its research showed that the Company overstated the number of agents and stores, its GTV, and its revenues. Plaintiffs in the above-named securities class action base their allegations mainly on the allegations in the Muddy Waters report. Plaintiffs allege, in sum and substance, that the Company’s disclosures were materially false and/or misleading because they: (i) inflated the Company’s GTV; (ii) inflated the Company’s revenues; and (iii) inflated the number of stores and agents using the Company’s platform. The case was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of these alleged misstatements and omissions in our SEC filings and public disclosure documents, in violation of Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. We intend to vigorously defend ourselves against this and any related litigation. As confirmed by our legal counsel based on their review of the initial complaint (which, however, is subject to amendment and supplementation), we believe the allegations in this action are without merit as the complaint’s allegations are conclusory, and we intend to vigorously defend ourselves against this action and any related litigation, including by arguing that Plaintiffs have failed to state any claim as a matter of law. On March 29, 2022, the Court appointed Lead Plaintiff and Lead Counsel of this action, with Lead Plaintiff expected shortly to file a consolidated amended complaint pursuant to the scheduling order that will be entered by the court. The action remains in its preliminary stage, and the substantive allegations are subject to change as

the litigation progresses or if additional related complaints are filed or Plaintiffs file amended complaints. Because this securities class action is in its preliminary stage, the parties have not yet requested nor produced any discovery or admissible evidence to support or refute Plaintiffs' allegations. Nor has any court yet ruled on whether the Plaintiffs have sufficiently stated a claim to relief under the relevant federal securities laws. Accordingly, there is no factual basis to offer even a speculative prognosis as to what the "worst case scenario" may be. In general, the securities class action seeks monetary damages under the U.S. Securities Exchange Act of 1934 for alleged damages incurred as a result of defendants' alleged misstatements or omissions in various public disclosures. In the event that a court finds that the Company and/or other defendants violated any of these securities laws, or in the event that the Company and/or other defendants choose to reach a settlement with Plaintiffs, the Company may be liable for civil monetary damages and the potential financial, operational and reputational impact on the Company may be material. However, we cannot predict the timing, outcome or consequences of the class action, and there is no basis to conclude at this point whether the action will be successful or whether the Company will be subject to any damages, let alone how much. As this action is civil, the Company does not currently believe that criminal implications will result from the action.

Regardless of the outcome, however, litigations or other legal or administrative proceedings may result in substantial costs and diversion of management resources and attention. See "Risk Factors – Risks Related to Our Business and Industry – We have in the past been subject to legal and regulatory proceedings and administrative investigations and may continue to be subject to these proceedings and investigations from time to time. If the outcome of these proceedings or investigations is adverse to us, it could have a material adverse effect on our business, reputation, results of operations and financial condition."

Compliance

During the Track Record Period and up to the Latest Practicable Date, our PRC Legal Adviser is of the view that our significant subsidiaries and significant Consolidated Affiliated Entities established in China were in compliance with relevant PRC laws and regulations in all material respects, and our PRC Legal Adviser has not found that we have been involved in any material non-compliance incidents that may lead to fines or other penalties that could have a material adverse effect on our business operations.

LICENSES AND PERMITS

Our PRC Legal Adviser has advised that as of the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals, and certificates from the relevant government authorities that are material for our main business operations in China. Our PRC Legal Adviser is of the view that we had complied with all relevant applicable PRC Laws relating to the required permits and licenses to conduct the business of our significant subsidiaries and significant Consolidated Affiliated Entities established in China in all material respects during the Track Record Period and up to the Latest Practicable Date. The following table sets forth details of our material licenses and permits obtained by our significant subsidiaries and significant Consolidated Affiliated Entities established in China.

BUSINESS

License/Permit	Holder	Issuing Authority	Grant Dates	Expiration Date
Beijing Real Estate Brokerage Institution Filing Certificate (北京市房地產經紀機構備案證明)	Beijing Lianjia Zhidi Real Estate Brokerage Co., Ltd. (北京鏈家置地房地產經紀有限公司)	Housing Administration Bureau, Chaoyang District, Beijing (北京市朝陽區房屋管理局)	July 10, 2019	N/A
Shanghai Real Estate Brokerage Institution Filing Certificate (上海市房地產經紀企業備案證書)	Deyou Real Estate Agency Co., Ltd. (德佑房地產經紀有限公司)	Housing Security and Administration Bureau, Fengxian District, Shanghai (上海市奉賢區住房保障和房屋管理局)	August 6, 2019	N/A
Chengdu Real Estate Brokerage Consulting Institution Filing (成都市房地產經紀諮詢機構備案)	Sichuan Lianjia Real Estate Brokerage Co., Ltd. (四川鏈家房地產經紀有限公司)	Chengdu Municipal Urban-Rural Housing Administration Bureau (成都市城鄉房產管理局)	April 22, 2020	April 22, 2023
Chengdu Real Estate Brokerage Consulting Institution Filing (成都市房地產經紀諮詢機構備案)	Chengdu Fangjianghu Information Technology Co., Ltd. (成都房江湖信息科技有限公司)	Chengdu Municipal Urban-Rural Housing Administration Bureau (成都市城鄉房產管理局)	August 20, 2021	August 20, 2024
Beijing Real Estate Brokerage Institution Filing Certificate (北京市房地產經紀機構備案證明)	Beijing Lianjia Gaoce Real Estate Brokerage Co., Ltd. (北京鏈家高策房地產經紀有限公司)	Housing and Urban-Rural Development Commission, Miyun District, Beijing (北京市密雲區住房和城鄉建設委員會)	February 2, 2018	N/A
Shenzhen Real Estate Brokerage Institution Filing Certificate (深圳市房地產經紀機構備案證書)	Shenzhen Lianjia Real Estate Brokerage Co., Ltd. (深圳鏈家房地產經紀有限公司)	Shenzhen Housing and Development Bureau (深圳市住房和建設局)	November 22, 2021	November 22, 2022
Beijing Real Estate Brokerage Institution Filing Certificate (北京市房地產經紀機構備案證明)	Beijing Fangyuan Real Estate Consulting Services Co., Ltd. (北京方源房地產諮詢服務有限公司)	Housing Administration Bureau, Chaoyang District, Beijing (北京市朝陽區房屋管理局)	March 21, 2017	N/A

BUSINESS

License/Permit	Holder	Issuing Authority	Grant Dates	Expiration Date
Tianjin Real Estate Brokerage Institution Filing Certificate (天津市房地產經紀機構備案證明)	Tianjin Lianjia Fangjianghu Technology Co., Ltd. (天津鏈家江湖科技有限公司)	Housing Administration Bureau, Airport Economy Zone, Tianjin (天津市航空港經濟區房屋管理局)	May 23, 2017	N/A
Zhengzhou Real Estate Brokerage Institution Filing Certificate (鄭州市房地產經紀機構備案證書)	Zhengzhou Fangjianghu Information Technology Co., Ltd. (鄭州房江湖信息科技有限公司)	Zhengzhou Housing Security and Administration Bureau (鄭州市住房保障和房地產管理局)	December 17, 2020	N/A
Tianjin Real Estate Brokerage Institution Filing Certificate (天津市房地產經紀機構備案證明)	Tianjin Lianjia Baoye Real Estate Brokerage Co., Ltd. (天津鏈家寶業房地產經紀有限公司)	Housing Administration Bureau, Nankai District, Tianjin (天津市南開區房屋管理局)	September 11, 2018	N/A
Shanghai Real Estate Brokerage Institution Filing Certificate (上海市房地產經紀企業備案證書)	Shanghai Xiaoheng Internet Technology Co., Ltd. (上海小桁網絡科技有限公司)	Housing Security and Administration Bureau, Fengxian District, Shanghai (上海市奉賢區住房保障和房地產管理局)	March 3, 2019	N/A
Shanghai Real Estate Brokerage Institution Filing Certificate (上海市房地產經紀企業備案證書)	Shanghai Deyou Real Estate Consulting Co., Ltd. (上海德佑物業顧問有限公司)	Housing Security and Administration Bureau, Fengxian District, Shanghai (上海市奉賢區住房保障和房屋管理局)	July 12, 2019	N/A
Guangzhou Real Estate Brokerage Service Institution Filing Certificate (廣州市房地產中介服務機構備案證書)	Guangdong Lianjia Real Estate Brokerage Co., Ltd. (廣東鏈家房地產經紀有限公司)	Guangzhou Housing and Urban-Rural Development Bureau (廣州市住房和城鄉建設局)	November 4, 2021	December 31, 2022
Wuhan Real Estate Brokerage Institution Filing (武漢市房地產經紀機構備案)	Wuhan Fangjianghu Information Technology Co., Ltd. (武漢房江湖信息科技有限公司)	Wuhan Housing Security and Administration Bureau (武漢市保障和房屋管理局)	June 6, 2018	N/A

BUSINESS

License/Permit	Holder	Issuing Authority	Grant Dates	Expiration Date
Guangzhou Real Estate Brokerage Service Institution Filing Certificate (廣州市房地產中介服務機構備案證書)	Guangzhou Fangjianghu Technology Co., Ltd. (廣州房江湖科技有限公司)	Guangzhou Housing and Urban-Rural Development Bureau (廣州市住房和城鄉建設局)	November 5, 2021	December 31, 2022
Chongqing Real Estate Brokerage Institution Filing Certificate (重慶市房地產經紀機構備案證明)	Chongqing Naohai Technology Co., Ltd. (重慶鬧海科技有限公司)	Chongqing Housing and Urban-Rural Development Commission (重慶市住房和城鄉建設委員會)	May 25, 2021	May 25, 2022
Chengdu Real Estate Brokerage Consulting Institution Filing (成都市房地產經紀諮詢機構備案)	Chengdu Fangyuan Real Estate Consulting Service Co., Ltd. (成都方源房地產諮詢服務有限公司)	Chengdu Municipal Urban-Rural Housing Administration Bureau (成都市城鄉房產管理局)	August 18, 2021	August 18, 2024
Value-Added Telecommunication Business Operation License (增值電信業務經營許可證)	Beijing Lianjia Real Estate Brokerage Co., Ltd. (北京鏈家房地產經紀有限公司)	Beijing Communications Administration Bureau (北京市通信管理局)	April 15, 2020	April 15, 2025
Value-Added Telecommunication Business Operation License (增值電信業務經營許可證)	Tianjin Xiaowu Information & Technology Co., Ltd. (天津小屋信息科技有限公司)	Tianjin Communications Administration Bureau (天津市通信管理局)	December 13, 2018	December 13, 2023
Value-Added Telecommunication Business Operation License (增值電信業務經營許可證)	Beike Zhaofang Web (Beijing) Information & Technology Co., Ltd. (貝殼找房網(北京)信息技術有限公司)	Beijing Communications Administration Bureau (北京市通信管理局)	September 16, 2020	September 16, 2025

BUSINESS

License/Permit	Holder	Issuing Authority	Grant Dates	Expiration Date
Filing on Commercial Franchising (商業特許經營備案)	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd. (德佑(天津)房地產經紀服務有限公司)	Tianjin Commerce Bureau (天津市商務局)	August 21, 2019	N/A
Value-Added Telecommunication Business Operation License (增值電信業務經營許可證)	Beijing Zhongrongxin Financing Guarantee Co., Ltd. (北京中融信融資擔保有限公司)	PRC Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)	December 14, 2020	December 18, 2024
Financial Guarantee Business Operation License (融資擔保業務經營許可證)	Beijing Zhongrongxin Financing Guarantee Co., Ltd. (北京中融信融資擔保有限公司)	Beijing Finance Supervision Administration (北京地方金融監督管理局)	September 16, 2021	N/A
Value-Added Telecommunication Business Operation License (增值電信業務經營許可證)	Beijing Ehomepay Technologies Co., Ltd. (北京理房通支付科技有限公司)	Beijing Communications Administration Bureau (北京市通信管理局)	May 27, 2020	November 13, 2022
Payment Service License (支付業務許可證)	Beijing Ehomepay Technologies Co., Ltd. (北京理房通支付科技有限公司)	The People's Bank of China (中國人民銀行)	July 16, 2020	July 9, 2024

Our PRC Legal Adviser has advised us that such licenses and permits remain in full effect and had not been revoked or cancelled as of the Latest Practicable Date. Our PRC Legal Adviser also has advised us that, to the best knowledge of our PRC Legal Adviser, there is no material legal impediment to renew such licenses and permits, as long as we comply with the relevant legal requirements and provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and schedule prescribed by the applicable PRC laws and regulations.

For more information about the laws and regulations to which we are subject, see “Regulatory Environment.”

AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for the quality and popularity of our products and services. Some of the significant awards and recognition that we have received are set forth below.

Award Name/Recognition	Award Year	Awarding Institutions/Authority
VR/AR Innovation Award at World VR Industry Conference 2019 (2019年世界VR產業大會VR/AR創新獎)	October 2019	Virtual Reality Industry Alliance (虛擬現實產業聯盟)
2019 New Information Consumption Demonstration Project (工業和信息化部2019年新型信息消費示範項目)	November 2019	Ministry of Industry and Information Technology (工業和信息化部)
Innovation Practice Base for Market Supervision and Management and Social Co-governance (市場監督管理社會共治創新實踐基地)	December 2019	State Administration for Market Regulation (國家市場監督管理總局)
Typical Cases of Cloud Enterprises in 2019 (工業和信息化部2019年企業上雲典型案例)	July 2020	Ministry of Industry and Information Technology (工業和信息化部)
2020 China VR Top 50 Enterprises (2020中國VR50強企業)	October 2020	Virtual Reality Industry Alliance (虛擬現實產業聯盟)
2020 Top 500 Global Unicorn Companies (2020全球獨角獸企業500強)	December 2020	Global Top 500 Unicorns Conference (全球獨角獸企業500強大會)
Red Dot Winner 2021	March 2021	Red Dot GmbH & Co. KG
2021 New Information Consumption Demonstration Project (工業和信息化部2021年新型信息消費示範項目)	August 2021	Ministry of Industry and Information Technology (工業和信息化部)

CONTRACTUAL ARRANGEMENTS

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Overview

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (the “**Negative List**”) and the Catalog of Industries for Encouraging Foreign Investment (the “**Encouraging Catalog**”), which were promulgated and are amended from time to time jointly by the Ministry of Commerce and the NDRC. The Negative List and the Encouraging Catalog divides industries into three categories in terms of foreign investment, namely, “encouraged,” “restricted” and “prohibited.” Industries not listed under the Negative List and the Encouraging Catalog are generally deemed as falling into a fourth category “permitted.” The currently effective Negative List is the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (the “**2021 Negative List**”), which became effective on January 1, 2022. See “Regulatory Environment – Regulations Related to Foreign Investment” for details. As advised by our PRC Legal Adviser, a summary of our businesses/operations that are subject to foreign investment restriction in accordance with the 2021 Negative List and other applicable PRC laws is set out below (the “**Restricted Businesses**”):

Categories

Our business/operations

“**Restricted**”

Value-added
telecommunication
services

- Beijing Lianjia develops and operates the *Lianjia* (鏈家) mobile app of the Company that is distributed on Android store and major app stores, through which the Company provides online real estate brokerage services to customers.

The operation of such mobile apps constitutes the provision of commercial internet information service under the Telecommunications Regulations of the PRC (the “**Telecommunications Regulations**”) promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016 and the Administrative Measures on Internet Information Services and therefore an ICP License is required. To comply with PRC laws and regulations, the Company operates such mobile apps through Beijing Lianjia, which holds an ICP License issued by the competent authority.

Beijing Lianjia indirectly holds 76% equity interest in Beijing Ehomepay which holds the payment service license. There are qualification requirements for foreign investors to satisfy in order to be engaged in third party payment business. See “– Third-party payment service” and “– Qualification Requirements – Third-party payment service” below for further details.

CONTRACTUAL ARRANGEMENTS

Categories

Our business/operations

- Tianjin Xiaowu operates our official *Beike Zhaofang* (貝殼找房) website and *Beike Zhaofang* (貝殼找房) mobile app on Apple store and major app stores, through which, the Company provides, among others, commercial information services.

The commercial information service falls within the scope of telecommunications and information services provided through public network infrastructure under the Telecommunications Regulations, and therefore an ICP License is required. To comply with PRC laws and regulations, the Company operates such business through Tianjin Xiaowu, which holds an ICP License issued by the competent authority.

In addition, Tianjin Xiaowu has been approved to hold an online cultural operation license for its live streaming services to be provided and the live streaming services of Tianjin Xiaowu need to be provided through the website and mobile app operated by Tianjin Xiaowu. According to the 2021 Negative List, the provision of internet cultural service falls within the “prohibited” business category.

- Tianjin Wuke operates the *Jiayou Zhan* (加油站) website, through which real estate brokerage store owners and agents can purchase products related to the provision of brokerage services.

The operation of such website constitutes the provision of value-added telecommunication business under the Telecommunications Regulations and therefore an a value-added telecommunication business operation license is required. To comply with PRC laws and regulations, the Company operates such website through Tianjin Wuke, which holds an ICP License issued by the competent authority.

In light of the recent regulatory development, the Company will take steps to reorganize Tianjin Wuke in accordance with applicable PRC rules. As advised by the Company’s PRC Legal Adviser, as the amended Regulations for the Administration of Foreign-Invested Telecommunications Enterprises only became effective on May 1, 2022, it remains subject to further guidance from the authorities with respect to the conditions and steps that the Company needs to take and satisfy to complete the reorganization. The Company will conduct periodic consultation with the relevant governmental authorities regarding the regulatory procedures and specific requirements for the completion of the restructuring.

CONTRACTUAL ARRANGEMENTS

Categories

Our business/operations

- Beike Zhaofang Web operates the *Beike Zhaofang Web* (貝殼找房網) website through which the Company provides premium industry reports to the public.

The provision of online premium industry report service constitutes the provision of commercial internet information service under the Telecommunications Regulations and therefore an ICP Licence is required. To comply with PRC laws and regulations, the Company operates such website through Beike Zhaofang Web, which holds an ICP License issued by the competent authority.

To facilitate and support the Company's VR property showing, Beike Zhaofang Web has been required to complete the filings on the Internet Audio-visual Programs Database by relevant authorities. Based on the recent consultation with competent authority conducted by the Company's PRC Legal Adviser, foreign investors are not allowed to hold equity interest in a company that has completed such filings.

CONTRACTUAL ARRANGEMENTS

Categories

Our business/operations

- Beijing Zhongrongxin is primarily engaged in financial guarantee business through the use of short message service (the “SMS”) throughout its entire business process, including without limitation, the notification of key information, collecting the feedbacks, instructions and confirmations during the course of business, triggering and authentication of the digital signature of customers, and promotion of its services to customer. Beijing Zhongrongxin is required to obtain a license for using telecommunication network code under the relevant PRC laws and regulations. Pursuant to the guidance on application for licenses for using telecommunication network code published by the MIIT on its official website, a VATS License for information service (excluding internet information services) (the “SP License”), which is subject to foreign investment restriction, is a pre-requisite for applying for the license for using the telecommunication network code currently applicable to Beijing Zhongrongxin. To comply with PRC laws and regulations, the Company operates such financial guarantee business through Beijing Zhongrongxin, which holds an SP License issued by the competent authority.

Beijing Zhongrongxin directly holds 95% equity interest in Beijing Ehomepay which is engaged in third-party payment business and is the main investor of Beijing Ehomepay. There are qualification requirements for foreign investors to satisfy in order to be engaged in third party payment business. See “– Third-party payment service” and “– Qualification Requirements – Third-party payment service” below for further details.

Third-party payment service

- Beijing Ehomepay is primarily engaged in third-party payment business, and there are qualification requirements for foreign investors to satisfy in order to be engaged in third-party payment business. See “– Qualification Requirements – Third-party payment service” below.

In addition, the provision of third party payment services involves the operation and use of mobile app, which requires an ICP License. To comply with PRC laws and regulations, the Company operates such third-party payment business through Beijing Ehomepay, which holds an ICP License issued by the competent authority.

The revenue generated by Beijing Ehomepay for the year ended December 31, 2021 represented only 0.270% of the total revenue of the Group for the year ended December 31, 2021.

CONTRACTUAL ARRANGEMENTS

Categories

Our business/operations

Anli Insurance Brokerage

- Anli Insurance Brokerage is mainly engaged in insurance brokerage business. Foreign shareholder needs to satisfy the qualification requirements before it can hold equity interests in a company which engages in insurance brokerage business.

According to the administrative guidelines published by the CBIRC on September 30, 2021, a foreign investor holding more than 25% of the equity interest in an insurance brokerage company must satisfy the following requirements before investing in the insurance brokerage industry: (i) it has engaged in insurance brokerage business for more than thirty years within the territories of World Trade Organization members; and (ii) its total assets shall be no less than US\$200 million as of the end of the year prior to its application (collectively, the “**Insurance Industry Requirements**”).

The State Council also promulgated the Opinions on Further Proper Utilization of Foreign Investment (《關於進一步做好利用外資工作的意見》) on October 30, 2019 to abolish the Insurance Industry Requirements. On December 3, 2021, the General Office of the CBIRC issued the Circular on Clarifying Relevant Measures on Open up of Insurance Agency Markets (《關於明確保險中介市場對外開放有關措施的通知》) (the “**Circular 128**”), which provided that qualified foreign insurance brokerage companies with actual operation experience were allowed to set up insurance brokerage companies in China to conduct insurance brokerage business and the Insurance Industry Requirements were abolished.

However, as the Circular 128 is newly issued, no particular laws or regulations have been issued so far and the administrative guidelines published by the CBIRC have not been updated to reflect such change as of the Latest Practicable Date.

The revenue generated by Anli Insurance Brokerage for the year ended December 31, 2021 represented only 0.003% of the total revenue of the Group for the year ended December 31, 2021.

CONTRACTUAL ARRANGEMENTS

In addition, the Company operates certain business through the Contractual Arrangements which are not subject to foreign investment restriction under the applicable PRC laws and regulations (the “**Unrestricted Business**,” together with the Restricted Business, the “**Relevant Businesses**”) through the Consolidated Affiliated Entities as set out below (the “**Non-restricted VIEs**”). Notwithstanding the above, we are of the view that the Contractual Arrangements in respect of the Unrestricted Business are narrowly tailored. A summary of the Unrestricted Business and the reasons for adoption of Contractual Arrangements for the Unrestricted Business are set out below.

Name of Entity	Business/operation
Beike Small Loan	Beike Small Loan is mainly engaged in the small amount money lending business. As advised by our PRC Legal Adviser, the small amount money lending business is not subject to foreign investment restriction. The revenue generated by Beike Small Loan for the year of 2021 represented only 0.01% of the total revenue of the Group, which is immaterial to the Group.

Beike Small Loan has been operated under the Company’s Contractual Arrangements since its incorporation. The Company will need to incur considerable amount of time, resources and costs (including incurring additional time and resources to prepare relevant application documents and agreements and additional expenses for engaging advisers in reviewing the documents) in order to remove Beike Small Loan from the Contractual Arrangements. Considering the immaterial revenue generated from Beike Small Loan, it would also be a waste of management’s time to incur such additional resources and cost. The Company has undertaken to the Stock Exchange that, it will ensure that the revenue generated from Beike Small Loan will remain immaterial after the Listing and its annual revenue contribution to the Group will not exceed 0.1% of the Group. The Company’s audit committee will review annually to ensure that the revenue of the Unrestricted Business will be no more than 0.1% of the total revenue and that the Company will disclose such compliance in the annual report.

In addition, as advised by the Company’s PRC Legal Adviser, based on the Company’s consultation with the local bureau in charge of the money lending business conducted by Beike Small Loan and the practice of similar acquisitions, as of the Latest Practicable Date, it is practically not possible for the Company to obtain the approval from the governmental authorities to allow the Company to acquire the equity interest in Beike Small Loan. The Company’s PRC Legal Adviser is of the view that the local bureau the Company consulted with is the competent authority to provide such guidance.

Taking into account (i) the immateriality of the Unrestricted Business conducted by Beike Small Loan, (ii) the undertaking mentioned above, and (iii) that it is practicably impossible for the Company to remove Beike Small Loan from the Contractual Arrangements, we are of the view that Contractual Arrangement for Beike Small Loan is narrowly tailored.

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Qualification Requirements

Value-added telecommunication services

According to the 2021 Negative List, provision of commercial internet information services is a “restricted” business and the shareholding percentage of a foreign investor in companies engaged in commercial internet information services shall not exceed 50%. On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the “**FITE Regulations**”), which were amended on September 10, 2008, February 6, 2016 and April 7, 2022. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC which, however, does not purport to provide an exhaustive list on the application requirement.

Our PRC Legal Adviser has advised us that as of the Latest Practicable Date, this guidance memorandum has no legal or regulatory effect under the PRC laws.

The respective PRC legal advisers of the Company and the Joint Sponsors conducted a verbal consultation with the relevant government authority, being the MIIT, during which the officer of the MIIT confirmed, among other things, that the MIIT had no objection to the Contractual Arrangements of the Company and in the case of the Company, it has no objection for the Company to continue to adopt the existing Contractual Arrangement. Our PRC Legal Adviser has confirmed that the officer of the MIIT consulted has the authority to provide such confirmation and MIIT is the issuing authority for applications of VATS Licenses by sino-foreign equity joint ventures and wholly-owned foreign investment entities.

Third-party payment service

According to the Administrative Measures on Non-Financial Institutions Payment Services (《非金融機構支付服務管理辦法》) (the “**Decree No. 2 of PBOC**”), a non-financial institution intending to provide payment services shall qualify as a payment institution by obtaining the payment service license pursuant to the Decree No. 2 of PBOC (the “**Payment Service License**”). The Decree No. 2 of PBOC further provides that the business scope of foreign-invested payment institutions, the qualifications and the percentage of contributions of the foreign investors shall be separately stipulated by the PBOC and submitted to the State Council for approval. According to the Announcement No. 7 of the People’s Bank of China (2018) (《中國人民銀行公告(2018)第7號》) (the “**No. 7 Announcement**”) issued by the PBOC on March 19, 2018, an overseas institution intending to provide electronic payment services for domestic transactions and cross-border transactions of domestic entities in the PRC shall establish a foreign-invested enterprise in the PRC, and obtain a Payment Service License in accordance with the criteria and procedures stipulated in Decree No.2 of PBOC. However, the No.7 Announcement only sets out the general requirements for new application of Payment

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Service Licenses by overseas institutions, but has not promulgated any detailed requirements and measures for the change of domestic institutions which have obtained Payment Service Licenses into foreign-invested payment institutions.

Narrowly Tailored Contractual Arrangements

In light of the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and to enable the Group to combine the financial results of the Consolidated Affiliated Entities which are engaged in the operation of the Relevant Businesses.

We will make periodic inquiries with relevant PRC authorities to understand any new regulatory development and assess and evaluate our Contractual Arrangements.

OUR CONTRACTUAL ARRANGEMENTS

Overview

Taking into account the restrictions of foreign investment under the PRC laws and regulations as set out above, we have entered into a series of contractual arrangements with each of the VIEs and their respective shareholders, which collectively enables us to (i) exercise effective control over the Consolidated Affiliated Entities; (ii) receive substantially all the economic benefits of the Consolidated Affiliated Entities; and (iii) have an exclusive option to purchase all or part of the equity interests in or all or part of the assets of or inject registered capital into the Consolidated Affiliated Entities when and to the extent permitted by PRC laws and regulations.

As a result of these Contractual Arrangements, we are the primary beneficiary of the Consolidated Affiliated Entities. We have consolidated their financial results into our consolidated financial statements. During the three years ended December 31, 2019, 2020 and 2021, taking into account all of their respective businesses with or without foreign investment restrictions under PRC laws, we derived 11.6%, 1.4% and 1.2% of our revenues from the Consolidated Affiliated Entities, respectively. During the three years ended December 31, 2019, 2020 and 2021, taking into account their respective businesses with foreign investment restrictions under PRC laws only, we derived 0.4%, 0.6% and 0.9% of our revenues from the Consolidated Affiliated Entities, respectively. The Company has undertaken to the Stock Exchange that, it will ensure that the revenue generated from all entities within the Company's Contractual Arrangements as disclosed in this document (including Beike Small Loan) will remain immaterial after the Listing and their annual revenue contribution to the Group will not exceed 2% of the Group. The Company's audit committee will review annually to ensure that the revenue generated from all entities within the Company's Contractual Arrangements as disclosed in this document will be no more than 2% of the total revenue and that the Company will disclose such compliance in the annual report.

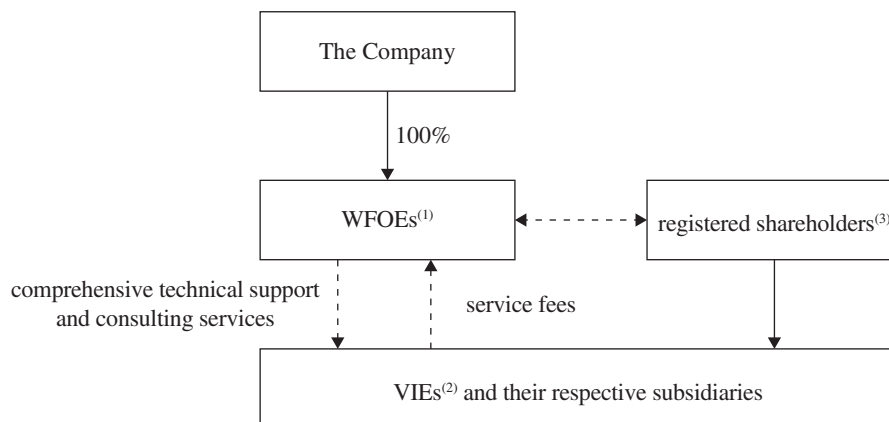
CONTRACTUAL ARRANGEMENTS

Certain of the Consolidated Affiliated Entities, namely Beijing Meijin Internet Finance and Information Co., Ltd. (北京美錦互聯網金融信息有限公司) (“**Beijing Meijin**”), Beitatong Technology (Beijing) Co., Ltd. (貝塔通科技(北京)有限公司) (“**Beitatong**”), Beijing Beijia, Beijing Beihao, Hebei Fangjianghu Real Estate Brokerage Co., Ltd. (河北房江湖房地產經紀有限公司) (“**Hebei Fangjianghu**”), Beijing Zhongsheng Yatou Investment and Fund Management Co., Ltd. (北京中晟亞投投資基金管理有限公司) (“**Beijing Zhongsheng**”), and Beijing Lianlian Wealth Technology Co., Ltd. (北京鏈鏈財富科技有限公司) (“**Beijing Lianlian**”), have not yet commenced substantive business operations and/or are not expected to conduct any substantive business operations after the Listing. The Company has undertaken to the Stock Exchange that such entities will not conduct any businesses that are not subject to foreign investment restrictions or prohibitions and if such entities are engaged in any unrestricted business, the Company will take appropriate measures to exclude such entities from the Contractual Arrangements prior to engaging in any unrestricted businesses.

In addition, businesses of two Consolidated Affiliated Entities, namely Rushi Zhishu (Beijing) Technology Co., Ltd. (如視智數(北京)科技有限公司) (“**Rushi Zhishu**”) and Beijing Baoshanhu, are not subject to any foreign investment restriction and are expected to be excluded from the current Contractual Arrangements before the Listing.

Contractual Arrangements

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



Notes:

- (1) The WFOEs refer to Beike Tianjin, Jinbei Tianjin and Beike Jinke.
- (2) The VIEs refer to Beijing Lianjia, Tianjin Xiaowu, Yiju Taihe, Beijing Beijia and Beijing Beihao. Each of Tianjin Wuke and Beike Zhaofang Web is a subsidiary of Tianjin Xiaowu. Each of Beijing Zhongrongxin, Beijing Ehomepay, Anli Insurance Brokerage and Beike Small Loan is a subsidiary of Yiju Taihe.
- (3) The registered shareholders of Beijing Lianjia are (i) Mrs. Zuo, Mr. Shan, Mr. Wangang Xu and entities controlled by Mr. Peng or Mr. Shan, holding 81% equity interests in aggregate and (ii) several other individuals and entities affiliated with us holding 19% equity interests in aggregate and those individuals and entities were existing shareholders of Beijing Lianjia and, except for one entity which was established for holding equity

CONTRACTUAL ARRANGEMENTS

interests on behalf of employees, the remaining entities and individuals had become shareholders of the Company upon the completion of the reorganization of Beijing Lianjia. Mrs. Zuo is one of the Controlling Shareholders of the Company and each of Mr. Peng, Mr. Shan and Mr. Wangang Xu is a Director. Save for Mrs. Zuo, Mr. Peng, Mr. Shan and Mr. Wangang Xu holding 81% equity interests and Shanghai Zhanben Investment Management Centre (Limited Partnership) (上海站本投資管理中心(有限合夥)) holding 11% equity interests in Beijing Lianjia, each of the other shareholders of Beijing Lianjia are minority shareholders holding less than 5% equity interests.

The registered shareholders of Tianjin Xiaowu are Mrs. Zuo and Mr. Shan, holding 94% and 6% equity interests, respectively.

The registered shareholders of Yiju Taihe are (i) Beijing Lianjia, holding 80% equity interests; (ii) Mrs. Zuo, Mr. Shan, Mr. Wangang Xu and entities controlled by Mrs. Zuo or Mr. Shan, holding 17% equity interests in aggregate and (iii) several other individuals and entities affiliated with us holding 3% equity interests in aggregate and those individuals and entities were existing shareholders of Yiju Taihe and had become shareholders of the Company upon the completion of the reorganization of Yiju Taihe.

The registered shareholders of Beijing Beijia are (i) Mr. Peng and Mr. Tao Xu, holding 50% equity interests in aggregate and (ii) Mr. Junquan Lin (25%) and Mr. Yongqun Wang (25%) holding 50% equity interests in aggregate and such individuals were shareholders of the Company and became registered shareholders of Beijing Beijia for the purpose of effecting reorganization in relation to the Company's listing on NYSE.

The registered shareholders of Beijing Beihao are (i) Mr. Wangang Xu, holding 4% equity interests; and (ii) several other individuals affiliated with us holding 96% equity interests in aggregate, each of whom is a minority shareholder of Beijing Beihao holding less than 5% equity interests, and such individuals were shareholders of the Company and became registered shareholders of Beijing Beihao for the purpose of effecting reorganization in relation to the Company's listing on NYSE.

- (4) “ \longrightarrow ” denotes beneficial ownership in the equity interest.
- (5) “ $--\blacktriangleright$ ” denotes contractual relationship.
- (6) “ $\blacktriangleleft--\blacktriangleright$ ” denotes the control by WFOEs over the registered shareholders of the VIEs and the VIEs through (i) power of attorney to exercise the shareholders' rights in the VIEs, (ii) exclusive options to acquire all or part of the equity interests and assets of the VIEs and (iii) equity pledges over the equity interests held by the registered shareholders in the VIEs.

Circumstances under which we will unwind the Contractual Arrangements

If the relevant business is no longer falling into the catalog of certain restrictions of foreign investment access required under the applicable laws, and we can legally operate our business under PRC laws, regulations and policies through the WFOEs, the WFOEs will exercise the call option under the exclusive option agreements to acquire the equity interest/assets of the Consolidated Affiliated Entities and unwind the Contractual Arrangements subject to any application or approval procedures and the approval by the relevant governmental authorities.

Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements entered into by WFOEs and each of the VIEs and/or their respective registered shareholders is set out below. Terms in each set of Contractual Arrangements among the WFOEs and the VIEs and/or their respective registered shareholders are substantially similar.

CONTRACTUAL ARRANGEMENTS

Exclusive Business Cooperation Agreements

Pursuant to the exclusive business cooperation agreements among the WFOEs and the VIEs, respectively, our WFOEs have the exclusive right to provide the VIEs with services related to, among other things, comprehensive technical support and consulting services. Without prior written consent of our WFOEs, the VIEs agree not to directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar cooperation relationship with any third party regarding the matters ascribed by the exclusive business cooperation agreements.

The VIEs agree to pay our WFOEs services fees.

Under the exclusive business cooperation agreements entered into between the WFOEs and each of VIEs, the service fees shall consist of 100% of the total consolidated profit of the relevant VIEs during the financial years, after the deduction of, among other things, any accumulated deficit of the VIEs in respect of the relevant financial years, operating costs, expenses and taxes. Notwithstanding the foregoing, the WFOEs may adjust the amount of the services fees in accordance with PRC tax law principles and tax practices, and with reference to the working capital needs of the VIEs, and the VIEs will accept any such adjustment.

Our WFOEs have the exclusive ownership of intellectual property rights created as a result of the performance of the exclusive business cooperation agreements. The exclusive business cooperation agreements will remain effective unless terminated in accordance with the provisions of the exclusive business cooperation agreements or terminated in writing by the WFOEs. Unless otherwise required by applicable PRC laws, the VIEs shall not have any right to terminate the exclusive business cooperation agreements unilaterally in any event.

Exclusive Option Agreements

Pursuant to the exclusive option agreements among our WFOEs, the VIEs and their respective shareholders, each of our WFOEs is irrevocably granted an exclusive option to purchase, or have its designated person to purchase, at its discretion, to the extent permitted under PRC laws, all or part of the relevant registered shareholders' equity interests in the relevant VIEs. The purchase price with respect to the equity interests in the VIEs shall be the amount of the registered shareholders' respective paid-in capital in relevant VIEs or the lowest price under applicable PRC laws. The registered shareholders of the VIEs have also undertaken that, subject to the relevant PRC laws, they will return to our WFOEs or their designated person any consideration they receive in the event that any of the WFOEs exercises the options under the exclusive option agreements to acquire the equity interests in the VIEs.

The shareholders of the VIEs further undertake to pay to our WFOEs any dividends and other distributions they receive in relation to the equity interests they held in the VIEs, to the extent permitted by PRC laws. The shareholders of the VIEs undertake that, without prior written consent of our WFOEs, they will not create any pledge or encumbrance on their equity interests in the VIEs, approve any transfer or disposal of their equity interests in any manner,

CONTRACTUAL ARRANGEMENTS

or any disposition of any assets of the VIEs (other than limited exceptions). The shareholders of the VIEs agree, among other things, without prior written consent of our WFOEs, not to cause the relevant VIEs to merge with any other entities, increase or decrease its registered capital, declare or distribute dividends, amend its articles of association, enter into any material contract (other than those occurring in the ordinary course of business), be liquidated or dissolved unless mandated by PRC laws, incur any debts (except for payables incurred in the ordinary course of business other than through loans), or undertake any actions that may adversely affect the VIEs' operating status and asset value. The shareholders of the VIEs also agree to appoint the directors and senior management designated by our WFOEs.

These exclusive option agreements will remain effective till all of the equity interests of the relevant VIEs have been transferred to our WFOEs and/or their designated persons. Unless otherwise required by applicable PRC laws, the VIEs and their respective registered shareholders shall not have any right to terminate the exclusive option agreements unilaterally in any event.

Equity Pledge Agreements

Pursuant to the equity pledge agreements among our WFOEs, the VIEs and their respective shareholders, all of the respective equity interests of the VIEs are pledged to our WFOEs as security for performance of the obligations of the VIEs and their shareholders under the exclusive business cooperation agreements, the powers of attorney, the exclusive option agreements and the equity pledge agreements. After the completion of the equity pledge registrations, in the event of a breach by the VIEs or their shareholders of contractual obligations under these agreements, our WFOEs, as pledgee, will have the right to request for enforcement of the pledge and have the priority right to receive the proceeds from auction or sale of the pledged equity interests in the VIEs. The shareholders of the VIEs also undertake that, during the term of the equity pledge agreements, unless otherwise approved by our WFOEs in writing, they will not transfer the pledged equity interests or create or allow any new pledge or other encumbrance on the pledged equity interests.

The pledges of equity interests under the equity pledge agreements take effect upon the completion of registration with the local branch of the SAMR in accordance with PRC laws and shall remain valid until (i) after all the contractual obligations of the VIEs and their shareholders under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the VIEs and their shareholders under the relevant Contractual Arrangements have been fully paid or (ii) all the equity interests in the VIEs have been transferred to the WFOEs to the extent permitted by the PRC laws and regulations (where applicable). We have registered all the equity pledges in the VIEs with the local branch of the SAMR in accordance with PRC laws to perfect their respective equity pledges.

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Powers of Attorney

Pursuant to the power of attorney agreements entered among our WFOEs, the VIEs and the respective registered shareholders of the VIEs, each shareholder of the VIEs irrevocably undertakes to appoint the WFOE, or their designated persons (including but not limited to directors of the WFOEs' holding companies and their successors and liquidators replacing such directors but excluding those non-independent or who may give rise to conflict of interests) as his/its attorney-in-fact to exercise all of his/its rights as a shareholder of the VIEs, including, but not limited to, the right to convene and attend shareholders' meeting of the VIEs, file documents with the competent authorities, vote on any resolution that requires a shareholder vote, sign minutes, approve amendments to the articles of association, nominate or appoint the legal representatives, directors, supervisors, general manager and other senior management of the VIEs and other voting rights pursuant to the articles of association (subject to the amendments) of the VIEs. Each power of attorney agreement is irrevocable and remains in effect as long as the shareholder continues to be a shareholder of the VIEs.

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 Beijing Arbitration 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. Subject to applicable laws and regulations, the dispute resolution provisions also provide that the arbitral tribunal may award remedies over the equity interests or assets of the VIEs or injunctive relief (e.g. injunction against carrying out business activities, or mandating the transfer of assets) or order the winding up of the VIEs according to applicable laws; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company), the PRC and the places where the principal assets of the VIEs are located for interim remedies or injunctive relief.

However, our PRC Legal Adviser has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal would not grant such injunctive relief, nor will it be able to order the winding up of the VIEs pursuant to the current PRC 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 the PRC.

As a result of the above, in the event that the VIEs or their 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 the VIEs and conduct our business could be materially and adversely affected. See the section headed "Risk Factors – Risks Related to Our Corporate Structure" in this document for further details.

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Confirmations from the Registered Shareholders

Each of the registered shareholders of the VIEs has confirmed to the effect that (i) his/her spouse does not have the right to claim any interests in our respective VIEs (together with any other interests therein) or exert influence on the day-to-day management and voting matters of our respective VIEs; and (ii) in the event of his/her death, bankruptcy, incapacity, divorce or any other event which causes his/her inability to exercise his/her rights as a shareholder of our respective VIEs, his/her successors will undertake his/her rights and obligations under the exclusive option agreements and will transfer the equity interests in the VIEs to the WFOEs or their designated persons.

Spouse undertakings

The spouse of each of the registered shareholders of the VIEs, where applicable, has signed a consent letter. Pursuant to such spousal consent letters, each of the spouses of the applicable individual shareholders of the VIEs acknowledges and confirms the execution of the relevant exclusive business cooperation agreement, equity pledge agreement, exclusive option agreement and power of attorney, and unconditionally and irrevocably agrees that the equity interest in the VIEs held by and registered in the name of his or her respective spouse will be disposed of pursuant to these agreements. In addition, each of them agrees not to assert any rights over the equity interest in the VIEs held by his or her respective spouses. In addition, in the event that any of them obtains any equity interest in the VIEs held by their respective spouses for any reason, such spouses agree to be bound by similar obligations and agree to enter into similar contractual arrangements.

Conflict of Interests

Each of the registered shareholders of the VIEs has given his/her irrevocable undertakings in the powers of attorney which address potential conflict of interests that may arise in connection with the Contractual Arrangements. See “– Powers of Attorney” above.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provides that our Company or the WFOE is obligated to share the losses of the Consolidated Affiliated Entities, but if any of the Consolidated Affiliated Entities suffers any losses or material difficulties of business, the WFOEs will provide financial support as permitted under PRC laws at its discretion to the Consolidated Affiliated Entities under the terms of the exclusive business cooperation agreement. Further, each of the Consolidated Affiliated Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, the Company or the WFOEs are not expressly required to share the losses of the Consolidated Affiliated Entities or provide financial support to the Consolidated Affiliated Entities. Despite the foregoing, given that we conduct the Relevant Businesses in the PRC through the Consolidated Affiliated Entities which hold the requisite licenses and approvals and that the Consolidated Affiliated Entities’ results

CONTRACTUAL ARRANGEMENTS

of operations and assets and liabilities are consolidated into our results of operations and assets and liabilities under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if the Consolidated Affiliated Entities suffered losses.

Liquidation

Pursuant to the equity pledge agreements, in the event of a mandatory liquidation required by the PRC laws upon the request of the WFOEs, the registered shareholders of the VIEs shall transfer the proceeds they received from liquidation to the account designated by the WFOEs under the management of the WFOEs, or give such proceeds as a gift to the WFOEs to the extent permitted by the PRC laws.

Insurance

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

Our confirmation

Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Adviser is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations to the maximum extent and that:

- (i) each of the WFOEs and the VIEs is a duly incorporated and validly existing company and their respective establishment is valid, effective and complies with the relevant PRC laws;
- (ii) parties to each of the agreements under the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of the agreements under the Contractual Arrangements is void under the Civil Code of the PRC;
- (iii) the execution and performance of the agreements under the Contractual Arrangements does not violate any provisions of the respective articles of association of the VIEs or our WFOEs;
- (iv) the Contractual Arrangements do not require any approvals from the PRC governmental authorities under the PRC laws currently in effect, except that:

CONTRACTUAL ARRANGEMENTS

- (a) the exercise of the option by our WFOEs of its rights under the exclusive option agreements to acquire all or part of the equity interests in the VIEs is subject to the approvals of, filing with and/or registrations with the PRC regulatory authorities;
- (b) the equity pledges contemplated under the equity pledge agreements are subject to the registration with the relevant SAMR;
- (c) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement; and
- (v) Each of the agreements under the Contractual Arrangements is valid, legal and binding under the PRC laws, and enforceable against the relevant party to such agreements in accordance with their respective terms, except that the Contractual Arrangements provide that the arbitral body may award interim remedies over the shares and/or assets of the VIEs, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) and/or order the winding up of the VIEs, and that courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and the PRC (being the place of incorporation of the VIEs) also have jurisdiction for the grant and/or enforcement of arbitral award and interim remedies against the shares and/or assets of the VIEs, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the VIEs in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China.

Our PRC Legal Adviser is of the view that the each of the agreements under the Contractual Arrangements among our WFOEs, the VIEs and their shareholders governed by PRC law is not in violation of provisions of applicable PRC laws or regulations currently in effect. However, our PRC Legal Adviser also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion.

Based on the above analysis and advice from our PRC Legal Adviser, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. See the section headed “Risk Factors – Risks Related to Our Corporate Structure.”

As of the Latest Practicable Date, the Company has not received any enquiries, comments, instructions, guidance or other concerns from any PRC authorities (including the CSRC) with respect to our listing plan or Contractual Arrangements.

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ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the exclusive business cooperation agreements, it is agreed that, in consideration of the services provided by the WFOEs, the VIEs shall respectively pay service fees to the WFOEs, the amount of which will be determined by our WFOEs. Accordingly, each of WFOEs has the ability, at its sole discretion, to extract substantially all of the economic benefit of the Consolidated Affiliated Entities through the exclusive business cooperation agreements.

In addition, under the exclusive option agreements, each of WFOEs has acquired contractual control over the distribution of dividends or any other amounts to the equity holders of the VIEs as prior written consent of our WFOEs respectively is required before any distribution can be made by the VIEs respectively. In the event that the registered shareholders of the VIEs receive any profit distribution or dividend from the VIEs, the shareholders must arrange to pay or transfer such amount (subject to the relevant PRC laws and regulations) to our WFOEs, as appropriate.

As a result of the Contractual Arrangements, the Company has obtained control of the Consolidated Affiliated Entities and, at the Company's sole discretion, can receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities. Accordingly, the results of operations, assets and liabilities, and cash flows of the Consolidated Affiliated Entities are consolidated into the Company's financial statements.

As advised by our PRC Legal Adviser, each of the agreements under the Contractual Arrangements, including the exclusive business cooperation agreements and exclusive options agreements, is enforceable under the PRC laws and regulations. Accordingly, our Directors consider that the Company can consolidate the financial results of the Consolidated Affiliated Entities into the Group's financial information as if they were the Company's subsidiaries. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 1(d) to the Accountant's Report set out in Appendix I to this document.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

The Group has adopted the following measures to ensure the effective operation of the 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 the Board, if necessary, for review and discussion on an occurrence basis;
- (ii) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

CONTRACTUAL ARRANGEMENTS

- (iii) the Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports after the Listing; and
- (iv) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, and review the legal compliance of the WFOEs and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the National People's Congress approved the Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Ventures Enterprise Law and the Wholly Foreign-Invested Enterprises Law to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Regulations on the Implementation of the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including the Group. We use the Contractual Arrangements to establish control of the Consolidated Affiliated Entities, by the WFOEs, through which we operate the Relevant Business in the PRC. As advised by our PRC Legal Adviser, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see "Contractual Arrangements – Legality of the Contractual Arrangements."

Notwithstanding the above, the Foreign Investment Law stipulates 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." There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See "Risk Factors – Risks Related to Our Corporate Structure."

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You should read the following discussion and analysis in conjunction with our financial statements and accompanying notes included in the “Appendix I – Accountant’s Report.” Our consolidated financial information has been prepared in accordance with U.S. GAAP.

The Stock Exchange has granted us a waiver from strict compliance with the requirements of Rules 4.10 and 4.11 of, and note 2.1 to paragraph 2 of the Appendix 16 to, the Listing Rules, to allow us to prepare the Accountant’s Report set out in Appendix I in conformity with U.S. GAAP, provided that a reconciliation of such financial information in accordance with IFRS, is included in this document. In addition, the Stock Exchange has allowed us to prepare our accounts in accordance with U.S. GAAP after listing for the purposes of our financial reporting required under the Listing Rules, subject to the condition that, among others, our annual consolidated financial statements should include a reconciliation of our financial information in accordance with IFRS in the form and substance adopted in Appendix I to this document.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this document. For further details, see “Forward-Looking Statements.”

OVERVIEW

Beike is the leading integrated online and offline platform for housing transactions and services. We are a pioneer in building infrastructure and standards to reinvent how service providers and housing customers efficiently navigate and complete housing transactions in China, ranging from existing and new home sales, home rentals, to home renovation and furnishing, and other services. We believe our proactive engagement with platform participants both online and offline enables us to know them better and serve them better. In 2021, we facilitated over 4.5 million housing transactions on our platform with an aggregate GTV of RMB3,853.5 billion, making us the largest housing transactions and services platform in China, and a top three commerce platform across all industries globally, both in terms of GTV, according to the CIC Report.

We have three main revenue streams, namely existing home transaction services, new home transaction services, and emerging and other services. For existing home transaction services, we generate revenues (i) from our own *Lianjia* brand where we charge commissions for existing home sales and home rentals, and split of commissions from other brokerage firms that operate brokerage stores on our *Beike* platform in collaboration with *Lianjia* agents to

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complete transactions, (ii) from brokerage firms which own and operate brokerage stores on our *Beike* platform where we receive platform service fees, and those under our franchise brands such as *Deyou* to which we charge an additional franchise fee, and (iii) by providing other value-added services including transaction closing services, field work assistance such as on-site verification, agent recruiting and training services. For new home transaction services, we recognize revenues from sales commissions charged to real estate developers. In addition, we generate revenues from a variety of emerging and other services, such as financial services and home renovation services.

Our total net revenues increased by 53.2% from RMB46.0 billion in 2019 to RMB70.5 billion in 2020, and further by 14.6% to RMB80.8 billion (US\$12.7 billion) in 2021. We recorded a net loss of RMB2,180 million in 2019, a net income of RMB2,778 million in 2020 and a net loss of RMB525 million (US\$82 million) in 2021. Excluding the impact of share-based compensation expenses, we achieved an adjusted net income (Non-GAAP measure) of RMB775 million in 2019, RMB5,031 million in 2020 and RMB1,014 million (US\$159 million) in 2021, respectively. See “– Non-GAAP Measure: Adjusted Net Income (Loss)” for a reconciliation of net income (loss) to adjusted net income (loss) (Non-GAAP measure).

GENERAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We primarily engage in the housing related industry and are developing an infrastructure for industry participants in China. Activity level on our platform is greatly influenced, temporarily or in the long term, by the overall growth and prosperity of the housing related industry, which in turn is affected by many factors, including:

- China’s overall economic growth,
- the increase in per capita disposable income,
- the change in price, supply and demand dynamics in different geographic regions,
- the urbanization trend and demographic changes, and
- regulatory environment for China’s housing related industry and financial conditions of the industry players.

In particular, the evolving regulations have significantly affected the growth of China’s housing related industry. The resulting fluctuations have affected the demand for real estate brokerage services. We expect the development of China’s housing related industry, especially the penetration of brokerage services for housing transactions, to continue to have a significant impact on our results of operations in the foreseeable future.

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SPECIFIC FACTORS AFFECTING OUR RESULTS OF OPERATIONS

While our business is exposed to general factors affecting the housing related industry in China, we believe our results of operations are primarily and more directly affected by the following specific factors:

Our ability to attract housing customers and enhance customer experience

An increasing number of housing customers who use services on our platform is one of the most important drivers of the growth of our transaction volume, which directly affects our net revenues. Home ownership involves difficult decisions by most housing customers. Therefore, they tend to choose brokerage stores and agents that are most reliable and efficient in locating the ideal property and completing the transaction, and can provide high service quality and transparency. Our deep understanding of China's housing market and goodwill accumulated through our 20 years of operation have helped us gain trust from housing customers. In 2021, we facilitated over 4.5 million housing transactions on our platform and generated a GTV of RMB3,853.5 billion (US\$604.7 billion) in aggregate, increasing from over 3.6 million housing transactions and a GTV of RMB3,499.1 billion in 2020.

We believe we are able to attract housing customers mainly through our online and offline touch points, extensive and authentic property listings, and high-quality services rendered by agents on our platform, which collectively enhance our ability to help buyers and sellers meet their objectives efficiently. We aim to attract and retain more housing customers through our continuing efforts in enhancing customer experience, such as improving the service quality of the agents on our platform, introducing innovative technologies and initiatives such as VR property showing and one-stop transaction service centers, and improving our platform infrastructure. As we gain trust from customers through our services, they often refer us to their families, friends and contacts, and return to us when they have other housing related needs, be it home rentals, home renovation and furnishing, or other services.

Our ability to attract and retain real estate brokerage stores and agents on our platform

The growth in gross transaction value on our platform and platform service fees are also affected by the number of real estate brokerage stores and agents on our platform and their activity level. Since the inception of our *Beike* platform, we have attracted a large number of real estate brokerage stores and agents to join our platform while maintaining high service quality. As of December 31, 2021, there were over 406,000 active agents and more than 45,000 active stores, representing 300 real estate brokerage brands, as compared to over 445,000 active agents and over 43,000 active stores as of December 31, 2020.

Real estate brokerage stores and agents are attracted to our platform by the access to the extensive authentic property listing database, the large number of housing customers, the efficiency and collaborative efforts promoted by ACN, the standard protocols that ensure

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universally high service quality, and the convenient modules on our platform, which we believe empower real estate brokerage stores and agents to efficiently navigate business opportunities, deliver quality services and complete transactions.

Our ability to increase cooperation with real estate developers

The increasing sales commissions earned from real estate developers for our new home transaction services contributed significantly to our net revenue growth during the Track Record Period. The GTV generated from new home transactions on our platform increased significantly from approximately RMB747.6 billion in 2019 to RMB1,383.0 billion in 2020, and further to RMB1,608.6 billion (US\$252.4 billion) in 2021.

As the supply and demand dynamics in China's housing market become more balanced, we are increasingly valued by real estate developers. We have achieved fast growth in new home transactions as an increasing number of real estate developers choose to work with us to take advantage of the infrastructure our platform has built, who cooperate with us in diverse ways and further build up our thriving ecosystem.

We believe our reputation for high-quality service among the large housing customer base and our growing network of real estate brokerage stores and agents that transact actively on our platform well position us to increase cooperation with existing and new real estate developers.

Our ability to better monetize the activities on our platform

The rapid adoption of our *Beike* platform has proven the compatibility of our infrastructure in empowering brokerage stores and agents. As of December 31, 2021, there were over 406,000 active agents and over 45,000 active brokerage stores on our platform, facilitating over 4.5 million housing transactions in 2021. As our platform grows, we expect its network effect to improve matching and capture more transactions, which in turn will generate greater opportunities for revenue growth, including commission fee, platform service fee, and franchise fee. We constantly improve our services and better empower real estate agents on our platform so that they can transact more efficiently. We believe the improved transaction efficiency of agents on our platform has in turn increased their stickiness to our service offerings, and potentially further increases their income and results in higher service fees to us as a portion of their income.

Our ability to expand service offerings on our platform

Our platform brings us close to a variety of participants in China's housing transactions and services industry. In addition to housing customers, brokerage agents and real estate developers, additional industry participants are drawn to our platform and actively transact and engage with each other. We see great potential to further monetize this massive and active ecosystem by increasing our value proposition and expanding our service offerings to all participants. We have been expanding our offerings further into areas such as home renovation and furnishing. We believe these efforts will help diversify our revenue mix.

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Our ability to manage operating costs and expenses

Our results of operations are affected by our ability to control our operating costs and expenses. We expect our costs and expenses to continue to increase as we grow our business and attract more agents, housing customers, developers and other industry participants to our platform. Our cost of revenues consists primarily of compensation to internal agents and sales professionals, and split commission to connected agents and other sales channels, as well as cost related to our *Lianjia* stores. Our operating expenses increased year-on-year during the Track Record Period as we continued to expand our platform, and we incurred share-based compensation expenses to attract and retain talents required for our platform business. Excluding share-based compensation expenses, our operating expenses as a percentage of revenue decreased from 21.9% in 2019 to 17.4% in 2020, and was 19.9% in 2021.

Despite the fluctuations of our operating expenses as a percentage of revenue in the Track Record Period, we believe our massive scale, coupled with the network effect of our platform, will allow us to further improve our operational efficiency over time.

IMPACT OF COVID-19 ON OUR OPERATIONS AND FINANCIAL PERFORMANCE

Substantially all of our revenues and workforce are concentrated in China. In response to the intensifying efforts to contain the spread of COVID-19, the Chinese government took a number of actions, which included extending the Chinese New Year holiday, quarantining individuals suspected of having COVID-19, asking residents in China to stay at home and to avoid public gathering, among other things. During the early part of 2020, COVID-19 caused temporary closure of many corporate offices and store fronts across China, and put significant strain on the operation and accessibility of the real estate brokerage stores on our platform. Primarily as a result of the COVID-19 pandemic, our net revenues decreased by 12.7% from RMB8.2 billion in the first quarter of 2019 to RMB7.1 billion in the first quarter of 2020. Business activities, including housing transactions, quickly recovered in China during the second quarter, which led to a 39.0% increase of our net revenues for the first half of 2020, compared to the same period in 2019. Although our results of operations have substantially recovered since the second quarter of 2020 and the impact of COVID-19 has declined in China, there remains substantial uncertainty about the dynamic of the COVID-19 pandemic, which may have potential continuing impacts on subsequent periods if the global pandemic and the resulting disruption were to extend over a prolonged period or if a wide spread of COVID-19 happens again in China.

After the initial outbreak of COVID-19, from time to time, some instances of COVID-19 infections have emerged in various regions of China, including the infections caused by the Omicron variants in early 2022. With varying levels of temporary restrictions and other measures reinstated in such regions to contain the infections, our operations in these regions may be adversely affected when these restrictive measures are in force, under which our local stores may be forced to close temporarily or our home tour activities may be restricted in certain communities. For example, a wave of infections caused by the Omicron variants emerged in Shanghai in early 2022, and a series of restrictions and quarantines were

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implemented to contain the spread. Our brokerage stores in Shanghai were temporarily closed, pending the development of the COVID-19 situation which is uncertain. The emergence of such regional instances, the potential spread in other areas in which we operate and the corresponding restrictive measures are beyond our control and may continue to adversely affect our operations. See also “Risk Factors – Risks Related to Our Business and Industry – Our business has been and may continue to be adversely affected by the outbreak of COVID-19.”

As part of Chinese government’s effort to ease the burden of businesses affected by COVID-19, the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration temporarily reduced or exempted payments to the government-mandated employee welfare benefit plans since February 2020. In 2020, we recognized government grants related to the above support program of approximately RMB916.6 million, which reduced the costs of employee benefits in the consolidated statements of comprehensive income (loss). There was no such program in 2021. It is uncertain whether such government support program will continue in the future.

Cash, cash equivalents, restricted cash, and short-term investments constitute our most liquid assets. Short-term investments include bank term deposit and investments in wealth management products issued by financial institutions. As of December 31, 2021, we had cash, cash equivalents, restricted cash and short-term investments of RMB56.1 billion (US\$8.8 billion). We believe that this level of liquidity is sufficient to successfully navigate an extended period of uncertainty. Our Directors believe that the COVID-19 pandemic would not materially affect our growth plan under the current situation.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are uncertain and require significant judgment at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements.

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

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The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this document. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Basis of consolidation

Our consolidated financial statements include the financial statements of our company, our subsidiaries, the VIE and its subsidiaries for which we are the ultimate primary beneficiary.

Subsidiaries are those entities in which we, directly or indirectly, control more than one half of the voting power, or have the power to appoint or remove the majority of the members of the board of directors, or cast a majority of votes at the meeting of the board of directors, or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which we have, or our subsidiary has, through contractual arrangements, the power to direct the activities that most significantly impact the entity's economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the entity, and therefore is the primary beneficiary of the entity.

All intercompany transactions and balances between ourselves, our subsidiaries, the VIE and subsidiaries of the VIE have been eliminated upon consolidation.

Revenue recognition

We adopted ASC 606, Revenue from Contracts with Customers, for all periods presented. According to ASC 606, revenues from contracts with customers are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services, after considering reductions by estimates for refund allowances, price concession, discount and Value Added Tax ("VAT").

Existing home transaction services

We generate revenue from existing home transaction services primarily by earning commissions from housing customers for sales or leases transactions facilitated by our own *Lianjia* brand where we act as the principal agent, or split of commissions with other brokerage firms acting as the principal agents in cooperation with us to complete transactions. In these transactions, the principal agent signs a housing agency service contract with housing customers and is responsible for fulfilling the obligations to provide the agency services under the contract. The *Beike* platform requires platform agreements to be signed by all brokerage firms registered with the platform. The platform agreements establish a cooperative

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relationship between the principal agent and all participating brokerage firms, which allows the principal agent to combine and control services provided by the participating agent. The platform agreements also set the principal agent's role and responsibility for overall agency services and a fee allocation structure for various standard cooperating roles of agency services. For each successful transaction completed through the platform, the platform will calculate commissions for each participating agent in accordance with the platform agreements and settle them through the platform's payment system.

When we sign the housing agency service contracts with housing customers and split commissions with other brokerage firms who cooperate with us to complete the housing transactions in accordance with the platform agreement, we are considered to be the principal agent as we have the right to determine the service price and to define the service performance obligations, we have control over services provided and we are fully responsible for fulfilling the agency services pursuant to the housing agency service contracts it signed with the housing customers. Accordingly, we account for the commissions from these agency service contracts on a gross basis, with any commissions paid to other brokerage firms recorded as a cost of revenues.

When other brokerage firms on *Beike* platform sign the housing agency service contracts with housing customers and split commissions with us in accordance with platform agreement for cooperation services by us in completing the housing transactions, we are considered as a participating agent who provides services to the principal agents as we are not the primary obligor for the agency service contract and do not have the right to determine the service price. Accordingly, we account for the commissions from these agency service contracts on a net basis.

For agency commissions earned by us, either as the principal agent or participating agent, we recognize commissions as revenues when the performance obligations are satisfied at the time the housing customers sign the housing sale and purchase agreements or the lease agreements, after deducting estimated potential refunds due to a terminated transaction.

We also generate revenue from existing home transaction services by earning (i) platform service fees from real estate brokerage firms on the *Beike* platform as a percentage of the transaction commissions earned on the platform for using our ACN and SaaS systems, (ii) franchise fees from brokerage firms as a percentage of the transaction commissions earned under our franchise brands such as the *Deyou* brand, and (iii) other service fees for various services offered by *Beike* platform, such as transaction closing service through our transaction center.

For platform service and franchise fees, we recognize the estimated fees that we expect to receive as revenues when we obtain the right to payment at the time the housing customers sign the housing sale and purchase agreements or the lease agreements.

For other service fees, we recognize them as revenues when the services are provided.

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New home transaction services

We generate revenues from new home transaction services principally by earning sales commissions from real estate developers for new home sales facilitated by us. We sign new home agency service contracts with real estate developers in which the terms and conditions for sales commission earned are defined. We recognize sales commissions as revenues when the confirmations that terms and conditions for commissions earned are met are received from real estate developers or upon cash receipts of service fees if collection of the commissions are not considered probable.

We subcontract with other brokerage firms to fulfil our agency services contracts with the real estate developers and split commissions with these brokerage firms. We are considered as the principal agent for the agency service contracts signed with the developers as we have the right to determine the service price and to define the service performance obligations, we have control over the services provided by the other brokerage firms and we are fully responsible for fulfilling agency services pursuant to the new home agency service contracts signed with the real estate developers. Accordingly, we account for such agency service contracts on a gross basis and recognize split commissions to collaborating brokerage firms as cost of revenues.

Employee benefits

Our full-time employees in mainland China are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurances, medical insurances, unemployment benefits and housing fund plans through a PRC government-mandated defined contribution plan. Chinese labor regulations require that we make payments to the government for these benefits based on a certain percentage of the employees' salaries, up to a maximum amount specified by the local government. We have no legal obligation for the benefits beyond making the required contributions.

Historically, the contributions made by us for employees might have been insufficient under the PRC laws and regulations, for which we made provisions based on its best estimates considering general administrative practice, historical precedent cases, legal advice and other factors. The provisions made are to be reversed if a) the potential exposures that the provisions were made for do not occur for a period of time and b) we believe that the probability that such exposures would materialize in the future is remote based on most recent developments. The balances of the provisions are included in employee compensation and welfare payable.

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Allowance for credit losses of accounts receivable

Prior to January 1, 2020

We maintain an allowance for doubtful accounts to reserve for uncollectible receivable amounts. The allowance for doubtful accounts is estimated based upon our assessment of various factors including historical experience, the age of the accounts receivable balances, current economic conditions and other factors that may affect the customers' ability to pay.

Subsequent to December 31, 2019

We adopted ASU 2016-13 and assess the accounts receivable quarterly and establish a reserve to reflect the net amount expected to be collected. The allowance is management's estimate of expected credit losses after considering historical collection activity, the nature of the receivable, the current business environment and forecasts that may affect the customers' ability to pay. We estimated the allowance by segmenting accounts receivable based on certain credit risk characteristics and determining an expected loss rate for each segmentation based on historical loss experience adjusted for judgments about the effects of relevant observable data including current and future economic conditions.

Long-term Investments

Our long-term investments can be classified into the following five categories by nature of accounting treatments.

(i) Equity investments accounted for using the equity method

In accordance with ASC 323 – "Investment – Equity Method and Joint Ventures," we apply the equity method of accounting to equity investments, in common stock or in-substance common stock, over which it has significant influence but does not own a majority equity interests or otherwise control.

An investment in in-substance common stock is an investment that has risk and reward characteristics that are substantially similar to that entity's common stock. We consider subordination, risks and rewards of ownership and obligation to transfer value when determining whether an investment in an entity is substantially similar to one in that entity's common stock.

Under the equity method, we initially record our investment at cost. The difference between the cost of the equity investment and the amount of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill or as an intangible asset as appropriate. We subsequently adjust the carrying amount of the investment to recognize our proportionate share of each equity investee's net income or loss into the consolidated statements of comprehensive income (loss) after the date of acquisition. When our share of

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losses in the equity investee equals or exceeds its interest in the equity investee, we do not recognize further losses, unless the we have incurred obligations or made payments or guarantees on behalf of the equity investee, or we hold other investments in the equity investee.

We continually review our investment in equity investees under the equity method to determine whether a decline in fair value to below the carrying value is other-than-temporary. The primary factors we consider in our determination are the duration and severity of the decline in fair value, the financial condition, operating performance and the prospects of the equity investee, and other company specific information such as recent financing rounds.

The fair value determination, particularly for investments in early stage privately-held companies, requires significant judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investments and the determination of whether any identified impairment is other-than-temporary. If any impairment is considered other-than-temporary, we write down the asset to its fair value and takes the corresponding charge to the consolidated statements of comprehensive income (loss).

(ii) Investments accounted for at fair values

Beginning January 1, 2017, we early adopted ASU No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU No. 2016-01”). Securities with readily determinable fair values are measured at fair value. Equity securities accounted for at fair values include investments in (i) marketable equity securities, which are publicly traded stock and (ii) unlisted companies, for which we measure at fair value on a recurring basis. Pursuant to ASC 321, for equity investments measured at fair value with changes in fair value recorded in earnings, we do not assess whether those securities are impaired.

For investments in convertible notes and loans receivable with maturities of over one year, we elected the fair value option. The fair value option permits the irrevocable election on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The investments accounted for under the fair value option are carried at fair value with realized or unrealized gains and losses recorded in the consolidated statements of comprehensive income (loss). For wealth management products with variable interest rates referenced to performance of underlying assets and with original maturities greater than one year, we elected the fair value method at the date of initial recognition and carries these investments at fair value in accordance with ASC 825 – “Financial Instruments.” Changes in the fair value of these investments are reflected on the consolidated statements of comprehensive income (loss) as fair value changes in investments, net. Fair value is estimated based on quoted prices of similar products provided by financial institutions at the end of each reporting period. We classify the valuation techniques that use these inputs as Level 2 of fair value measurements.

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(iii) Equity investments measured at measurement alternative and NAV practical expedient

Private equity funds pursue various investment strategies. Investments in private equity funds generally are not redeemable due to the closed-ended nature of these funds. These private equity funds, over which we do not have the ability to exercise significant influence, are accounted for under the existing practical expedient in ASC Topic 820, “Fair Value Measurements and Disclosures” (“ASC 820”) to estimate fair value using the net asset value per share (or its equivalent) of the investment (“NAV practical expedient”).

We measure investments in equity securities, other than equity method investments, at fair value through earnings. For those investments without readily determinable fair value and do not qualify for NAV practical expedient, we may elect to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes, in accordance with ASU No. 2016-01. Under this measurement alternative, changes in the carrying value of the equity investment will be required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer. For those equity investments that we elect to use the measurement alternative, we make a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, we have to estimate the investment’s fair value in accordance with the principles of ASC 820. If the fair value is less than the investment’s carrying value, we recognize an impairment loss in net income (loss) equal to the difference between the carrying value and fair value.

(iv) Long-term held-to-maturity investments

Long-term held-to-maturity investments include debt instruments issued by private companies with maturities of greater than one year and for which we have the positive intent and ability to hold those securities to maturity, and long-term time deposits represent time deposits placed with banks with maturities more than one year. We account for the held-to-maturity debt securities at amortized cost less allowance for credit losses.

The allowance for credit losses of the held-to-maturity debt securities reflects our estimated expected losses over the contractual lives of the held-to-maturity debt securities and is charged to “Other income, net” in the consolidated statements of comprehensive income (loss). Estimated allowances for credit losses are determined by considering reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions. As of December 31, 2019, 2020 and 2021, the allowance for credit losses provided for the held-to-maturity debt securities held by us was insignificant.

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(v) Available-for-sale debt investments

Available-for-sale debt investments are debt instruments or preferred shares issued by banks and other financial institutions that are redeemable at the issuer's option, which are measured at fair value. Available-for-sale debt investments that are redeemable at the issuer's option have no contractual maturity date. Interest income is recognized in earnings. All other changes in the carrying amount of these debt investments are recognized in other comprehensive income (loss).

The allowance for credit losses of on available-for-sale debt securities is accounted for in accordance with ASC 326, Financial Instruments – Credit Losses (“ASC 326”). We adopted ASC 326 on January 1, 2020, on a modified retrospective basis. Under ASC 326, at each reporting period, available-for-sale debt securities are evaluated at the individual security level to determine whether there is a decline in the fair value below its amortized cost basis (an impairment). In circumstances where we intend to sell, or are more likely than not required to sell, the security before it recovers its amortized cost basis, the difference between fair value and amortized cost is recognized as a loss in the consolidated statements of operations, with a corresponding write-down of the security's amortized cost. In circumstances where neither condition exists, we then evaluate whether a decline is due to credit-related factors. The factors considered in determining whether a credit loss exists can include the extent to which fair value is less than the amortized cost basis, changes in the credit quality of the underlying loan obligors, credit ratings actions, as well as other factors. To determine the portion of a decline in fair value that is credit-related, we compare the present value of the expected cash flows of the security discounted at the security's effective interest rate to the amortized cost basis of the security. A credit-related impairment is limited to the difference between fair value and amortized cost, and recognized as an allowance for credit loss on the consolidated balance sheet with a corresponding adjustment to net income (loss). Any remaining decline in fair value that is non-credit related is recognized in other comprehensive income (loss), net of tax. Improvements in expected cash flows due to improvements in credit are recognized through reversal of the credit loss and corresponding reduction in the allowance for credit loss.

Share-based compensation

We grant share options to our employees, directors and consultants with performance conditions and service conditions, and account for these share-based awards in accordance with ASC 718 “Compensation – Stock Compensation.”

Employees' share-based awards are classified as equity awards and are measured at the grant date fair value of the awards and recognized as expenses a) immediately at grant date if no vesting conditions are required, or b) using a straight-line method over the requisite service period, which is the vesting period.

Share options that were granted contained both a service condition and required the completion of an initial public offering. The initial public offering was completed on August 17, 2020 and options for which the service condition had been met became vested. The

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remaining options will vest as the service conditions are met. All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

We use the binomial option pricing model to determine the fair value of stock options. The determination of the fair value of stock options is affected by the fair value of ordinary shares as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee share option exercise behavior, risk free interest rates and expected dividends. The fair value of the ordinary shares is assessed using the income approach/discounted cash flow method, with a discount for lack of marketability, given that the shares underlying the awards were not publicly traded at the time of grant.

In accordance with ASU 2016-09, we have chosen to account for forfeitures when they occur.

The fair value of each option granted by us was estimated on the date of each grant using the binomial option pricing model with the assumptions (or ranges thereof) in the following table:

	For the Year Ended December 31,		
	2019	2020	2021
Expected price volatility of the Company's shares	50.8%~52.6%	51.6%~52.1%	51.0%~52.2%
Expected dividend yield	0%	0%	0%
Risk-free interest rate	2.3%~3.5%	1.1%~1.6%	1.9%~2.3%
Expected term – years	10	10	10
Fair value of ordinary shares (US\$)	3.04~3.77	3.77~20.67	5.51~22.33

The risk-free interest rate is estimated based on the daily treasury long-term rate of U.S. Department of the Treasury with a maturity period close to the expected term of the options. The expected volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies with a time horizon close to the expected term. Expected term is the contract life of the options. We have never declared or paid any cash dividends on our capital stock, and we do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future.

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Fair value of ordinary shares

Prior to our initial public offering on the NYSE, we had been a private company with no quoted market prices for our ordinary shares. We therefore need to make estimates of the fair value of our ordinary shares at various dates for the purposes of (i) at the date of issuance of convertible instruments as one of the inputs in determining the intrinsic value of the beneficial conversion feature; and (ii) at the date of grant of a share-based award to our employees or non-employees as the only input to determine the grant date fair value of the award. Upon the completion of our initial public offering, the fair value of share awards is determined with reference to the price of our ADSs on the NYSE.

The following table sets forth the fair value of our ordinary shares estimated at different times with the assistance from an independent valuation firm.

	Fair Value per share US\$	Discount Rate	DLOM
Date			
2019/2/28	3.0	20%	10%
2019/5/31	3.0	19%	10%
2019/8/31	3.0	19%	10%
2019/11/15	3.8	18%	10%
2020/3/31	3.8	19%	10%
2020/6/30	6.1	18%	5%
2020/7/22	6.3	18%	5%

In determining the fair value of our ordinary shares, we applied the income approach/discounted cash flow analysis as the primary approach based on our projected cash flow using our best estimate as of the valuation date. The determination of the fair value of our ordinary shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts. Our revenues and earnings growth rates, as well as major milestones that we have achieved, contributed to the increase in the fair value of our ordinary shares from February 28, 2019 to July 22, 2020. However, these fair values are inherently uncertain and highly subjective. The assumptions used in deriving the fair values are consistent with our business plan. These assumptions include: our ability to retain competent management, key personnel and staff to support our ongoing operations; and no material deviation in market conditions from economic forecasts. These assumptions are inherently uncertain. The risk associated with achieving our forecasts were assessed in selecting the appropriate discount rates, which ranged from 18% to 20%.

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The option-pricing method was used to allocate equity value of our company to preferred and ordinary shares, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid. This method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of our Company or an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of the Board and management.

The other major assumptions used in calculating the fair value of ordinary shares include:

Discount rates. The discount rates listed in the table above were based on the weighted average cost of capital, which was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systemic risk factors.

Comparable companies. In deriving the weighted average cost of capital used as the discount rates under the income approach, certain publicly traded companies were selected for reference as our guideline companies. The guideline companies were selected based on the following criteria: (i) they operate in the real estate brokerage and financial services industry and (ii) their shares are publicly traded in the United States or Hong Kong.

Discount for lack of marketability, or DLOM. DLOM listed in the table above was quantified by the Finnerty's Average Strike put options mode. Under this option-pricing method, which assumed that the put option is struck at the average price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM. This option pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors like timing of a liquidity event, such as an initial public offering, and estimated volatility of our shares. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. If the DLOM is used for the valuation is lower the determined fair value of the ordinary shares is higher.

Fair value of our ordinary shares increased from US\$3.0 as of February 28, 2019 to US\$3.8 as of November 15, 2019 primarily due to:

- the growth in our business;
- our successful completion of financing in 2019, which provided us with the funding needed for our expansion; and
- as we progressed further towards our initial public offering, we increased our estimated probability of a successful initial public offering. As our preferred shares would be automatically converted into ordinary shares upon the completion of a qualified offering, the increase in estimated probability of initial public offering success results in allocation of a higher portion of our business enterprise value to ordinary shares.

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The fair value of our ordinary shares remains at US\$3.8 as of November 15, 2019 to March 31, 2020 due to the growth in our business and the progress towards the completion of our initial public offering, mitigated by the ongoing uncertainty regarding the COVID-19.

The increase in the fair value of the ordinary shares from US\$3.8 per share as of March 31, 2020 to US\$6.1 per share as of June 30, 2020 was primarily attributable to the following factors:

- enhanced liquidity and marketability of the ordinary shares. The discount for lack of marketability decreased from 10% as of March 31, 2020 to 5% as of June 30, 2020;
- organic growth of our business. Our revenues and net income continued to grow during this period. The revenues and net income in the second quarter of 2020 were RMB20.1 billion and RMB2.8 billion, respectively, which exceeded the quarterly revenues and net loss in the first quarter of 2020, respectively;
- the rapid rebound in global capital markets in the second quarter of 2020 after a notable drop in the first half of March due to the COVID-19 outbreak. The New York Stock Exchange Composite Index, the Nasdaq Composite Index and the Nasdaq China US Internet Tiger Index increased by 15%, 29% and 41%, respectively, from March 31, 2020 to June 30, 2020. Furthermore, in the second quarter of 2020, China's gross domestic product increased by 3.2% on a year-over-year basis, following a 6.8% contraction in the first quarter, according to newly released data from the National Bureau of Statistics; and
- increased probability of an initial public offering and conversion of preferred shares. As we approach the completion of our initial public offering, we increased our estimated probability of a successful initial public offering from 70% as of March 31, 2020 to 90% as of June 30, 2020.

The increase in the fair value of the ordinary shares from US\$6.1 per share as of June 30, 2020 to US\$6.3 per share as of July 22, 2020 was primarily attributable to the growth in our business.

Upon the completion of our initial public offering with a public trading market of our ADSs on the NYSE, it was no longer necessary for us to estimate the fair value of our ordinary shares in connection with our accounting for granted share awards. After our initial public offering on the NYSE in August 2020, the fair value of ordinary shares is determined by the closing market price of the ordinary shares on the relevant grant dates.

Income tax

Current income tax is recorded in accordance with the laws of the relevant tax jurisdictions.

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We apply the assets and liabilities method of income taxes in accordance of ASC 740, Income Taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are provided based on temporary differences arising between the tax bases of assets and liabilities and financial statements, using enacted tax rates that will be in effect in the period in which the differences are expected to reverse.

Deferred tax assets are recognized to the extent that such assets are more-likely-than-not to be realized. In making such a determination, we consider all positive and negative evidence, including results of recent operations and expected reversals of taxable income. Valuation allowances are established to offset deferred tax assets if it is considered more-likely-than-not that amount of the deferred tax assets will not be realized.

Uncertain tax positions

In order to assess uncertain tax positions, we apply a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not, that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. We recognize interest and penalties related to income tax matters, if any, in income tax expense. We did not have any significant unrecognized uncertain tax positions as of December 31, 2019, 2020 and 2021 nor did we recognize any related interest and penalties.

Fair Value Measurements

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, We consider the principal or most advantageous market in which we would transact and we consider assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Other inputs that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs which are supported by little or no market activity.

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Accounting guidance also describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, we use quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, we will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

In relation to the valuation of the Level 3 financial assets and liabilities, our management has carefully reviewed the valuation related policies, the financial statements prepared in accordance with U.S. GAAP and other supporting documents, and has had sufficient understanding of the valuation model, methodologies and techniques. Based on the above, our management is of the view that the valuation analysis performed during the Track Record Period is fair and reasonable, and our financial statements are properly prepared. Our management is satisfied with the valuation work for the Level 3 financial assets and liabilities performed during the Track Record Period.

Details of the fair value measurement of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 23 of the Accountant's Report in Appendix I to this document which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the Historical Financial Information, as a whole, of the Group for the Track Record Period is set out on page I-2 of Appendix I to this document.

In relation to the valuation of the financial assets and liabilities categorized as Level 3 fair value measurement, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) reviewed the relevant notes in the Accountant's Report as contained in Appendix I to this document for the valuation of certain financial assets and liabilities categorized as Level 3 fair value measurement, (ii) discussed with the Company and the independent valuer of the Company (the "Independent Valuer") about the valuation methodology, the key basis and assumptions for the valuation of the financial assets and liabilities; (iii) discussed with the Reporting Accountant to understand the work they have performed in relation to the valuation of the Level 3 Financial Assets for the purpose of reporting on the Historical Financial Information, as a whole, of the Group; (iv) obtained and reviewed the valuation report prepared by the Independent Valuer; and (v) obtained and reviewed the credentials of the Independent Valuer.

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Having considered the work done by the Directors and the Reporting Accountant and the relevant due diligence done as stated above, nothing material has come to the Joint Sponsors' attention that would cause the Joint Sponsors to disagree with the Directors and the Reporting Accountant in respect of the valuation of such financial assets and liabilities.

Fair Value Determination Related to the Accounting for Business Combinations

A component of our growth strategy has been to acquire and integrate complementary businesses into our ecosystem. We complete business combinations from time to time which require us to perform purchase price allocations. In order to recognize the fair value of assets acquired and liabilities assumed, mainly consisting of intangible assets and goodwill, as well as the fair value of any contingent consideration to be recognized, we use valuation techniques such as discounted cash flow analysis and ratio analysis in comparison to comparable companies in similar industries under the income approach, market approach and cost approach. Major factors considered include historical financial results and assumptions including future growth rates, an estimate of weighted average cost of capital and the effect of expected changes in regulation. Most of the valuations of our acquired businesses have been performed by independent valuation specialists under our management's supervision. We believe that the estimated fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that market participants would use. However, these assumptions are inherently uncertain and actual results could differ from those estimates.

Impairment of Goodwill, Intangible Assets and other Long-lived Assets

Goodwill is not depreciated or amortized but is tested for impairment on an annual basis and between annual tests when an event occurs, or circumstances change that could indicate that the asset might be impaired. We early adopted ASU No. 2017-04, Intangibles–Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment in 2019. In accordance with the FASB, a company first has the option to assess qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. If we decide, as a result of our qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount of each reporting unit exceeds its fair value, an impairment loss equal to the difference will be recorded. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit. The COVID-19 outbreak adversely affected our business in the first quarter of 2020. Nevertheless, based on our business performance in the last three quarters of 2020, we believe that the COVID-19 would have no material impact on our long-term

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forecast, and we did not identify any impairments related to the goodwill as a result of the impact of COVID-19. However, there is still uncertainty around the duration of the disruptions and the possibility of other adverse effects on our business. We will continue to monitor and evaluate the fair value of goodwill for each reporting unit. Should facts and circumstances change, a non-cash impairment charge could be recorded in the future.

The following table sets out the key assumption on which our management had based its cash flow projections to undertake impairment testing of goodwill of reporting unit of Zhonghuan as of December 31, 2019 and 2020:

	As of December 31,	
	2019	2020
Annual growth rate of revenue in the projected period	18%~38%	15%~20%
Long-term growth rate	3.0%	3.0%
Post-tax discount rate	17%	17%

The headroom for the reporting unit of Zhonghuan as of December 31, 2019 and 2020 is as follows, and the fair value of this reporting unit would equal its carrying amount if the key assumptions were to change as follows:

	As of December 31,	
	2019	2020
	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands, except for percentages)</i>	
Headroom	81,345	382,768
Forecasted revenue	-4.5%	-19.5%
Post-tax discount rate	0.6%	3.1%

In the quantitative goodwill impairment test as of December 31, 2021, for the reporting units that no goodwill impairment was identified, the following table sets forth each key assumption on which our management had based its cash flow projections to undertake impairment testing of goodwill of reporting units as of December 31, 2021:

	As of December 31, 2021	
	Existing home transaction services	New home transaction services
Annual growth rate of revenue in the projected period	-20%~12%	-47%~15%
Long-term growth rate	2.6%	2.6%
Post-tax discount rate	16%~17%	16%~17%

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For the reporting units that no goodwill impairment was identified in the quantitative impairment test, as of December 31, 2021, their headroom by segment is as follows, and the fair value of these reporting units would equal its carrying amount if the key assumptions were to change as follows:

	As of December 31, 2021	
	Existing home transaction services RMB	New home transaction services RMB
	<i>(in thousands, except for percentages)</i>	
Headroom	1,006,969	7,500,681
Forecasted revenue	-46%~-85%	-30%~-94%
Post-tax discount rate	5%~35%	3%~112%

The management has considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the reporting units to exceed its fair value.

Separately identifiable intangible assets and other long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for identifiable intangible assets is based on the amounts by which the carrying amounts of the assets exceed the fair values of the assets. Changes in these estimates and assumptions could materially affect our financial condition and results of operations.

Impairment charges of goodwill, intangible assets and other long-lived assets recognized for the years ended December 31, 2019, 2020 and 2021 were zero, RMB236.1 million and RMB746.7 million, respectively.

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RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the periods presented, both in absolute amount and as a percentage of our net revenues for the periods presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The results of operations in any particular period are not necessarily indicative of our future trends.

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages, share and per share data)						
Net revenues:							
Existing home transaction services	24,568,508	53.4	30,564,584	43.4	31,947,953	5,013,331	39.6
New home transaction services	20,273,860	44.1	37,937,886	53.8	46,472,378	7,292,530	57.5
Emerging and other services	1,172,538	2.5	1,978,508	2.8	2,332,108	365,959	2.9
Total net revenues	46,014,906	100.0	70,480,978	100.0	80,752,439	12,671,820	100.0
Cost of revenues ⁽¹⁾							
Commission – split	(11,154,698)	(24.2)	(24,847,023)	(35.3)	(31,826,634)	(4,994,293)	(39.4)
Commission and compensation – internal	(19,444,127)	(42.3)	(23,324,145)	(33.1)	(26,306,569)	(4,128,075)	(32.6)
Cost related to stores	(3,078,672)	(6.7)	(3,206,601)	(4.5)	(3,809,757)	(597,834)	(4.7)
Others	(1,069,365)	(2.3)	(2,243,352)	(3.2)	(2,990,064)	(469,206)	(3.7)
Total cost of revenues	(34,746,862)	(75.5)	(53,621,121)	(76.1)	(64,933,024)	(10,189,408)	(80.4)
Gross profit	11,268,044	24.5	16,859,857	23.9	15,819,415	2,482,412	19.6
Sales and marketing expenses ⁽¹⁾	(3,105,899)	(6.7)	(3,715,278)	(5.3)	(4,309,116)	(676,194)	(5.3)
General and administrative expenses ⁽¹⁾	(8,376,531)	(18.2)	(7,588,809)	(10.8)	(8,924,470)	(1,400,444)	(11.1)
Research and development expenses ⁽¹⁾	(1,571,154)	(3.4)	(2,477,911)	(3.5)	(3,193,988)	(501,206)	(4.0)
Impairment of goodwill, intangible assets and other long-lived assets	–	–	(236,050)	(0.3)	(746,705)	(117,174)	(0.9)
Total operating expenses	(13,053,584)	(28.3)	(14,018,048)	(19.9)	(17,174,279)	(2,695,018)	(21.3)

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	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
(in thousands, except for percentages, share and per share data)							
Income (loss) from operations	(1,785,540)	(3.8)	2,841,809	4.0	(1,354,864)	(212,606)	(1.7)
Interest income, net	230,339	0.5	163,600	0.2	354,567	55,639	0.4
Share of results of equity investees	11,382	0.0	(37,574)	(0.1)	36,606	5,744	0.0
Fair value changes in investments, net	(109,193)	(0.2)	369,124	0.5	564,804	88,631	0.7
Impairment loss for equity investments accounted for using measurement alternative	–	0.0	(9,000)	0.0	(183,789)	(28,841)	(0.2)
Foreign currency exchange gain (loss)	(54,052)	(0.1)	3,506	0.0	20,988	3,293	0.0
Other income, net	431,300	0.9	1,055,654	1.6	1,702,414	267,146	2.2
Income (loss) before income tax expense	(1,275,764)	(2.7)	4,387,119	6.2	1,140,726	179,006	1.4
Income tax expense	(904,363)	(2.0)	(1,608,796)	(2.3)	(1,665,492)	(261,352)	(2.0)
Net income (loss)	(2,180,127)	(4.7)	2,778,323	3.9	(524,766)	(82,346)	(0.6)
Net loss (income) attributable to non-controlling interests shareholders	(3,419)	(0.0)	(731)	(0.0)	637	100	0.0
Net income (loss) attributable to KE Holdings Inc.	(2,183,546)	(4.7)	2,777,592	3.9	(524,129)	(82,246)	(0.6)
Weighted average number of ordinary shares used in computing net income (loss) per share, basic and diluted							
– Basic	1,378,235,522		2,226,264,859		3,549,121,628	3,549,121,628	
– Diluted	1,378,235,522		2,267,330,891		3,549,121,628	3,549,121,628	
Net income (loss) per share attributable to ordinary shareholders							
– Basic	(2.94)		0.32		(0.15)	(0.02)	
– Diluted	(2.94)		0.32		(0.15)	(0.02)	

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Note:

(1) Share-based compensation expenses were allocated as follows:

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Cost of revenues	–	511,637	406,131	63,731
Sales and marketing expenses	–	77,574	110,446	17,331
General and administrative expenses	2,955,590	1,131,335	595,732	93,483
Research and development expenses	–	532,043	425,978	66,845
Total	2,955,590	2,252,589	1,538,287	241,390

NON-GAAP MEASURE: ADJUSTED NET INCOME (LOSS)

In addition to net income (loss), we also use adjusted net income (loss) (Non-GAAP measure), to evaluate our business. We have included this non-GAAP financial measure in this document because it is a key measure used by our management to evaluate our operating performance, as it facilitates comparisons of operating performance from period to period and with peer companies. Accordingly, we believe that it provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team and board of directors do. Our calculation of the non-GAAP financial measure may differ from similarly-titled non-GAAP measures, if any, reported by our peer companies. It should not be considered in isolation from, or as a substitute for, our financial information prepared in accordance with U.S. GAAP.

We define adjusted net income (loss) (Non-GAAP measure) as net income (loss) excluding share-based compensation expenses.

Share-based compensation are non-cash in nature and do not result in cash outflow, and the adjustment has been made during the Track Record Period for consistency. We believe the exclusion of share-based compensation provides investors and our management with greater visibility to the underlying performance of our business operations, facilitates comparison of our results of different periods, and may also facilitate comparison with the results of other companies in our industry.

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The following table presents a reconciliation of net income (loss) to adjusted net income (Non-GAAP measure) for each of the periods indicated:

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net income (loss)	(2,180,127)	2,778,323	(524,766)	(82,346)
Add:				
Share-based compensation expenses	2,955,590	2,252,589	1,538,287	241,390
Adjusted net income (Non-GAAP measure)	775,463	5,030,912	1,013,521	159,044

During the Track Record Period, in addition to our core operating activities, our financial performance has also been affected by (i) amortization of intangible assets resulting from acquisitions and business cooperation agreement, (ii) changes in fair value from long-term investments, loan receivables measured at fair value and contingent consideration, (iii) impairment of goodwill, intangible assets and other long-lived assets, and (iv) impairment of investments.

KEY COMPONENTS OF RESULTS OF OPERATIONS

Net revenues

Our net revenues (after considering reductions by estimates for refund allowances, price concession, discount and value-added tax) consist of revenues from existing home transaction services, new home transaction services, and emerging and other services. The following table breaks down our total net revenues in absolute amounts and as percentages of total net revenues for the periods presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except for percentages)					
Net revenues						
Existing home transaction services	24,568,508	53.4	30,564,584	43.4	31,947,953	5,013,331
New home transaction services	20,273,860	44.1	37,937,886	53.8	46,472,378	7,292,530
Emerging and other services	1,172,538	2.5	1,978,508	2.8	2,332,108	365,959
Total net revenues	46,014,906	100.0	70,480,978	100.0	80,752,439	12,671,820

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Existing home transaction services. We generate revenue (i) from our own *Lianjia* brand where we charge commissions for existing home sales and home rentals, and split of commissions from other brokerage firms that operate brokerage stores on *Beike* platform in collaboration with *Lianjia* agents to complete transactions, (ii) from brokerage firms which own and operate brokerage stores on our *Beike* platform where we receive platform service fees, and those under our franchise brands such as *Deyou* to which we charge an additional franchise fee, and (iii) by providing other value-added services including transaction closing services, field work assistance such as on-site verification, agent recruiting and training services.

New home transaction services. We generate revenue from new home transaction services principally by earning sales commissions from real estate developers for new home sales facilitated through the *Beike* platform.

Emerging and other services. We generate revenue from emerging and other services such as financial services and home renovation and furnishing services.

Cost of revenues

Our cost of revenues consists primarily of compensation to our internal agents and sales professionals and split commissions to connected agents and other sales channels, as well as cost related to *Lianjia* stores.

Our compensation paid to our internal agents and other sales professionals is composed of fixed salaries and variable commissions based on the transactions they assist in closing; and we also pay commissions to connected agents and other sales channels for their services to assist us in completing new home and existing home transactions. We are acting as the principal agent for all new home transactions and a majority of existing home transactions. When connected agents and other sales channels assist us to complete these transactions, we will pay them a split of the total commissions we receive, which is recorded as commission – split in our cost of revenues.

Cost related to stores mainly includes rent, decoration, and utility bills for real estate brokerage stores under our *Lianjia* brand and signing-to-closing support facilities.

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The following table sets forth the components of our cost of revenues by amounts and percentages of our total net revenues for the periods presented:

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
(in thousands, except for percentages)							
Cost of revenues:							
Commission – split	11,154,698	24.2	24,847,023	35.3	31,826,634	4,994,293	39.4
Commission and compensation – internal	19,444,127	42.3	23,324,145	33.1	26,306,569	4,128,075	32.6
Cost related to stores	3,078,672	6.7	3,206,601	4.5	3,809,757	597,834	4.7
Others	1,069,365	2.3	2,243,352	3.2	2,990,064	469,206	3.7
Total cost of revenues	34,746,862	75.5	53,621,121	76.1	64,933,024	10,189,408	80.4

Operating Expenses

Our operating expenses consist of sales and marketing expenses, general and administrative expenses, research and development expenses, and impairment of goodwill, intangible assets and other long-lived assets. The following table breaks down our total operating expenses by categories, both in absolute amounts and as percentages of total net revenues, for the periods presented:

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
(in thousands, except for percentages)							
Operating Expenses:							
Sales and marketing expenses	3,105,899	6.7	3,715,278	5.3	4,309,116	676,194	5.3
General and administrative expenses	8,376,531	18.2	7,588,809	10.8	8,924,470	1,400,444	11.1
Research and development expenses	1,571,154	3.4	2,477,911	3.5	3,193,988	501,206	4.0
Impairment of goodwill, intangible assets and other long-lived assets	–	–	236,050	0.3	746,705	117,174	0.9
Total operating expenses	13,053,584	28.3	14,018,048	19.9	17,174,279	2,695,018	21.3

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Sales and marketing expenses. Our sales and marketing expenses mainly consist of (i) advertising and promotional expenses, (ii) salaries, bonuses and benefits for our personnel engaged in sales and marketing activities, (iii) depreciation and amortization expenses related to sales and marketing activities, (iv) travel, reception and related expenses, and (v) share-based compensation expenses.

General and administrative expenses. Our general and administrative expenses mainly consist of (i) salaries, bonuses and benefits for our personnel engaged in general corporate functions, (ii) rental and related expenses, (iii) general office expenses, (iv) recruitment and training expenses, (v) professional fees, (vi) travel, reception and related expenses, (vii) depreciation and amortization expenses related to general corporate activities, (viii) share-based compensation expenses, and (ix) provision for credit losses. We expect that our general and administrative expenses to increase modestly in the near future, as we continue to incur additional expenses related to the anticipated growth of our business and our operations as a public company.

Research and development expenses. Our research and development expenses mainly consist of (i) payroll and related expenses for the personnel engaged in research and development activities, (ii) depreciation and amortization of our technology infrastructure, and (iii) service fees related to research and development activities. We expect that our research and development expenses will continue to increase in absolute amounts, as we continue to build our technology infrastructure and improve our digitalization capabilities.

Impairment of goodwill, intangible assets and other long-lived assets. In the fourth quarter of 2020, we completed the integration of the business of Zhonghuan, and most of the employees and franchise stores of Zhonghuan would then act as sales channels of other brokerage firms on *Beike* platform, especially in new home transaction services, rather than as an individual real estate brokerage brand. As such, we reassigned goodwill to the reporting units affected using the relative fair value approach. We performed a quantitative impairment test for the reporting unit of Zhonghuan before the reassignment and no impairment was identified. We performed a qualitative analysis on the affected reporting units after the reassignment and no impairment was identified in these affected reporting units as their business were profitable and fast growing, and it was more-likely-than-not that the fair values of these reporting units were more than their carrying amounts.

In the second half of 2021, the market downturn and its impact on our operations caused a triggering event for possible impairment of goodwill. Based on the results of quantitative tests we performed on reporting units, we recorded a total goodwill impairment charge of RMB732.4 million in 2021 for the existing and new home transaction services.

Separately identifiable intangible assets and other long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for identifiable intangible assets and other long-lived assets is based on the amounts by which the carrying amounts of the assets exceed the fair values of the assets.

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CONTRIBUTION MARGIN

We also review contribution margin to measure segment profitability. The table below sets forth the contribution margin for each of our business lines for the periods indicated.

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands, except for percentages)			
Contribution (existing home transaction services)	9,554,244	12,499,133	11,824,452	1,855,515
Contribution margin (existing home transaction services)	38.9%	40.9%	37.0%	37.0%
Contribution (new home transaction services)	4,918,700	8,149,925	8,947,138	1,404,001
Contribution margin (new home transaction services)	24.3%	21.5%	19.3%	19.3%
Contribution (emerging and other services)	943,137	1,660,752	1,847,646	289,936
Contribution margin (emerging and other services)	80.4%	83.9%	79.2%	79.2%

We define contribution for each service line as the revenue less the direct compensation to our internal agents and sales professionals, and split commission to connected agents and other sales channels for such services. We define contribution margin as a percentage of contribution bearing to revenue.

The following table presents the calculation to arrive at contribution from net revenues, for each of the periods indicated:

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Existing home transaction services				
Net revenues	24,568,508	30,564,584	31,947,953	5,013,331
Less: Commission and compensation	(15,014,264)	(18,065,451)	(20,123,501)	(3,157,816)
Contribution	9,554,244	12,499,133	11,824,452	1,855,515
New home transaction services				
Net revenues	20,273,860	37,937,886	46,472,378	7,292,530
Less: Commission and compensation	(15,355,160)	(29,787,961)	(37,525,240)	(5,888,529)
Contribution	4,918,700	8,149,925	8,947,138	1,404,001

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	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Emerging and other services				
Net revenues	1,172,538	1,978,508	2,332,108	365,959
Less: Commission and compensation	(229,401)	(317,756)	(484,462)	(76,023)
Contribution	943,137	1,660,752	1,847,646	289,936

Contribution margin demonstrates the margin that we generate after costs directly attributable to the respective revenue streams, including existing home transaction services, new home transaction services, and emerging and other services. The costs and expenses related to the platform infrastructure building and enhancement, including cost related to our *Lianjia* stores and the development cost of our technological platform, which are not directly attributable to the respective revenue streams, are not deducted from revenue when calculating contribution.

The contribution margin for existing home transaction services grew from 38.9% in 2019 to 40.9% in 2020, because we served more existing home transactions through *Beike* platform and charge platform fees and franchise fees which do not incur much direct compensation or commission cost. Our effort to optimize the compensation structure of our internal agents also contributed to the improved margin. The contribution margin for existing home transaction services decreased from 40.9% in 2020 to 37.0% in 2021, primarily attributable to a relatively higher percentage of fixed compensation costs for *Lianjia* agents and the compensation costs for transaction support staff.

The contribution for new home transaction services grew significantly from RMB4.9 billion in 2019 to RMB8.1 billion in 2020, and further to RMB8.9 billion (US\$1.4 billion) in 2021, as a fast growing number of real estate developers resort to us for effective marketing solutions. With the expansion of our *Beike* platform, an increasing percentage of new home transactions has been facilitated by connected agents and other sales channels. This structural change led to a decreased contribution margin from 24.3% in 2019 to 21.5% in 2020 and further to 19.3% in 2021. The expansion of dedicated sales teams with the expertise on new home transaction services on our platform in 2021 also contributed to the decreased contribution margin in 2021 compared to 2020.

Leveraging our industry know-hows and close connection with platform participants, we have also tapped into adjacent market opportunities, such as home renovation and furnishing. These emerging and other services can efficiently utilize our infrastructure in place, thus requires relatively less variable and direct costs to deliver. Consequently, we managed to keep a high contribution margin for our emerging and other services, which was 80.4%, 83.9% and 79.2% in 2019, 2020 and 2021, respectively.

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TAXATION

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

British Virgin Islands

Our subsidiaries incorporated in the British Virgin Islands are not subject to income or capital gains tax under the current laws of the British Virgin Islands. In addition, payment of dividends by the British Virgin Islands subsidiaries to their respective shareholders who are not resident in the British Virgin Islands, if any, is not subject to withholding tax in the British Virgin Islands.

Hong Kong

Hong Kong income tax rate is two-tiered profits tax regime, under which tax rate is 8.25% on assessable profits on the first HK dollar 2 million and 16.5% on any assessable profits in excess of HK dollar 2 million. No Hong Kong profit tax has been levied as we did not have assessable profit that was earned in or derived from any Hong Kong subsidiaries during the periods presented. Under Hong Kong tax law, our Hong Kong subsidiaries are exempted from Hong Kong income tax on their foreign-derived income. Hong Kong does not impose a withholding tax on dividends.

PRC

Generally, our PRC subsidiaries, consolidated variable interest entities and their subsidiaries, which are considered PRC resident enterprises under PRC tax law, are subject to enterprise income tax on their worldwide taxable income as determined under PRC tax laws and accounting standards at a rate of 25%. A “high and new technology enterprise,” which is reassessed every three years, is entitled to favorable income tax rate of 15%. Certain of our PRC subsidiaries are currently enjoying favorable tax rates as high and new technology enterprise.

We are also subject to value added tax, or VAT, at a rate of 6% on most of the services we provide, less any deductible VAT we have already paid or borne. We are also subject to surcharges on VAT payments in accordance with PRC law.

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Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding companies in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and receives approval from the relevant tax authority. If a Hong Kong subsidiary satisfies all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%. See “Risk Factors – Risks Related to Doing Business in China – We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.”

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Risk Factors–Risks Related to Doing Business in China – If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders and ADS holders.”

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2021 Compared to Year ended December 31, 2020

Net revenues

Our net revenues increased by 14.6% from RMB70.5 billion in 2020 to RMB80.8 billion (US\$12.7 billion) in 2021, primarily attributable to the increase in revenues from new home transaction services and existing home transaction services despite the market downturn in the second half of 2021.

Existing home transaction services. Our net revenues from existing home transaction services increased by 4.5% from RMB30.6 billion in 2020 to RMB31.9 billion (US\$5.0 billion) in 2021, primarily attributable to an increase in GTV of existing home transactions from RMB1,940.0 billion in 2020 to RMB2,058.2 billion (US\$323.0 billion) in 2021.

Commission revenue increased by 2.9% from RMB27.6 billion in 2020 to RMB28.4 billion (US\$4.5 billion) in 2021, primarily attributable to the growth in GTV of existing home transactions served by our *Lianjia* brand.

Additionally, the revenue derived from platform service, franchise service and other value-added services, which are mostly charged to connected agents on our platform, grew by 19.3% from RMB3.0 billion in 2020 to RMB3.6 billion (US\$0.6 billion) in 2021, as the GTV

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of existing home transactions served by connected agents on our *Beike* platform increased from RMB928.1 billion to RMB1,023.4 billion (US\$160.6 billion), as well as a moderate increase in existing home transaction commission rate charged by connected stores.

New home transaction services. Our net revenues from new home transaction services increased by 22.5% from RMB37.9 billion in 2020 to RMB46.5 billion (US\$7.3 billion) in 2021, primarily attributable to an increase in the GTV for new home transactions from RMB1,383.0 billion in 2020 to RMB1,608.6 billion (US\$252.4 billion) in 2021, within which the GTV of new home transaction services completed on *Beike* platform through connected stores, dedicated sales teams and other sales channels increased from RMB1,106.3 billion in 2020 to RMB1,334.6 billion (US\$209.4 billion) in 2021 while the GTV of new home transactions served by the *Lianjia* brand was RMB274.1 billion (US\$43.0 billion), compared to RMB276.7 billion in 2020, as well as a moderate increase of new home transactions commission rate.

Emerging and other services. Our net revenues from emerging and other services increased by 17.9% from RMB1,979 million in 2020 to RMB2,332 million (US\$366 million) in 2021. The increase was primarily attributable to an increase of RMB87 million in revenues from home renovation services, and an increase of RMB227 million in revenues from rental property management services.

Cost of revenues

Our cost of revenues increased by 21.1% from RMB53.6 billion in 2020 to RMB64.9 billion (US\$10.2 billion) in 2021, primarily attributable to the increase in split commission to connected agents and other sales channels and internal commission and compensation.

- *Commission – split.* Our cost of revenues for commissions to connected agents and other sales channels increased by 28.1% from RMB24.8 billion in 2020 to RMB31.8 billion (US\$5.0 billion) in 2021, which was primarily attributable to the increase in the GTV of new home transactions completed by connected agents and other sales channels through our platform.
- *Commission and compensation – internal.* Our cost of revenues for internal commissions and compensation increased by 12.8% from RMB23.3 billion in 2020 to RMB26.3 billion (US\$4.1 billion) in 2021, which was primarily attributable to the increase in the GTV of existing home transactions completed through our *Lianjia* brand and expansion of dedicated sales teams with the expertise on new home transaction services.
- *Cost related to stores.* Our cost related to stores increased by 18.8% from RMB3.2 billion in 2020 to RMB3.8 billion (US\$0.6 billion) in 2021 mainly attributable to an increase in the average number of stores for *Lianjia* brand and the incremental rise in rental fees of contract service centers opened in 2021.

Please see “– Contribution Margin” for the analysis of our segmental profitability.

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Operating expenses

Sales and marketing expenses. Our sales and marketing expenses increased by 16.0% from RMB3.7 billion in 2020 to RMB4.3 billion (US\$0.7 billion) in 2021. The increase was primarily attributable to (i) an increase of RMB598 million (US\$94 million) in payroll and related expenses, (ii) an increase of RMB64 million (US\$10 million) in advertising and promotional expenses, and (iii) an increase of RMB33 million (US\$5 million) in share-based compensation expenses to our sales and marketing personnel, partially offset by a decrease of RMB93 million (US\$15 million) in amortization expense.

General and administrative expenses. Our general and administrative expenses increased by 17.6% from RMB7.6 billion in 2020 to RMB8.9 billion (US\$1.4 billion) in 2021. The increase was primarily attributable to (i) an increase of RMB996 million (US\$156 million) in payroll expenses, (ii) an increase of RMB545 million (US\$86 million) in provision for credit losses, and (iii) an increase of RMB77 million (US\$12 million) in rental expenses, partially offset by a decrease of RMB536 million (US\$84 million) in share-based compensation expenses due to the relative higher expenses because of the recognition of options granted to our employees with the IPO performance condition satisfied in 2020.

Research and development expenses. Our research and development expenses increased by 28.9% from RMB2.5 billion in 2020 to RMB3.2 billion (US\$0.5 billion) in 2021. The increase was primarily attributable to (i) an increase of RMB779 million (US\$122 million) in payroll and related expenses as a result of the increased number of our research and development personnel and (ii) an increase of RMB29 million (US\$5 million) in technical service fee.

Impairment of goodwill, intangible assets and other long-lived assets. We recorded impairment of goodwill, intangible assets and other long-lived assets of RMB747 million (US\$117 million) in 2021, compared to RMB236 million in 2020, primarily attributable to the impairment of goodwill triggered by the market downturn and its impact on our operations in the second half of 2021.

Income tax expense

We recorded an income tax expense of RMB1,665 million (US\$261 million) in 2021, compared to an income tax expense of RMB1,609 million in 2020.

Net income (loss)

As a result of the foregoing, we recorded a net loss of RMB525 million (US\$82 million) in 2021, compared to a net income of RMB2,778 million in 2020. This change is primarily the result of the net loss we incurred in the third and fourth quarter of 2021. In response to the accelerating housing price appreciation in the first half of 2021, the PRC regulatory authorities have issued certain regulations and policies on China's housing related industry. See "Risk Factors – Risks Related to Our Business and Industry – Our business is subject to government

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regulations and policies guiding China's economy in general and, specifically, on existing and new home transactions" for details. While these measures reflected the PRC regulatory authorities' focus on establishing long-term mechanisms, some of them have affected the growth rate of the housing related industry in the near term and led to a decline in both existing home and new home transactions since the second half of 2021. The market weakness negatively affected our financial results in the third and fourth quarter of 2021. In the third quarter of 2021, our net revenues decreased by 11.9% to RMB18.1 billion from RMB20.5 billion in the same period of 2020, which was primarily attributable to the decline in total GTV of 20.9% to RMB830.7 billion from RMB1,050.0 billion in the same period of 2020. In the fourth quarter of 2021, our net revenues decreased by 21.5% to RMB17.8 billion from RMB22.7 billion in the same period of 2020, which was primarily attributable to the decline in total GTV of 34.6% to RMB732.4 billion from RMB1,120.0 billion in the same period of 2020. As such, we recognized net loss of RMB1,766 million and RMB933 million in the third and fourth quarter of 2021, respectively, compared to net income of RMB75 million and RMB1,096 million in the same periods of 2020. Excluding the impact of share-based compensation expenses, our adjusted net income (Non-GAAP measure), decreased from RMB5,031 million in 2020 to RMB1,014 million (US\$159 million) in 2021. Please see "– Non-GAAP Measure: Adjusted Net Income (Loss)" for the reconciliation of net income (loss) to adjusted net income (loss) (Non-GAAP measure).

Year ended December 31, 2020 Compared to Year ended December 31, 2019

Net revenues

Our net revenues increased by 53.2% to RMB70.5 billion in 2020 from RMB46.0 billion in 2019, primarily driven by the robust total GTV growth of 64.5% to RMB3,499.1 billion in 2020 from RMB2,127.7 billion in 2019.

Existing home transaction services. Our net revenues from existing home transaction services increased by 24.4% to RMB30.6 billion in 2020 from RMB24.6 billion in 2019, primarily attributable to a 49.5% increase in GTV of existing home transactions to RMB1,940.0 billion in 2020 from RMB1,297.4 billion in 2019. The higher growth rate of GTV of existing home transaction services was primarily attributable to the GTV mix shift in existing home transaction services from GTV served by *Lianjia* brand where revenue is recorded on a gross commission revenue basis, towards GTV served by connected agents on our platform, where revenue is recorded on a net basis from platform service, franchise service and other value-added services.

The revenue derived from platform service, franchise service and other value-added services increased by 94.3% to RMB3.0 billion in 2020 from RMB1.5 billion in 2019, as the GTV of existing home transactions served by connected agents on our platform increased by 109.9% to RMB928.1 billion in 2020 from RMB442.1 billion in 2019, as well as moderate increase in existing home transaction commission rate charged from connected stores.

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Commission revenue increased by 19.7% to RMB27.6 billion in 2020 from RMB23.0 billion in 2019, driven by the GTV of existing home transactions served by our *Lianjia* brand increased by 18.3% to RMB1,011.9 billion in 2020 from RMB855.3 billion in 2019.

New home transaction services. Our net revenues from new home transaction services increased by 87.1% to RMB37.9 billion in 2020 from RMB20.3 billion in 2019, primarily attributable to an increase of 85.0% in the GTV of new home transactions to RMB1,383.0 billion in 2020 from RMB747.6 billion in 2019. The GTV of new home transactions served by *Lianjia* brand increased by 37.2% to RMB276.7 billion, while the GTV of new home transaction services completed on our platform through connected agents and other sales channels increased by 102.7% year-over-year to RMB1,106.3 billion. Although most of the brokerage stores on our platform were subject to lockdown and low activity level for a certain period of time in 2020 due to the COVID-19 pandemic, the significantly increased demand and capacity of our platform for new home transactions brought about a strong revenue growth over 2019.

Emerging and other services. Our net revenues from emerging and other services increased by 68.7% to RMB2.0 billion in 2020 from RMB1.2 billion in 2019. The increase was primarily attributable to the increase of service penetration level in the Company's financial services around the housing transaction services, as well as the increase in revenues from other services.

Cost of revenues

Our total cost of revenues increased by 54.3% to RMB53.6 billion in 2020 from RMB34.7 billion in 2019, primarily due to the increase in both split commission to connected agents and other sales channels, and internal commission and compensation.

- *Commission – split.* Our cost of revenues for commissions to connected agents and other sales channels increased by 122.7% to RMB24.8 billion in 2020 from RMB11.2 billion in 2019, which was primarily attributable to the significant increase in the number of new home transactions connected agents and other sales channels completed through our platform from around 426,500 in 2019 to around 789,600 in 2020, which in turn was driven by the increasing number of connected agents and other sales channels joining our platform.
- *Commission and compensation – internal.* Our cost of revenues for internal commission and compensation increased by 20.0% to RMB23.3 billion in 2020 from RMB19.4 billion in 2019, which was primarily attributable to the increase in the number of new home transactions completed through our *Lianjia* brand along with the expansion of our new home transaction services as well as a 12.4% year-over-year increase in the number of existing home transactions through *Lianjia*, despite the impact of the COVID-19 pandemic.

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- *Cost related to stores.* Our cost related to stores increased by 4.2% to RMB3.2 billion in 2020 from RMB3.1 billion in 2019, mainly attributable to the increase in the number of stores under our *Lianjia* brand in top tier cities with higher rental cost, as well as a moderate general increase in store-level rental cost.

Please see “– Contribution Margin” for the analysis of our segment profitability.

Operating expenses

Sales and marketing expenses. Our sales and marketing expenses increased by 19.6% to RMB3,715 million in 2020 from RMB3,106 million in 2019. The increase was primarily attributable to (i) an increase of RMB686.9 million in advertising and promotional expenses, (ii) an increase of RMB144.0 million in amortization expense, and (iii) an increase of RMB77.6 million in share-based compensation expenses to our sales and marketing personnel, partially offset by a decrease of RMB317.9 million in other marketing-related expenses.

We entered into a business cooperation agreement with Tencent in late 2018, which grants us the access to the traffic of Tencent’s products, and allows us to use Tencent’s cloud and advertising services. We started utilizing such traffic access in early 2019, and accordingly recorded amortization expenses, attributing to the large increase in depreciation and amortization expenses within sales and marketing function.

General and administrative expenses. Our general and administrative expenses decreased by 9.4% to RMB7,589 million in 2020 from RMB8,377 million in 2019. The decrease was primarily attributable to a decrease of RMB1.8 billion in share-based compensation expenses due to a lump sum recognition of the share-based compensations to our senior management in the fourth quarter in 2019, partially offset by (i) an increase of RMB644.3 million in payroll expenses as a result of the rapid growth of city-level support staff and back office functions as our business expanded, and to a less extent the increased number of our headquarter personnel in preparation of the public offering and ongoing obligations as a public company, and (ii) an increase of RMB399.5 million in provision for credit losses due to our increased balance of deposits paid to real estate developers and accounts receivable from them along with our growth in new home sales services.

Research and development expenses. Our research and development expenses increased by 57.7% to RMB2,478 million in 2020 from RMB1,571 million in 2019. The increase was primarily attributable to (i) an increase of RMB532.0 million in share-based compensation expenses, and (ii) an increase of RMB242.1 million in payroll expenses due to an increase in headcount of experienced R&D personnel.

Impairment of goodwill and intangible assets. Our impairment of goodwill and intangible assets were RMB236 million in 2020, compared to zero in 2019. In the fourth quarter of 2020, in connection with integration of Zhonghuan, we reassigned goodwill to the reporting units affected using the relative fair value approach, and RMB1,193 million of goodwill was reassigned to the new home transaction segment, while RMB133 million remained in the

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existing home transaction segment. We performed a quantitative impairment test for the reporting unit of Zhonghuan before the reassignment and no impairment was identified. We performed a qualitative analysis on the affected reporting units after the reassignment and no impairment was identified in these affected reporting units as their business were profitable and fast growing, and it is more-likely-than-not that the fair values of these reporting units are more than their carrying amounts.

Goodwill associated with our acquired home renovation business was fully impaired of RMB16.2 million for the year ended December 31, 2020.

We performed an impairment testing on the intangible assets of Zhonghuan and our acquired home renovation business, and identified RMB213.4 million of impairment losses in these assets. Impairment charges of intangible assets were recognized zero and RMB213.4 million for the years ended December 31, 2019 and 2020.

Income tax expense

We recorded income tax expense of RMB1,609 million in 2020, compared to income tax expense of RMB904 million in 2019.

Net income (loss)

As a result of the foregoing, we recorded net income of RMB2,778 million in 2020, compared to net loss of RMB2,180 million in 2019. This increase is the result of net loss of RMB1,231 million in the first quarter of 2020, compared to net income of RMB166 million in the first quarter of 2019, due to the impact of COVID-19 pandemic, and a record-high net income of RMB2,839 million in the second quarter of 2020, compared to net income of RMB391 million in the second quarter of 2019, after business activities resumed and demand was released. We were able to maintain positive net income of RMB75.3 million and RMB1,096 million in the third and fourth quarter of 2020, respectively.

Excluding the impact of share-based compensation expenses, our adjusted net income (Non-GAAP measure) increased from RMB775 million in 2019 to RMB5,031 million in 2020. This increase was consistent with the increase in net income under U.S. GAAP and outpaced the revenue growth across the periods in terms of percentage growth, primarily due to the relatively flat recurring operating costs and expenses compared to the significant revenue increase. Please see “– Non-GAAP Measure: Adjusted Net Income (Loss) ” for the reconciliation of net income (loss) to adjusted net income (loss) (Non-GAAP measure).

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DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets forth selected information from our consolidated balance sheets as of the dates indicated, which have been extracted from our consolidated financial statements included in Appendix I to this document.

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	<i>(in thousands)</i>			
Total current assets	51,912,486	87,539,101	69,926,354	10,972,970
Total non-current assets	15,352,826	16,756,435	30,392,511	4,769,250
Total assets	67,265,312	104,295,536	100,318,865	15,742,220
Total current liabilities	27,797,675	33,633,346	28,936,137	4,540,711
Total non-current liabilities	7,932,045	3,869,674	4,327,235	679,038
Total liabilities	35,729,720	37,503,020	33,263,372	5,219,749
Total mezzanine equity	40,372,895	–	–	–
Total shareholders' equity (deficit)	(8,837,303)	66,792,516	67,055,493	10,522,471
Total liabilities, mezzanine equity and shareholders' equity (deficit)	67,265,312	104,295,536	100,318,865	15,742,220

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Current Assets and Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,				As of March 31,	
	2019	2020	2021		2022	
	RMB	RMB	RMB	US\$	RMB	US\$
	<i>(in thousands)</i>				<i>(unaudited)</i>	
Current assets:						
Cash and cash equivalents	24,319,332	40,969,979	20,446,104	3,208,440	16,579,055	2,601,616
Restricted cash	7,380,341	8,567,496	6,286,105	986,427	6,831,221	1,071,968
Short-term investments	1,844,595	15,688,321	29,402,661	4,613,919	26,827,650	4,209,844
Short-term financing receivables, net of allowance for credit losses	2,125,621	3,931,641	702,452	110,230	521,064	81,766
Accounts receivable, net of allowance for credit losses	8,093,219	13,183,559	9,324,952	1,463,288	7,037,958	1,104,409
Amounts due from and prepayments to related parties	927,306	484,349	591,342	92,794	425,966	66,843
Loan receivables from related parties	1,929,076	36,378	42,788	6,714	90,643	14,224
Prepayments, receivables and other assets	5,292,996	4,677,378	3,129,950	491,158	3,162,078	496,199
Total current assets	51,912,486	87,539,101	69,926,354	10,972,970	61,475,635	9,646,869
Current liabilities:						
Accounts payable	4,212,705	6,594,846	6,008,765	942,906	4,955,073	777,559
Amounts due to related parties	263,659	254,255	584,078	91,655	419,021	65,754
Employee compensation and welfare payable	9,113,011	11,231,800	9,834,247	1,543,208	8,182,894	1,284,075
Customer deposits payable	4,382,803	6,743,256	4,181,337	656,143	5,624,405	882,592
Income taxes payable	994,815	986,465	567,589	89,067	391,486	61,433
Short-term borrowings	720,000	–	260,000	40,800	356,670	55,969
Lease liabilities current portion	2,222,745	2,625,979	2,752,795	431,974	2,909,278	456,529
Short-term funding debts	2,291,723	1,512,510	194,200	30,474	226,500	35,543
Contract liabilities	593,373	734,157	1,101,929	172,917	1,370,198	215,014
Accrued expenses and other current liabilities	3,002,841	2,950,078	3,451,197	541,567	4,010,740	629,373
Total current liabilities	27,797,675	33,633,346	28,936,137	4,540,711	28,446,265	4,463,841
Net current assets	24,114,811	53,905,755	40,990,217	6,432,259	33,029,370	5,183,028

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Our net current assets decreased from RMB41.0 billion (US\$6.4 billion) as of December 31, 2021 to RMB33.0 billion (US\$5.2 billion) as of March 31, 2022, primarily due to a decrease of RMB3.9 billion (US\$0.6 billion) in cash and cash equivalents primarily due to cash consideration paid for the Shengdu Acquisition and long-term investments in deposits and available-for-sale debt investments.

Our net current assets decreased from RMB53.9 billion as of December 31, 2020 to RMB41.0 billion (US\$6.4 billion) as of December 31, 2021, primarily due to (i) a decrease of RMB20.5 billion (US\$3.2 billion) in cash and cash equivalents, and (ii) a decrease of RMB3.9 billion (US\$0.6 billion) in accounts receivable, net of allowance for credit losses, partially offset by an increase of RMB13.7 billion (US\$2.2 billion) in short-term investments.

Our net current assets increased from RMB24.1 billion as of December 31, 2019 to RMB53.9 billion as of December 31, 2020, primarily due to (i) an increase of RMB16.7 billion in cash and cash equivalents, (ii) an increase of RMB13.8 billion in short-term investments, and (iii) an increase of RMB5.1 billion in accounts receivable, net of allowance for credit losses, partially offset by (i) an increase of RMB2.4 billion in accounts payable, (ii) an increase of RMB2.4 billion in customer deposits payable, and (iii) an increase of RMB2.1 billion in employee compensation and welfare payable.

Cash, cash equivalents, restricted cash, and short-term investments

Cash, cash equivalents, restricted cash, and short-term investments constitute our most liquid assets. Short-term investments include bank term deposit and investments in wealth management products issued by financial institutions. These products normally offer returns higher than bank deposits, maintain relatively low risk, and provide sufficient liquidity as they are redeemable upon short notice. We therefore consider such wealth management products part of our cash management program.

The total amount increased from RMB33.5 billion as of December 31, 2019 to RMB65.2 billion as of December 31, 2020, which was mainly attributable to the cash generated from operating and financing activities, especially to the initial public offering and follow-on public offering of our class A ordinary shares. The total amount decreased from RMB65.2 billion as of December 31, 2020 to RMB56.1 billion (US\$8.8 billion) as of December 31, 2021, which was mainly attributable to the net cash used in investing activities of RMB24.9 billion (US\$3.9 billion), including RMB18.1 billion (US\$2.8 billion) of purchase of long-term investments.

Our short-term investments include bank time deposits and wealth management products. Bank time deposits are time deposits with original maturities of longer than three months but less than one year or the long-term bank deposits with a maturity date within one year. Our wealth management products mainly consist of various financial instruments issued by multiple financial institutions with variable interest rates indexed to performance of underlying asset. To estimate the fair value of investment issued by commercial bank with a variable interest rate, we use alternative pricing sources and models utilizing market observable inputs and we classify the valuation techniques that use these inputs as Level 2 of fair value

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measurement. For financial product issued by asset management company, whose fair value is determined based on the expected cash flows and discounted by using the unobservable expected return, we classify the valuation techniques that use these inputs as Level 3.

We manage our wealth management products in accordance with our investment management policies and internal control mechanism. In assessing the wealth management products, we apply a number of internal guiding principles, including that (i) the top priority of wealth management is to protect the principal of our investments through risk management; (ii) the proposed investments must not interfere with the cash needs for our ordinary business operations; and (iii) our wealth management activities aim at maximizing returns while ensuring the safety of funds and liquidity. We have a structured, stringent internal approval mechanism in which our management team, including our chief executive officer and chief financial officer, are actively involved. Purchases of any onshore wealth management products in a single transaction or a series of transactions of above RMB5 billion and purchases of any offshore wealth management products must be approved by the Board. Each member of our treasury center which is in charge of wealth management products has over ten years of work experience in banking or investment sectors and has extensive knowledge and experience for investing in domestic and international wealth management products. After the Listing, our investments in wealth management products will be subject to compliance with Chapter 14 of the Listing Rules.

Accounts receivable, net of allowance for credit losses

A significant portion of accounts receivable was due from real estate developers for our new home transaction services. Our accounts receivable, net of allowance for credit losses increased from RMB8.1 billion as of December 31, 2019 to RMB13.2 billion as of December 31, 2020, as we continued to expand our new home transaction service business. Our accounts receivable, net of allowance for credit losses decreased from RMB13.2 billion as of December 31, 2020 to RMB9.3 billion (US\$1.5 billion) as of December 31, 2021, primarily due to the improvement of accounts receivable turnover days. As of March 31, 2022, RMB5.0 billion (or 45.8%) of the accounts receivable for new home transaction services as of December 31, 2021 were settled, RMB0.2 billion (or 55.8%) of the accounts receivable for existing home transaction services as of December 31, 2021 were settled, and RMB5.2 billion (or 45.5%) of the accounts receivable overall as of December 31, 2021 were settled. We have historically experienced a relatively lower settlement rate in the first quarter, compared to other periods in a year, as the business and collection activities during the Chinese New Year Holidays are typically less active. Overall, the settlement rate of the accounts receivable is consistent with our accounts receivable turnover days and we do not believe there is any recoverability issue for our accounts receivable.

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The following table sets forth a breakdown of our gross accounts receivable and allowance for credit losses and a breakdown of our accounts receivable by type of services as of the dates indicated.

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	<i>(in thousands)</i>			
New home transaction services	7,838,045	13,546,605	11,026,647	1,730,322
Existing home transaction services	604,191	699,673	365,961	57,427
Emerging and other services	111,945	59,499	83,615	13,121
Accounts receivable	8,554,181	14,305,777	11,476,223	1,800,870
Allowance for credit losses	(460,962)	(1,122,218)	(2,151,271)	(337,582)
– allowance of new home transaction services	(454,996)	(1,108,485)	(2,114,400)	(331,796)
– allowance of others	(5,966)	(13,733)	(36,871)	(5,786)
Accounts receivable, net	<u>8,093,219</u>	<u>13,183,559</u>	<u>9,324,952</u>	<u>1,463,288</u>

We serve real estate developers in our new home transaction services and grant them credit terms relatively longer compared to individual and small brokerage firm clients in accordance with the market practice. As such, we may face risks related to the collection of our accounts receivable from real estate developers, especially during times when tightened regulatory measures negatively affect the operations and liquidity conditions of these real estate developers. See “Risk Factors – Risks Related to Our Business and Industry – Our business is subject to government regulations and policies guiding China’s economy in general and, specifically, on existing and new home transactions” and “Risk Factors – Risks Related to Our Business and Industry – We face risk in collecting our accounts receivable and deposits from real estate developers” for more details. In light of the liquidity concerns faced by certain real estate developers in 2021, we have been implementing various prudent measures to ensure effective risk control and timely collection of accounts receivable. Our collection of accounts receivable for new home transaction services amounted to RMB51.7 billion (US\$8.1 billion) in 2021, compared to the net revenue from new home transaction services of RMB46.5 billion (US\$7.3 billion), and we managed to reduce our accounts receivable turnover days of new home transaction services from 103 days in 2020 to 97 days in 2021 in spite of the market downturn. The increase of accounts receivable turnover days for new home transaction services to 103 days in 2020 was a result of the slowdown in collection activities due to the COVID-19 pandemic, particularly in the first quarter in 2020. The accounts receivable turnover days for

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existing home transaction service, where our clients are individual housing customers and brokerage firms on our platform, were 10 days in 2019, 8 days in 2020 and 6 days in 2021. We plan to continue to prudently manage our accounts receivable, in particular with respect to new home transaction services.

Accounts receivable turnover days for a given period are equal to average balances of accounts receivable at the beginning and the end of the period divided by total revenues during the period and multiplied by the number of days during the period. The following table represents the accounts receivable turnover days for the periods indicated.

	For the Year Ended December 31,		
	2019	2020	2021
Account receivables turnover days:			
Existing home transaction services	10	8	6
New home transaction services	96	103	97

Intangible assets, net

Our intangible assets net of accumulated amortization and impairment amounted to RMB2,560 million, RMB1,643 million and RMB1,141.3 million (US\$179.1 million) as of December 31, 2019, 2020 and 2021, respectively. The decrease was primarily due to amortization of the business cooperation agreement and impairment charges related to Zhonghuan's intangible assets in 2020.

Long-term investments, net

Our long-term investments amounted to RMB2,334 million, RMB3,140 million and RMB17.0 billion (US\$2.7 billion) as of December 31, 2019, 2020 and 2021, respectively. The significant increase from December 31, 2020 to December 31, 2021 is mainly due to the increase in investments accounted for at fair value which are primarily consisted of long-term wealth management products and equity securities in publicly-listed companies, as well as

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purchase of available-for-sale debt investments. The following table sets forth a breakdown of the categories of long-term investments we held as of the dates indicated. The investment accounted for at fair values as of December 31, 2021 amounting to RMB6.5 billion (US\$1.0 billion) primarily consisted of long-term wealth management products.

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	<i>(in thousands)</i>			
Investments in equity method investees	395,926	689,929	430,292	67,522
Investments accounted for at fair values	1,578,596	2,060,849	6,480,322	1,016,904
Equity investments measured under measurement alternative and NAV practical expedient	144,223	164,785	1,232,735	193,443
Long-term held-to-maturity investments	215,000	224,752	1,081,167	169,659
Available-for-sale debt investments	—	—	7,813,655	1,226,133
Total long-term investments	2,333,745	3,140,315	17,038,171	2,673,661

Goodwill

Our goodwill was RMB2,477 million, RMB2,467 million and RMB1,806 million (US\$283 million) as of December 31, 2019, 2020 and 2021, respectively. The decrease in 2021 was primarily due to the goodwill impairment charge of RMB732.4 million for the existing and new home transaction services due to the market downturn and its impact on our operations in 2021.

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Prepayments, receivables and other assets

The following table set forth the breakdown of this account as of the dates indicated.

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	<i>(in thousands)</i>			
Current:				
Advances to suppliers	254,534	474,629	388,319	60,936
Deposits paid to real estate developers	3,311,371	2,124,204	558,286	87,607
Prepaid rental and other deposits	439,775	771,010	748,516	117,458
Staff advances	247,353	215,007	104,615	16,416
Receivables from escrow account	18,982	15,029	10,672	1,675
Interests receivable	93,950	37,227	39,156	6,144
VAT-input deductible	608,958	655,016	762,927	119,721
Prepaid income tax	–	108,989	138,716	21,768
Others	318,073	276,267	378,743	59,433
Total	5,292,996	4,677,378	3,129,950	491,158
Non-current:				
Prepayment for advertising resources	145,806	–	–	–
Deferred tax assets	520,292	884,435	1,060,131	166,359
Others	59,452	109,959	121,290	19,033
Total	725,550	994,394	1,181,421	185,392

Deposits paid to real estate developers represent the earnest deposits we pay to developers for new home sales, and will be collected back after we meet our service commitment. We implement stringent selection process for the real estate projects for which we provide brokerage service, and will only agree to make earnest deposits for those we are confident in meeting our sales commitment. The significant decrease in 2020 and further in 2021 was mainly due to collections of deposits paid to real estate developers for new home transactions and fewer projects for which we make earnest deposits.

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Accounts payable

Our accounts payable was RMB4,213 million, RMB6,595 million and RMB6,009 million (US\$943 million) as of December 31, 2019, 2020 and 2021, respectively. This increase in 2020 was primarily the result of increasing payables related to new home transaction services and advertising expenses. Commission payable related to new home transaction services increased from RMB3,528 million as of December 31, 2019 to RMB5,467 million as of December 31, 2020, as increasingly more brokerage firms joined and transacted on our *Beike* platform and increased the GTV of housing transactions they facilitated on our platform. Consequently, the ending balance of commission payable to them for their services in assisting us selling new homes grew rapidly. The advertising fee payable also increased in 2020, as a result of our effort to promote our *Beike* platform. The accounts payable decreased from RMB6,595 million as of December 31, 2020 to RMB6,009 million (US\$943 million) as of December 31, 2021, which was primarily the result of a decrease in payable related to new home transaction services. As of March 31, 2022, RMB5,554 million (or 92.4%) of the accounts payable as of December 31, 2021 were settled.

The following table represents the accounts payable turnover days for the periods indicated.

	For the Year Ended December 31,		
	2019	2020	2021
Account payable turnover days	30	37	35

Short-term borrowings

As of December 31, 2019, 2020 and 2021, our short-term borrowings was RMB720 million, zero and RMB260 million (US\$41 million). The increase of borrowings as of December 31, 2021 was a result of a RMB260 million bank loan at a fixed borrowing rate of 3.9% which started in August 2021.

Long-term borrowings

Our long-term borrowings were RMB4,890 million, zero and zero as of December 31, 2019, 2020 and 2021, respectively. The significant decrease was primarily because our borrowings of a US\$675 million syndicate loan and a bank loan at a fixed borrowing rate of 4.9% were fully paid off in advance by the end of December 31, 2020.

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LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have financed our operating and investing activities through cash flows from operations and cash provided by historical equity and debt financing activities. As of December 31, 2019, 2020 and 2021, respectively, our cash, cash equivalents, restricted cash and short-term investments were RMB33.5 billion, RMB65.2 billion and RMB56.1 billion (US\$8.8 billion). Our cash and cash equivalents primarily consist of cash on hand, demand deposits and highly liquid investments placed with banks or other financial institutions with original maturities of less than three months. Our restricted cash are primarily escrow payments collected from the property buyers on behalf of and payable to the property sellers.

After this Listing, we may decide to enhance our liquidity position or increase our cash reserve for future operations and investments through additional financing. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increasing fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

Although we consolidate the results of the VIEs and their subsidiaries, we only have access to the assets or earnings of the VIEs and their subsidiaries through our contractual arrangements with the VIEs and their shareholders. See “Contractual Arrangements.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “– Holding Company Structure.”

Substantially all of our revenues have been, and we expect they are likely to continue to be, in the form of Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Our PRC subsidiaries are required to set aside at least 10% of its after-tax profits after making up previous years’ accumulated losses each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Historically, our PRC subsidiaries have not paid dividends to us, and they will not be able to pay dividends until they generate accumulated profits. Furthermore, capital account transactions, which include foreign direct investment and loans, must be approved by and/or registered with SAFE, its local branches and certain local banks.

As a Cayman Islands exempted company and offshore holding company, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries only through loans or capital contributions, subject to the approval or registration of government authorities and

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limits on the amount of capital contributions and loans. This may delay us from using the proceeds from our initial public offering in August 2020 and our ADS offering in November 2020 to make loans or capital contributions to our PRC subsidiaries. See “Risk Factors – Risks Related to Doing Business in China – PRC regulation of loans to and direct investment in PRC entities by offshore holding companies may delay us from using the proceeds of our offshore offerings to make loans or additional capital contributions to our PRC subsidiaries and to make loans to the VIEs, which could materially and adversely affect our liquidity and our ability to fund and expand our business.”

Working Capital Sufficiency Statement

Our Directors are of the opinion that, taking into account the cash and cash equivalents on hand as of the date of this document and the financial resources available to us, including internally generated funds, we have sufficient working capital for our present requirement, which is, for at least the next 12 months from the date of this document.

Cash Flows

The following table sets forth a summary of our cash flows for the periods presented:

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	<i>(in thousands)</i>			
Net cash provided by operating activities	112,626	9,361,949	3,595,122	564,153
Net cash used in investing activities	(3,873,722)	(14,977,618)	(24,884,074)	(3,904,854)
Net cash provided by (used in) financing activities	23,026,396	25,406,250	(1,074,173)	(168,561)
Effect of exchange rate change on cash, cash equivalents and restricted cash	(94,922)	(2,183,682)	(442,141)	(69,382)
Net increase (decrease) in cash, cash equivalents and restricted cash	19,170,378	17,606,899	(22,805,266)	(3,578,644)
Cash, cash equivalents and restricted cash at the beginning of the year	12,760,198	31,930,576	49,537,475	7,773,511
Cash, cash equivalents and restricted cash at the end of the year	<u>31,930,576</u>	<u>49,537,475</u>	<u>26,732,209</u>	<u>4,194,867</u>

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Operating activities

Net cash generated from operating activities in 2021 was RMB3,595 million (US\$564 million). The difference between net cash generated from operating activities and net loss of RMB525 million (US\$82 million) in 2021 was the result of adding back RMB4,499 million (US\$706 million) for adjustments of non-cash items, adding back RMB77 million (US\$12 million) for dividends received from long-term investments and removing RMB488 million (US\$77 million) of gain on short-term investments, which are by nature investing activities, and adding RMB32 million (US\$5 million) released from working capital.

The adjustment of non-cash items primarily consisted of RMB1,538 million (US\$241 million) in share-based compensation expenses, RMB1,327 million (US\$208 million) in net impairment loss on financial assets, RMB880 million (US\$138 million) in depreciation expenses, and RMB747 million (US\$117 million) in impairment of goodwill, intangible assets and other long-lived assets.

The additional cash released from working capital was the result of a RMB2,646 million (US\$415 million) decrease in accounts receivable, a RMB1,450 million (US\$228 million) decrease in prepayments, receivables and other assets and a RMB589 million (US\$92 million) increase in lease liabilities, partially offset by a RMB2,562 million (US\$402 million) decrease in customer deposits payable, a RMB1,400 million (US\$220 million) decrease in employee compensation and welfare payable and a RMB567 million (US\$89 million) decrease in accounts payable.

Net cash generated from operating activities in 2020 was RMB9,362 million. The difference between net cash generated from operating activities and net income of RMB2,778 million in the same period was the result of adding back RMB3,729 million for adjustments of non-cash items, adding back RMB38.6 million for dividends received from long-term investments, removing RMB174.8 million of gain on short-term investments, which is by nature an investing activity, and adding another RMB2,991 million released from working capital.

The adjustment of non-cash items primarily consisted of RMB2,253 million in share-based compensation expenses, RMB781.7 million in net impairment loss on financial assets, RMB621.2 million in amortization of intangible assets and RMB552.8 million in depreciation expenses.

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The cash released from working capital was the result of a RMB2,360 million increase in customer deposits payable, a RMB2,303 million increase in accounts payable, a RMB2,119 million increase in employee compensation and welfare payable, a RMB1,323 million increase in lease liabilities, a RMB559.1 million decrease in prepayments, receivables and other assets, and a RMB443.0 million decrease in amounts due from related parties, partially offset by a RMB5,835 million increase in accounts receivable, and a RMB1,196 million increase in right-of-use assets. The significant increase in customer deposits payable was due to the significant increase in GTV and number of transactions on our platform in the last three quarters of 2020 along with the surge of demand for housing transactions after the economy started to recover from the negative impact of COVID-19.

Net cash provided by operating activities in 2019 was RMB113 million. The difference between net cash provided by operating activities and net loss of RMB2,180 million in the same period was the result of adding back RMB4,159 million for adjustments of non-cash items, removing RMB105 million of realized gain on short-term investments, which is by nature an investing activity, and deducting RMB1,762 million used for working capital.

The adjustment of non-cash items primarily consisted of RMB2,956 million in share-based compensation expense, RMB562 million in depreciation expenses, RMB477 million in amortization of intangible assets and RMB382 million in net impairment losses on financial assets.

The additional cash used for working capital was the result of a RMB5,041 million increase in accounts receivable, a RMB3,401 million increase in prepayments, receivables and other assets, partially offset by a RMB2,720 million increase in accounts payable and a RMB1,589 million increase in customer deposits payable. We collected deposits from housing customers to secure transactions that are in the process of closing, and this amount increased as a result of our growing gross transaction value.

Investing activities

Net cash used in investing activities in 2021 was RMB24.9 billion (US\$3.9 billion), consisting primarily of (i) RMB47.9 billion (US\$7.5 billion) used to purchase short-term investments, offset by RMB38.0 billion (US\$6.0 billion) maturities of short-term investments, and (ii) RMB33.0 billion (US\$5.2 billion) of financing receivables originated, offset by RMB36.3 billion (US\$5.7 billion) of financing receivables principal collected, and (iii) RMB18.1 billion (US\$2.8 billion) of purchases of long-term investments.

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Net cash used in investing activities in 2020 was RMB15.0 billion, consisting primarily of (i) RMB53.0 billion used to purchase short-term investments, offset by RMB39.8 billion maturities of short-term investments, and (ii) RMB37.2 billion of financing receivables originated, offset by RMB35.4 billion of financing receivables principal collected. The short-term investments are on low-risk and highly liquid products, and are part of our cash management program.

Net cash used in investing activities in 2019 was RMB3.9 billion, consisting primarily of (i) RMB16.2 billion of financing receivables originated in our financing service, offset by RMB14.8 billion of financing receivables collected, (ii) RMB10.4 billion used in purchases of short-term investments, offset by RMB11.1 billion maturities of short-term investments, and (iii) RMB1.9 billion of cash paid on long-term investments and time deposit.

Financing activities

Net cash used in financing activities in 2021 was RMB1,074 million (US\$168.6 million), consisting primarily of RMB1,841 million (US\$289 million) of repayments of funding debts, partially offset by RMB508 million (US\$80 million) of proceeds from funding debts and RMB260 million (US\$41 million) of proceeds from short-term borrowings.

Net cash provided by financing activities in 2020 was RMB25.4 billion, consisting primarily of (i) RMB16.3 billion of proceeds from our initial public offering, net of issuance costs, (ii) RMB15.3 billion of proceeds from ordinary shares issuance in our follow-on public offering, net of issuance costs, and (iii) RMB3.3 billion of proceeds from funding debts, partially offset by RMB4.5 billion of repayment of long-term borrowings and RMB4.0 billion of repayment of funding debts.

Net cash provided by financing activities in 2019 was RMB23.0 billion, consisting primarily of (i) RMB15.8 billion of proceeds from issuance of preferred shares, (ii) RMB9.9 billion of reinjection of capital from preferred shareholders and (iii) RMB4.9 billion of proceeds from long-term borrowings, partially offset by (i) RMB6.9 billion of repatriation of capital to preferred shareholders to facilitate reorganization, (ii) RMB2.6 billion of repayment of funding debts and (iii) RMB2.4 billion of payment for preferred share buyback.

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RECONCILIATION BETWEEN U.S. GAAP AND IFRS

It should be noted that the consolidated financial statements are prepared in accordance with U.S. GAAP, which differ in certain respects from IFRS. Preferred shares, provision for credit losses, lease accounting, share-based compensation, issuance costs in relation to the IPO are the five material reconciling items.

The effects of material differences between our historical financial information prepared under U.S. GAAP and IFRS are as follows:

Reconciliation of net income (loss) attributable to KE Holdings Inc. in the consolidated statements of comprehensive income (loss)

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	<i>(in thousands)</i>		
Net income (loss) attributable to KE Holdings Inc. in the consolidated statements of comprehensive income (loss) as reported under U.S. GAAP	(2,183,546)	2,777,592	(524,129)
IFRS adjustments			
Preferred Shares <i>(note (i))</i>	(4,931,024)	(25,292,015)	—
Provision for credit losses <i>(note (ii))</i>	(49,592)	(7,364)	(9,734)
Lease accounting <i>(note (iii))</i>	18,774	10,841	(18,899)
Share-based compensation <i>(note (iv))</i>	(230,341)	196,663	(325,454)
Issuance costs in relation to the IPO <i>(note (v))</i>	—	(45,338)	(24,810)
Net loss attributable to KE Holdings Inc. in the consolidated statements of comprehensive income (loss) as reported under IFRS	<u>(7,375,729)</u>	<u>(22,359,621)</u>	<u>(903,026)</u>

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Reconciliation of total shareholders' equity (deficit) in the consolidated balance sheets

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	<i>(in thousands)</i>		
Total shareholders' equity (deficit) as reported under U.S. GAAP	(8,837,303)	66,792,516	67,055,493
IFRS adjustments			
Preferred Shares <i>(note (i))</i>	(4,771,008)	–	–
Provision for credit losses <i>(note (ii))</i>	(49,592)	33,561	23,827
Lease accounting <i>(note (iii))</i>	(145,709)	(134,868)	(153,767)
Share-based compensation <i>(note (iv))</i>	–	–	–
Issuance costs in relation to the IPO <i>(note (v))</i>	–	–	(24,810)
Total shareholders' equity (deficit) as reported under IFRS	<u>(13,803,612)</u>	<u>66,691,209</u>	<u>66,900,743</u>

(i) Preferred shares

Under U.S. GAAP, we classified the preferred shares as mezzanine equity in the consolidated balance sheets because they were redeemable at the holders' option upon the occurrence of certain deemed liquidation events and certain events outside of our control. The preferred shares are recorded initially at fair value, net of issuance costs. We recognized accretion to the respective redemption value of the preferred shares over the period starting from issuance date to the earliest redemption date.

Under IFRS, certain redemption triggering events of the preferred shares are outside of our control. In addition, the holders of the preferred shares are entitled to convert the preferred shares into a variable number of our ordinary shares upon occurrence of certain events. Accordingly, the preferred shares are regarded as a hybrid instruments consisting of a host debt instrument and a conversion option as a derivative. We designated the entire preferred shares as financial liabilities at fair value through profit or loss such that the preferred shares are initially recognized at fair value, while changes in the fair value due to own credit risk of preferred shares shall be presented in other comprehensive income separately.

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(ii) Provision for credit losses

- (1) Under U.S. GAAP, we have adopted ASC Topic 326 starting from January 1, 2020. For instruments in the scope of the general CECL model, lifetime expected credit losses are recorded upon initial recognition of the instrument as an allowance for loan losses. Under IFRS, we have adopted IFRS 9 starting from January 1, 2018. Upon initial recognition, only the portion of lifetime expected credit loss (“ECL”) that results from default events that are possible within 12 months after the reporting date is recorded (“stage 1”). Lifetime expected credit losses are subsequently recorded only if there is a significant increase in the credit risk of the asset (“stage 2”). Once there is objective evidence of impairment (“stage 3”), lifetime ECL continues to be recognized, but interest revenue is calculated on the net carrying amount (that is, amortized cost net of the credit allowance). Accordingly, the reconciliation includes a difference in the credit losses for financing receivables to reflect the effect of IFRS 9 in the year ended December 31, 2019, and the difference between IFRS 9 and ASC 326 in the year ended December 31, 2020 and 2021.
- (2) Under U.S. GAAP, for guarantees that are within the scope of ASC 326-20, the expected credit losses are measured and accounted for without regard to the initial fair value of the guarantee. Therefore, as described in ASC 460, we should record both a guarantee obligation and an allowance for credit losses (calculated using the CECL impairment model) for financial guarantees in the scope of ASC 326. Under IFRS, according to IFRS 9, after initial recognition, we subsequently measure the financial guarantees at the higher of (1) the amount of the loss allowance and (2) the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15. Accordingly, the reconciliation includes a difference in financial guarantee to reduce the liabilities recorded.

(iii) Lease accounting

Under U.S. GAAP, for operating leases, the amortization of the right-of-use assets and interest expense related to the lease liabilities are recorded together as lease expense to produce a straight-line recognition effect in the income statement. Operating lease expense is recorded in a single financial statement line item on a straight-line basis over the lease term, there is no amount recorded as interest expense, and the “interest” amount is used to accrete the lease liability and to amortize the right-of-use asset.

Under IFRS, lessees account for all leases like finance leases in ASC 842. The right-of-use asset is amortized to amortization expense on a straight-line basis while the interest expense is recorded in connection with the lease liabilities on the basis that the lease liabilities are measured at amortized cost. Amortization and interest expense are required to be presented in separate line items by the lessee.

(iv) Share-based compensation

(1) Awards with performance targets met after the service period

Under U.S. GAAP, a performance target that may be met after the requisite service period is complete, such as the fulfilment of a qualified successful IPO, is a performance vesting condition. The fair value of the award should not incorporate the probability of a performance condition vesting, but rather should be recognized only if the performance condition is probable of being achieved. The cumulative share-based compensation expenses for the share options that have satisfied the service condition were recorded in August 2020. Under IFRS, a performance target that may be met after the requisite service period is a non-vesting condition and is reflected in the measurement of the grant date fair value of an award, and share-based compensation expenses for the share options were recognized during the requisite service period based on the service conditions. Thus, share-based compensation expenses were recorded earlier under IFRS than under U.S. GAAP.

(2) Attribution – awards with graded-vesting features

For the options and RSUs granted to employees with service condition only, the share-based compensation expenses were recognized over the vesting period using straight-line method under U.S. GAAP. While under IFRS, the graded vesting method must be applied.

(3) Accounting for forfeitures of share-based awards

Under U.S. GAAP, companies make an entity-wide accounting policy election to account for award forfeitures as they occur or by estimating expected forfeitures as compensation cost is recognized, and we have chosen to account for forfeitures when they occur. Under IFRS, a similar policy election won't be allowed, forfeitures must be estimated.

(v) Issuance costs in relation to the IPO

Under U.S. GAAP, specific incremental issuance costs directly attributable to a proposed or actual offering of securities may be deferred and charged against the gross proceeds of the offering, shown in equity as a deduction from the proceeds.

Under IFRS, such issuance costs apply different criteria for capitalization when the listing involves both existing shares and a concurrent issuance of new shares in the capital market, and were allocated proportionately between our existing and new shares. As a result, we recorded issuance costs associated with the listing of existing shares in the profit or loss.

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INDEBTEDNESS

The following table sets forth a breakdown of our financial indebtedness as of the dates indicated.

	As of December 31,				As of March 31,	
	2019	2020	2021		2022	
	RMB	RMB	RMB	US\$	RMB	US\$
	<i>(in thousands)</i>				<i>(unaudited)</i>	
Current:						
Short-term borrowings	720,000	–	260,000	40,800	356,670	55,969
Short-term funding debts	2,291,723	1,512,510	194,200	30,474	226,500	35,543
Lease liabilities	2,222,745	2,625,979	2,752,795	431,974	2,909,278	456,529
Sub-total	<u>5,234,468</u>	<u>4,138,489</u>	<u>3,206,995</u>	<u>503,248</u>	<u>3,492,448</u>	<u>548,041</u>
Non-current:						
Long-term borrowings	4,890,030	–	–	–	–	–
Long-term funding debts	7,500	15,000	–	–	–	–
Lease liabilities	2,914,240	3,833,914	4,302,934	675,224	4,303,678	675,341
Sub-total	<u>7,811,770</u>	<u>3,848,914</u>	<u>4,302,934</u>	<u>675,224</u>	<u>4,303,678</u>	<u>675,341</u>
Total	<u><u>13,046,238</u></u>	<u><u>7,987,403</u></u>	<u><u>7,509,929</u></u>	<u><u>1,178,472</u></u>	<u><u>7,796,126</u></u>	<u><u>1,223,382</u></u>

As of December 31, 2021, March 31, 2022 and the Latest Practicable Date, save as disclosed in the Accountant's Report in Appendix I to this document, we did not have significant contingent liabilities.

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of March 31, 2022.

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CAPITAL EXPENDITURES

Our capital expenditures were RMB703 million in 2019, RMB887 million in 2020 and RMB1,430 million (US\$224.4 million) in 2021. Capital expenditures represent cash paid for purchase of property and equipment and intangible assets. We intend to fund our future capital expenditures with our existing cash balance and proceeds from our offshore offerings. We will continue to make capital expenditures to meet the expected growth of our business.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of December 31, 2021.

		Less than			More than
	Total	1 year	1-3 years	3-5 years	5 years
		<i>(RMB in thousands)</i>			
Operating lease and other commitments	4,591,087	3,938,502	480,504	159,659	12,422
Lease liability obligations	7,601,729	2,911,311	3,386,690	1,054,628	249,100

As of December 31, 2021, our total contractual obligations included RMB8.3 million in obligation to purchase property and equipment, RMB1.4 million in obligation to purchase services, RMB3,633.0 million in investment commitment, and RMB948.5 million in operating lease commitments, and our funding debt obligations included RMB194.2 million in obligation to repay the consolidated trusts, RMB3.2 million in obligation to repay the interest.

We did not have any other long-term obligations or guarantees as of December 31, 2021.

OFF-BALANCE SHEET ARRANGEMENTS

We provide financial guarantees through our subsidiaries for loans that we facilitate for certain financial partners or individual lenders. We are obligated to compensate the lenders for the principal and interest payment in the event of the borrowers' default. Therefore, we effectively provide guarantees to lenders against the credit risk. The outstanding amount of such financial guarantees was RMB6.1 billion, RMB11.7 billion, and RMB7.9 billion (US\$1.2 billion) as of December 31, 2019, 2020 and 2021, respectively.

Other than the above, we have not entered into any other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

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INTERNAL CONTROL

In connection with the audits of our consolidated financial statements as of and for the year ended December 31, 2020, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a “material weakness” is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual financial statements will not be prevented or detected on a timely basis.

The material weakness identified relates to the lack of sufficient competent financial reporting and accounting personnel with appropriate knowledge and experiences to (i) to establish and implement key controls over period end closing and financial reporting and (ii) to properly prepare and review financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirements.

To remediate the identified material weakness, we have developed and implemented a comprehensive set of period-end financial reporting policies and procedures, especially for non-recurring and complex transactions to ensure consolidated financial statements and related disclosures are in compliance with U.S. GAAP and SEC reporting requirements. Furthermore, in late 2020, we have hired additional qualified financial and accounting personnel with working experience with U.S. GAAP and SEC reporting requirements and established an internal audit team to enhance internal controls and assess the design and effectiveness of our internal controls. These measures will require validation and testing of the operating effectiveness of internal controls over a sustained period of financial reporting cycles. In addition, we will continue to implement aforementioned remediation measures and implement regular and continuous U.S. GAAP and SEC financial reporting training programs for our accounting and financial personnel, including conducting inhouse training programs and arranging our financial reporting staff to attend external U.S. GAAP training courses. As of December 31, 2021, based on an assessment performed by our management on the remediation measures, we determined that the material weakness had been remediated. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2021 after the remediation.

In anticipation of the Listing, we have engaged an internal control consultant to review the effectiveness of our internal controls associated with our business processes, or the Internal Control Review, identify deficiencies and improvement opportunities, provide recommendations on remedial actions, and review the implementation status of these remedial actions. The scope of the Internal Control Review was agreed among our Directors, the Joint Sponsors, and the internal control consultant. The Internal Control Review covered areas such as entity level controls, sales accounts receivable and collection, procurement, accounts payable and payment, fixed assets, cash and treasury management, human resources and payroll, financial reporting and disclosure controls, taxes, IT general controls and insurance. The Internal Control Review described above was conducted based on information provided by the Company and no assurance or opinion was expressed by the internal control consultant.

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As a result of the Internal Control Review by the internal control consultant, we identified certain areas that require improvements. We have subsequently taken remedial measures in response to the findings identified and recommendations provided by our internal control consultant. The internal control consultant also performed a follow-up review in December 2021 on our system of internal controls, with regard to the remedial actions taken by us. Having completed these follow-up procedures, the internal control consultant did not identify any material deficiencies in the design of the remediated internal controls. The internal control consultant did not have any further recommendations in respect of the Internal Control Review. The Internal Control Review and the follow-up review performed constitute a Long Form Report engagement pursuant to the relevant technical bulletin AATB1 issued by the Hong Kong Institute of Certified Public Accountants.

As of the Latest Practicable Date, there were no material outstanding issues relating to our internal control. Based on the remediation actions performed by the Directors, our Directors are of the view that the enhanced internal control measures are adequate and effective. In order to assess the remediation actions taken by the Company, the Joint Sponsors have conducted relevant due diligence work, including, among others: (i) discussed with the management of the Company to understand the remediation actions taken by the Company to address the deficiencies identified by the internal control consultant; (ii) obtained and reviewed the internal control report issued by the internal control consultant; (iii) discussed with the internal control consultant to understand the scope of the Internal Control Review, the nature of any findings relating to the financial reporting of the Company, and the enhanced internal control measures taken by the Company to rectify the material deficiencies identified in the Internal Control Review; (iv) discussed with the Reporting Accountant to understand the nature of the material weakness under the PCAOB auditing standards; and (v) obtained and reviewed the supporting documents in relation to the enhanced measures, including but not limited to, (a) the employment contracts of the additional financial and accounting personnel hired by the Company and their resume and qualifications. Among others, the Joint Sponsors noted that each of the additional financial and accounting personnel hired had prior working experience with U.S. GAAP and/or SEC requirements, (b) the Company's financial reporting personnel's training records in relation to accounting and financial reporting, covering topics including recognition of revenues, interpretation of the expected loss rate and its application on the Company's financial statements, interpretation of earnings per share, SEC regulatory requirements and U.S. financial reports framework structure, and the relevant training materials; and (c) internal policies and procedures adopted by the Company. Although the Joint Sponsors are not specialized in PCAOB auditing standards or internal control review under AATB1, having considered the work done by the Company and the internal control consultant and the relevant due diligence conducted by the Joint Sponsors, as well as the difference between "material deficiencies" under AATB1 and "material weakness" under the PCAOB auditing standards, nothing material has come to the Joint Sponsors' attention which would cause them to disagree with the Directors' and the internal control consultant's view that the measures adopted for enhancing the Company's internal control over financial reporting are adequate and effective.

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The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to devote significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligation. See “Risk Factors – Risks Related to Our Business and Industry – If we fail to implement and maintain an effective system of internal control over financial reporting, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the market price of our Class A ordinary shares or ADSs may be materially and adversely affected.”

HOLDING COMPANY STRUCTURE

KE Holdings Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and the VIEs in China. As a result, KE Holdings Inc.’s ability to pay dividends depends upon dividends paid by our PRC subsidiaries. Our PRC subsidiaries in turn generate income from their own operation, and in addition enjoy all economic benefit and receive service fees from the VIEs pursuant to the exclusive business cooperation agreement with the VIEs. The VIEs collectively held 29.5% of our group’s cash, cash equivalents and restricted cash and 12.9% of our group’s total assets as of December 31, 2021 and contributed 1.2% of our group’s total net revenues in 2021, excluding inter-group transactions. Revenues contributed by the VIEs, excluding inter-group transactions, accounted for 11.6%, 1.4% and 1.2% of our total net revenues for the fiscal years 2019, 2020 and 2021, respectively.

Beijing Lianjia, one of the VIEs, and its subsidiaries used to be the operating entities of our existing home transaction and new home transaction services and certain other home-related emerging and other services before the completion of our reorganization, which started from November 2018 and was completed in July 2019. Through a series of restructuring transactions, most of such subsidiaries of Beijing Lianjia, as well as all of the operating branches of Beijing Lianjia, have become wholly-owned by the applicable WFOEs and our other PRC subsidiaries. Since July 2019, consequently, our PRC subsidiaries have replaced Beijing Lianjia to be the providers of such existing home transaction and new home transaction services and certain home-related emerging and other services. The decrease in net revenues, excluding inter-group transactions, contributed by the VIEs from 11.6% in 2019 to 1.4% in 2020 is primarily attributable to the reorganization.

If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. Under PRC law, each of our subsidiaries and the VIEs in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our subsidiaries and the VIEs in China may allocate a portion of its after-tax profits based on PRC accounting standards to a surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly

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foreign-owned company out of China is subject to examination by the banks designated by SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For more details about our related party transactions during the Track Record Period, see Note 27 to the Accountant's Report in Appendix I. As of December 31, 2021, all amounts due from and prepayments to related parties and amounts due to related parties were trade in nature, and all loan receivables from related parties were non-trade in nature.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

INFLATION

To date, inflation in China has not materially affected our results of operations. According to the PRC National Bureau of Statistics, the year-over-year percentage changes in the consumer price index for December 2019 and 2020 were increases of 4.5% and 0.2%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future. For example, certain operating expenses, such as employee, technology, and office related expenses may increase as a result of higher inflation. Additionally, because a substantial portion of our assets consists of cash and cash equivalents and short-term investments, high inflation could significantly reduce the value and purchasing power of these assets. We are not able to hedge our exposure to higher inflation in China.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign exchange risk

Substantially all of our revenues and expenses are denominated in RMB. We do not believe that we currently have any significant direct foreign exchange risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in the ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in Renminbi, while the ADSs will be traded in U.S. dollars.

The value of the Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June

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2010, this appreciation subsided and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amounts we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amounts available to us.

Interest rate risk

Our exposure to changes in interest rates is mainly from floating-rate borrowings, which include all our long-term borrowings. Any change in interest rates will cause the effective interest rates of borrowings to change and thus cause the future cash flows to fluctuate over time.

We may invest the net proceeds that we receive from our offshore offerings in interest-earning instruments. Investments in both fixed-rate and floating rate interest-earning instruments carry a degree of interest rate risk. Fixed-rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating-rate securities may produce less income than expected if interest rates fall.

DIVIDEND POLICY

Our board of directors has discretion on whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. Even if we decide to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future after this Listing. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. During the Track Record Period, no dividends have been paid or declared by us.

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As KE Holdings Inc. is a Cayman Islands holding company with no material operations of its own, its ability to pay dividends depends upon dividends paid by our PRC subsidiaries. Our PRC subsidiaries in turn generate income from their own operations, and in addition enjoy all economic benefit and receive service fees from the VIEs pursuant to the exclusive business cooperation agreement with the VIEs. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to distribute earnings or pay dividends to us. Under PRC law, each of our subsidiaries and the VIEs in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our subsidiaries and the VIEs in China may allocate a portion of its after-tax profits based on PRC accounting standards to a surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE and declaration and payment of withholding tax. Additionally, if our PRC subsidiaries and VIEs incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends or make other distributions to us. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds. See “Regulatory Environment – Regulations Related to Foreign Exchange and Dividend Distribution.”

LISTING EXPENSES

We expect to incur listing expenses of approximately RMB89.4 million comprising of (1) fees and expenses of legal advisers and accountants of approximately RMB63.0 million and (2) other fees and expenses of approximately RMB26.4 million. Listing expenses are recognised in our consolidated statements of comprehensive income (loss) as and when they are incurred.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

A list of recently issued accounting pronouncements that are relevant to us is included in Note 2 to our consolidated financial statements included in the Accountant’s Report in Appendix I to this document.

DISTRIBUTABLE RESERVES

As of December 31, 2021, we did not have any distributable reserves.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Listing on the consolidated net tangible assets of our group attributable to the shareholders of the Company as of December 31, 2021 as if the Listing had taken place on that date.

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The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our group had the Listing been completed as at December 31, 2021 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to shareholders of the Company as at December 31, 2021 (Note 1) RMB'000	Estimated listing expenses (Note 2) RMB'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company RMB'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company per Share (Note 3, 4, 5) RMB	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company per ADS RMB	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company per Share (Note 3, 4, 6) HK\$	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company per ADS HK\$
Based on 3,548,492,330 Shares in issue immediately prior to the Listing	64,027,014	(89,355)	63,937,659	18.02	54.05	22.05	66.16

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to shareholders of the Company as at December 31, 2021 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the unaudited consolidated net assets of the Group attributable to shareholders of the Company as at December 31, 2021 of approximately RMB66,973,976,000 with an adjustment for the intangible assets and goodwill attributable to shareholders of the Company as at December 31, 2021 of approximately RMB1,141,273,000 and RMB1,805,689,000 respectively.
- (2) In relation to the Listing, the Company expects to incur listing expenses in an aggregate amount of approximately RMB89.4 million which mainly include professional fees to the Joint Sponsors, legal advisers, the legal advisers to the Joint Sponsors and the Reporting Accountant.
- (3) The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 3,548,492,330 Shares were in issue immediately prior to the Listing (for the purpose of this unaudited pro forma financial information excluding the 125,692,439 Class A ordinary shares to be issued pursuant to the 2022 Share Incentive Plan, 42,720,185 Class A ordinary shares as of December 31, 2021 and 31,999,998 Class A Ordinary Shares issued in April 2022, which are issued and reserved for future issuance upon the exercising or vesting of awards granted and/or to be granted under the share incentive plans, and the 44,315,854 restricted Class A Ordinary Shares issued as the equity consideration for the Target Acquisition in April 2022) assuming that the Listing had been completed on December 31, 2021 but does not take into account any Shares that may be issued pursuant to the share incentive plans, or any Shares which may be issued or repurchased by us.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2021.
- (5) The unaudited pro forma adjusted net tangible assets per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that one ADS represents three Shares.

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- (6) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.0 to RMB0.8170. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
- (7) The unaudited pro forma adjusted net tangible assets does not take into account the acquisition of Shengdu Group by the Group subsequent to December 31, 2021. Had such acquisition been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be as follows:

Audited consolidated net tangible assets of the Enlarged Group attributable to shareholders of the Company as at December 31, 2021 (Note i) RMB'000	Estimated listing expense (Note ii) RMB'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company RMB'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company per Share (Note iii) RMB	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company per ADS RMB	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company per Share (Note iii) HK\$	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company per ADS HK\$
Based on 3,548,492,330 Shares in issue immediately prior to the Listing						
59,955,381	(89,355)	59,866,026	16.87	50.61	20.65	61.95

Notes:

- (i) The audited pro forma net tangible assets of the Enlarged Group attributable to shareholders of the Company as at December 31, 2021 are based on the unaudited pro forma consolidated net assets of the Enlarged Group attributable to the shareholders of the Company (including shareholders' equity and mezzanine equity) as at December 31, 2021 of approximately RMB66,917,316,000, after deduction of the pro forma intangible assets attributable to the shareholders of the Company and pro forma goodwill amounting to approximately RMB2,204,544,000 and RMB4,757,391,000 respectively.
- (ii) In relation to the Listing, the Company expects to incur listing expenses in an aggregate amount of approximately RMB89.4 million which mainly include professional fees to the Joint Sponsors, legal advisers, the legal advisers to the Joint Sponsors and the Reporting Accountant.
- (iii) The unaudited pro forma net tangible assets of the Enlarged Group attributable to shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 3,548,492,330 Shares were in issue immediately prior to the Listing (for the purpose of this unaudited pro forma financial information excluding i) the 125,692,439 Class A Ordinary Shares to be issued pursuant to the 2022 Share Incentive Plan, ii) 42,720,185 Class A Ordinary Shares as of December 31, 2021 and 31,999,998 Class A Ordinary Shares issued in April 2022, which are issued and reserved for future issuance upon the exercising or vesting of awards granted and/or to be granted under the share incentive plans, and iii) the 44,315,854 restricted Class A Ordinary Shares issued as the equity consideration for the Target Acquisition in April 2022) assuming that the Listing had been completed on December 31, 2021 but does not take into account any Shares which may be issued pursuant to the share incentive plans, or any Shares which may be issued or repurchased by the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL INFORMATION OF SHENGDU

The following management's discussion and analysis of the financial information of Shengdu should be read in conjunction with "Financial Information of Shengdu Home Renovation Co., Ltd. for the Track Record Period" included in the Accountant's Report in Appendix I of the document.

Shengdu primarily engages in home renovation services and other services, including non-residential renovation, interior design and sales of furniture and home appliances. Shengdu's total net revenues increased by 29.5% from RMB3.3 billion in 2020 to RMB4.3 billion in 2021, primarily attributable to the growth of its home renovation services driven by its continued efforts in store expansion and service enhancement. Shengdu's total net revenues increased by 16.2% from RMB2.8 billion in 2019 to RMB3.3 billion in 2020, primarily attributable to the growth of its non-residential renovation services with increasing number of orders.

Shengdu's gross profit increased by 22.1% from RMB1.1 billion in 2020 to RMB1.3 billion in 2021, representing gross margin of 32.4% and 30.6%, respectively. The slight decline in gross margin was mainly attributable to the competitive pricing of its home renovation services to attract more customers during a period of store expansion. Shengdu's gross profit increased by 14.4% from RMB935 million in 2019 to RMB1.1 billion in the 2020, representing gross margin of 32.9% and 32.4%, respectively.

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The net loss attributable to Shengdu increased from RMB4 million in 2020 to RMB110 million in 2021, representing net loss margin of 0.1% and 2.6%, respectively. The increase in net loss margin was mainly attributable to the increase in operating expenses associated with store expansion. The net loss attributable to Shengdu decreased from RMB88 million in 2019 to RMB4 million in 2020, representing net loss margin of 3.1% and 0.1%, respectively. The decrease in net loss margin was mainly attributable to the decrease of operating expenses due to rental relief and costs controls amid the COVID-19 pandemic.

Shengdu's total cash, cash equivalent and short-term investments increased from RMB942 million as of December 31, 2019 to RMB1.4 billion as of December 31, 2020, and further increased to RMB1.5 billion as of December 31, 2021, primarily attributable to net cash generated from operating activities. Shengdu's total assets increased from RMB1.5 billion as of December 31, 2019 to RMB2.1 billion as of December 31, 2020, and further increased to RMB2.7 billion as of December 31, 2021, primarily attributable to the above-mentioned increase in cash, cash equivalents and short-term investments, as well as its business expansion.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2021, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this document, and there is no event since December 31, 2021 which would materially affect the information shown in the Accountant's Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Mr. Hui Zuo (左暉), our founder and permanent chairman emeritus, was a pioneer, visionary and respected leader in China's housing transactions and services industry. Through his vision and leadership, we have gained tremendous amount of industry and operational know-hows through over 20 years of execution excellence, and evolved into the leading platform we are today. During his chairman capacity, Mr. Zuo, together with Beike's co-founders, Mr. Peng and Mr. Shan, had led our senior management to execute his strong vision to build and launch our *Beike* platform, pioneer the creation of ACN, continuously invest in talents and technologies, and proactively address industry-wide issues to achieve our continued growth and success. Honored as permanent chairman emeritus, Mr. Zuo's values and beliefs have been imprinted in our core DNA, strengthening the commitment of our management team and leading our self-driven transformations along the journey ahead.

Upon the Listing, the Board will consist of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The following table provides certain information about our Directors:

Name	Position	Age	Date of appointment as Director	Date of joining the Group	Role and responsibility
Yongdong Peng (彭永東)	Co-founder, Chairman of the Board, Executive Director and Chief Executive Officer	42	December 18, 2018	January 2010	Overall strategy, business development and management of the Company
Yigang Shan (單一剛)	Co-founder and Executive Director	49	July 6, 2018	December 2007	Overall strategy and business development; member of the nomination committee
Tao Xu (徐濤)	Executive Director and Chief Financial Officer	48	August 11, 2021 ⁽¹⁾	November 2016	Overall strategy, business development, accounting, financing, internal control, capital market activities and legal functions
Wangang Xu (徐萬剛)	Executive Director and Chief Operating Officer	56	May 24, 2021 ⁽²⁾	December 2015	Overall strategy, business development and operation of the Company's business
Jeffrey Zhaohui Li (李朝暉)	Non-executive Director	46	December 18, 2018	December 2018	Providing professional opinion and judgment to the Board

DIRECTORS AND SENIOR MANAGEMENT

Name	Position	Age	Date of appointment as Director	Date of joining the Group	Role and responsibility
Xiaohong Chen (陳小紅)	Independent Non-executive Director ⁽³⁾	52	August 12, 2020	August 2020	Providing independent opinion and judgment to the Board; chairperson of the audit committee; chairperson of nomination committee; member of the compensation committee; member of the corporate governance committee
Hansong Zhu (朱寒松)	Independent Non-executive Director	52	August 11, 2021	August 2021	Providing independent opinion and judgment to the Board; chairperson of the corporate governance committee; member of the audit committee; member of the compensation committee; member of the nomination committee
Jun Wu (武軍)	Independent Non-executive Director	53	March 29, 2022	March 2022	Providing independent opinion and judgment to the Board; chairperson of the compensation committee; member of the audit committee; member of the corporate governance committee

Notes:

- (1) Mr. Tao Xu also served as a Director from December 2018 to August 2020.
- (2) Mr. Wangang Xu also served as a Director from December 2018 to August 2020.
- (3) H Capital's shareholding in the Company will remain below 1% during the period of Ms. Xiaohong Chen's role as an independent non-executive Director.

DIRECTORS AND SENIOR MANAGEMENT

Founder and Permanent Chairman Emeritus

Hui Zuo (左暉), is our founder and permanent chairman emeritus.

Mr. Zuo served as our chairman since he founded Beijing Lianjia in 2001. In addition, Mr. Zuo held positions in various social organizations, such as the vice president of China Institute of Real Estate Appraisers and Agents since 2013, the vice president of the China Real Estate Chamber of Commerce since 2016, and a standing member of the 12th Executive Committee of All-China Federation of Industry and Commerce since 2017.

Executive Directors

Yongdong Peng (彭永東), aged 42, is the co-founder, the chairman of the Board, an executive Director and the chief executive officer of the Company.

Mr. Peng co-founded Beike with Mr. Zuo and Mr. Shan and has been serving as the chairman of the Board since May 2021 and an executive Director since December 2018. Mr. Peng has been the chief executive officer of Lianjia.com (Beijing) Technology Co., Ltd. (鏈家網(北京)科技有限公司) (currently known as Beike Beijing), a wholly-owned subsidiary of the Company, since April 2017 and successively served as the vice general manager and general manager of Beijing Lianjia since January 2010.

During his terms, Mr. Peng, with extensive managerial and strategic consulting experience, was the mastermind behind of the Company's digitalization efforts and led the Group to achieve multiple key milestones, including: (i) leading the Company's digital initiatives and contributing significantly to the Group's transformation into an integrated online and offline platform since 2010, such as launching *Lianjia Online*, the predecessor of *Lianjia.com*; (ii) collectively introducing the ACN and striving to create a powerful network with industry participants since 2011; (iii) leading the launch of *Lianjia* mobile app, further promoting the rapid development of the Company's *Housing Dictionary*, and promoting the implementation of "authentic property listings" through online transformation in 2011; (iv) leading to establish *Lianjia.com* in 2014; (v) co-founding the *Beike* platform in 2018; (vi) leading and promoting the establishment of *Huaqiao Academy* in 2019; (vii) actively involving in the Company's US IPO in August 2020; (viii) actively involving in overseeing the recruitment of all key management staff; and (ix) contributing to the Group's continuous development through his executive role in the Company and strategic vision.

Mr. Peng has accumulated extensive experience in technology and strategic consulting. Prior to joining the Group, Mr. Peng served as a senior consultant of strategy and revolution at IBM China Company Limited (國際商業機器(中國)有限公司) from July 2006 to January 2010. He acted as a senior manager at E-Power (Hangzhou) Co., Ltd. (伊博電源(杭州)有限公司) from August 2001 to March 2003.

Mr. Peng received a bachelor's degree in electrical engineering and automation from Zhejiang University in June 2001 and an IMBA degree from Tsinghua University in July 2006 (a joint program by Tsinghua University and Massachusetts Institute of Technology).

DIRECTORS AND SENIOR MANAGEMENT

Yigang Shan (單一剛), aged 49, is the co-founder and an executive Director of the Company.

Mr. Shan co-founded Beike with Mr. Zuo and Mr. Peng. Mr. Shan has been serving as an executive Director of the Company since July 2018. He served as a director of Beijing Lianjia from December 2007 to September 2021 and has been deeply involved in all strategic decisions of Beijing Lianjia in its early development stage, which lays the foundation for the Group.

During his terms, Mr. Shan, with profound industry insight, led the Group to achieve multiple key milestones, including: (i) leading the Company to develop preliminary thinking and strategy of migrating transaction steps and services online in 2008; (ii) leading the Group to establish cooperative relations with many other players in the industry in 2008, which laid the foundation for the Group's future nationwide development strategy; (iii) contributing to the Group's collaboration with IBM to further develop and refine the "moving online" strategy in 2009; (iv) leading the Group to expand its nationwide footprints through establishing branches, acquisition and other methods from 2011 to 2014; (v) leading the Group to complete the acquisition of over 20 brokerage companies from 2015 and 2018; (vi) securing various financings from external investors to the Group since 2016; (vii) actively involving in overseeing the recruitment of all key management staff; and (viii) contributing to the Group's continuous development through his executive role in the Company and strategic vision.

Mr. Shan has accumulated a deep understanding and experience in the real estate brokerage industry as a veteran and pioneer in the industry. Prior to joining the Group, Mr. Shan was a co-founder and served as the vice president of Dalian Haowangjiao Real Estate Brokerage Co., Ltd. (大連好旺角房屋經紀有限公司), a China-based company engaged in real estate brokerage business, from December 1999 to November 2007.

Mr. Shan received an EMBA degree from Tsinghua University in January 2019.

Tao Xu (徐濤), aged 48, is an executive Director and the chief financial officer of the Company.

Mr. Tao Xu has been serving as an executive Director since August 2021 and also served as a Director from December 2018 to August 2020. Mr. Tao Xu has been the chief financial officer of Beike since November 2016. Prior to joining the Group, Mr. Tao Xu served as the chief financial officer of Beijing SenseTime Technology Development Co., Ltd. (北京市商湯科技開發有限公司) from June 2016 to October 2016. From August 2014 to December 2015, Mr. Tao Xu served as the chief financial officer of Beijing Didi Infinity Technology and Development Co., Ltd. (北京滴滴無限科技發展有限公司). From September 2011 to July 2014, Mr. Tao Xu served as the chief financial officer of the China Region of Dimension Data Information Technology (Beijing) Co., Ltd. (達科信息科技(北京)有限公司). From April 2008 to February 2011, Mr. Tao Xu served as the financial director of China Region of Sun Microsystems China Co., Ltd. (太陽計算機系統(中國)有限公司). From May 2001 to March 2008, Mr. Tao Xu successively served as the financial director of Greater China and the chief

DIRECTORS AND SENIOR MANAGEMENT

financial officer at Lucent Technology (China) Co., Ltd. (朗訊科技(中國)有限公司). From 1999 to 2001, Mr. Tao Xu served as the financial manager of Beijing Sohu Internet Information Service Co., Ltd. (北京搜狐互聯網信息服務有限公司). Prior to that, Mr. Tao Xu worked at Pepsi.

Mr. Tao Xu received his bachelor's degree in economics from Capital University of Economics and Business in July 1996 and a master's degree of commerce in international professional accounting from the University of New South Wales in October 2005.

Wangang Xu (徐萬剛), aged 56, is an executive Director and the chief operating officer of the Company.

Mr. Wangang Xu has been serving as an executive Director since May 2021 and the chief operating officer of the Company since April 2021, and also served as a Director from December 2018 to August 2020. He served as the co-chief operating officer of the Company from May 2018 to April 2021. From July 2017 to May 2018, Mr. Wangang Xu served as the head of the western region of the Group and was responsible for the overall operation management of the western region of the Company. From December 2015 to June 2017, Mr. Wangang Xu served as the general manager of Sichuan Lianjia Real Estate Brokerage Co., Ltd. (四川鏈家房地產經紀有限公司) (“**Sichuan Lianjia**”), a wholly-owned subsidiary of the Company. Mr. Wangang Xu founded Sichuan Eden City Real Estate E-Commerce Co., Ltd. (四川伊甸城房產電子商務有限公司) in August 2004 which was deregistered in March 2014 and Sichuan Eden City Real Estate Brokerage Co., Ltd. (四川伊甸城不動產經紀有限公司) in December 2009 and served as the general manager, the latter of which was renamed as Sichuan Yicheng Real Estate Brokerage Co., Ltd. (四川伊誠房地產經紀有限公司) in April 2011, and was subsequently acquired by Beijing Lianjia in December 2015 and renamed as Sichuan Lianjia. Mr. Wangang Xu served as a manager of Chengdu Chengdian Wantong Investment Co., Ltd. (成都成電萬通投資有限公司) from September 2001 to September 2004. Mr. Wangang Xu successively served as a staff member and manager in technology R&D department of No.10 Research Institute of Ministry of Electronics Industries (電子工業部第十研究所) (currently known as China Electronics Technology Group Corporation No.10 Research Institute (中國電子科技集團公司第十研究所)) from September 1986 to August 2001.

Mr. Wangang Xu received a bachelor's degree in electronic engineering from Chengdu Institute of Radio Engineering (成都電訊工程學院, currently known as University of Electronic Science and Technology of China (電子科技大學)) in July 1986.

Non-executive Director

Jeffrey Zhaohui Li (李朝暉), aged 46, is a non-executive Director of the Company.

Mr. Jeffrey Zhaohui Li has been serving as a Director since December 2018 and was re-designated as a non-executive Director with effect from the Listing Date. Mr. Jeffrey Zhaohui Li joined Tencent, a company listed on the Stock Exchange with stock code 700 in March 2011, and currently serves as the vice president and the head of mergers and acquisitions

DIRECTORS AND SENIOR MANAGEMENT

department at Tencent, and as the managing partner of Tencent Investment. He was an investment principal at Bertelsmann Asia Investment Fund from September 2008 to May 2010. Prior to that, Mr. Jeffrey Zhaohui Li held various positions related to product and business in Google and Nokia.

Mr. Jeffrey Zhaohui Li also holds directorships at various other public companies. Mr. Jeffrey Zhaohui Li has been a director of Kuaishou Technology, a company listed on the Stock Exchange with the stock code 1024, since March 2017. He has been a director of Zhihu Inc., a company listed on the NYSE under the symbol “ZH,” and the Stock Exchange with the stock code 2390 since September 2015. He has been a director of Howbuy Wealth Management Co., Ltd. (好買財富管理股份有限公司), a company listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) with stock code 834418, since December 2013. Mr. Jeffrey Zhaohui Li served as a director of Missfresh Limited, a company listed on the Nasdaq under the symbol “MF,” from June 2017 to November 2021. He has also been a director of Amer Sports Holding (Cayman) Limited (previously named Mascot JVCo (Cayman) Limited, which was delisted from Nasdaq in September 2019) since April 2019.

Mr. Jeffrey Zhaohui Li received a bachelor’s degree in economics majoring in enterprise management from Peking University in July 1998 and an MBA degree from Duke University Fuqua School of Business in May 2004.

Independent Non-executive Directors

Xiaohong Chen (陳小紅), aged 52, is an independent non-executive Director of the Company.

Ms. Xiaohong Chen has been serving as an independent Director of the Company since August 2020 and was re-designated as an independent non-executive Director with effect from the Listing Date. She has been serving as the founding and managing partner of H Capital since March 2014. Before founding H Capital, Ms. Xiaohong Chen served as a managing director at Tiger Global from September 2004 to February 2012, responsible for its investment activities in China. Ms. Xiaohong Chen served as a vice president of Joyo.com from February 2004 to September 2004. Ms. Xiaohong Chen worked at Veronis Suhler Stevenson from July 1994 to February 2004, where she lastly served as a managing director.

Ms. Xiaohong Chen received a bachelor’s degree in history from Peking University in July 1992 and a master’s degree in library service from Rutgers University in May 1994.

Hansong Zhu (朱寒松), aged 52, is an independent non-executive Director of the Company.

Mr. Hansong Zhu has been serving as an independent Director of the Company since August 2021 and was re-designated as an independent non-executive Director with effect from the Listing Date. Mr. Hansong Zhu has been serving as an independent director of Kidswant Children Products Co., Ltd. (孩子王兒童用品股份有限公司), a company listed on the

DIRECTORS AND SENIOR MANAGEMENT

Shenzhen Stock Exchange with the stock code 301078, since March 2020 and Missfresh Limited, a company listed on the Nasdaq under the symbol “MF,” since June 2021. Mr. Hansong Zhu worked for Goldman Sachs Group Inc. (“**Goldman Sachs**”) from June 2000 to December 2019 and successively served several positions, including associate, executive director, managing director and partner. Before retiring from Goldman Sachs in December 2019, Mr. Hansong Zhu was the co-head of China Investment Banking, the head of industrial and natural resources group in Asia Ex-Japan, the chief executive officer of Goldman Sachs Gao Hua Securities Company Limited, and a member of the Asia Pacific Commitments Committee and Investment Banking Division Client and Business Standards Committee of Goldman Sachs. Prior to joining Goldman Sachs, Mr. Hansong Zhu worked at China International Capital Corporation Limited from November 1995 to June 2000.

Mr. Hansong Zhu received a bachelor’s degree in economics from Nanjing University in July 1991 and a master’s degree in economics from Peking University in July 1994.

Jun Wu (武軍), aged 53, is an independent non-executive Director of the Company.

Mr. Jun Wu has been serving as an independent Director of the Company since March 2022 and was re-designated as an independent non-executive Director with effect from the Listing Date. Mr. Jun Wu is the founder and has been serving as the chairman of the board of Beijing Radium Lab Technology Co., Ltd. (北京鐳場景科技有限公司) since February 2018. He is a co-founder of Beijing Wisdon Technology Co., Ltd. (北京市萬智生科技有限公司) where he joined in March 2017. He has also been serving as an independent non-executive director of Beijing Evercare Medical Technology Group Co., Ltd. (北京伊美爾醫療科技集團股份公司) since July 2021.

From August 2010 to May 2017, Mr. Jun Wu held various positions, including chief executive officer, chief financial officer and executive vice president, at AsiaInfo Holdings, LLC (formerly known as AsiaInfo-Linkage, Inc., a provider of telecommunication software solutions and services in China that was listed on the Nasdaq from 2000 to 2014). From February 2008 to August 2010, he served as the chief financial officer of iSoftStone Information Technology (Group) Co., Ltd. (軟通動力信息技術(集團)股份有限公司), a subsidiary of iSoftStone Holdings Limited, a China-based IT services provider that was listed on the NYSE from 2010 to 2014. Prior to that, Mr. Jun Wu served as a vice president in the finance department at Huawei Technologies Co., Ltd. (華為技術有限公司) from May 2006 to February 2008. From April 1997 to June 2005, he worked for Lucent Technology (China) Co., Ltd. (朗訊科技(中國)有限公司) and held various positions, lastly as the chief financial officer in the Greater China area. From August 1995 to November 1996, he was an accountant at the Beijing Representative Office of SAP AG and subsequently at SAP (Beijing) Software System Co., Ltd (SAP(北京)軟件系統有限公司). Prior to that, Mr. Jun Wu held certain financial management positions, including the management accountant, sales routine supervisor and logistics assistant manager, at Wall’s China Co., Ltd. (和路雪(中國)有限公司) from January 1991 to April 1995.

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Mr. Jun Wu graduated from the University of International Business and Economics (對外經濟貿易大學) with a diploma majoring in international accounting in July 1989. He received a master's degree in business administration from City University of Seattle in June 1999.

Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this section and the section headed “Business – Legal Proceedings and Compliance – Legal Proceedings” in this document, (1) none of the Directors had held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately prior to the Latest Practicable Date, (2) there is no other matter in respect of each of the Directors that is required to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules, and (3) there is no other material matter relating to our Directors that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets out certain information in respect of the senior management of the Group:

Name	Position	Age	Date of Joining our Group	Role and responsibility
Yongdong Peng (彭永東)	Co-founder, Chairman of the Board, Executive Director and Chief Executive Officer	42	January 2010	Overall strategy, business development and management of the Company
Yigang Shan (單一剛)	Co-founder and Executive Director	49	December 2007	Overall strategy and business development; member of the nomination committee
Tao Xu (徐濤)	Executive Director and Chief Financial Officer	48	November 2016	Overall strategy, business development, accounting, financing, internal control, capital market activities and legal functions
Wangang Xu (徐萬剛)	Executive Director and Chief Operating Officer	56	December 2015	Overall strategy, business development and operation of the Company's business

DIRECTORS AND SENIOR MANAGEMENT

Yongdong Peng (彭永東), aged 42, is the co-founder, the chairman of the Board, an executive Director and the chief executive officer of the Company. For further details, please refer to the section headed “– Executive Directors” above.

Yigang Shan (單一剛), aged 49, is the co-founder and an executive Director of the Company. For further details, please refer to the section headed “– Executive Directors” above.

Tao Xu (徐濤), aged 48, is an executive Director and the chief financial officer of the Company. For further details, please refer to the section headed “– Executive Directors” above.

Wangang Xu (徐萬剛), aged 56, is an executive Director and the chief operating officer of the Company. For further details, please refer to the section headed “– Executive Directors” above.

JOINT COMPANY SECRETARIES

Matthew Huaxia Zhao (趙華夏) has been appointed as one of our joint company secretaries taking effect upon the Listing.

Mr. Matthew Huaxia Zhao has been serving as the senior director of the investor relationship department of the Company since October 2020. Prior to joining the Group, he served as the general manager of the investor relationship department of JOYY INC., a company listed on the Nasdaq under the symbol “YY,” from November 2017 to October 2020. He served as the senior director of the investor relationship department of Phoenix New Media Limited, a company listed on the NYSE under the symbol “FENG,” from July 2011 to October 2017. He served as a director of the investor relationship department of Ku6 Media Co., Ltd., a company listed on the Nasdaq under the symbol “KUTV,” from March 2010 to June 2011.

Mr. Matthew Huaxia Zhao received a master’s degree in law from the University of Sydney in May 2007 and a graduate diploma in translation from University of Western Sydney in September 2008.

Lau Yee Wa (劉綺華) has been appointed as one of our joint company secretaries taking effect upon the Listing.

Ms. Lau is an Associate Director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Lau has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Lau currently serves as the company secretary/joint company secretary in several listed companies on the Stock Exchange, namely, BAIOO Family Interactive Limited (stock code: 2100), Meituan (stock code: 3690), Transmit Entertainment Limited (stock code: 1326), Jiayuan International Group Limited (stock code: 2768), Everest Medicines Limited (stock code: 1952), Li Auto Inc. (stock code: 2015) and Zhihu Inc. (stock code: 2390).

Ms. Lau is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Ms. Lau obtained her bachelor of business administrative management from the University of South Australia.

DIRECTORS' REMUNERATION

For details of the appointment letters that we have entered into with our Directors, see “Statutory and General Information – Further Information about Our Directors – Particulars of Letters of Appointment” in Appendix IV to this document.

The remuneration of the Directors and senior management is paid in the form of fees, basic salaries, housing fund, allowances and benefits in kind, employer's contributions to a retirement benefit scheme and discretionary bonuses.

The aggregate amount of remuneration (including fees, basic salaries, housing fund, allowances and benefits in kind, employer's contributions to a retirement benefit scheme and discretionary bonuses) for the Directors for the years ended December 31, 2019, 2020 and 2021 was RMB2,335.8 million, RMB275.5 million and RMB24.3 million, respectively.

The aggregate amount of remuneration (including basic salaries, housing fund, allowances and benefits in kind, employer's contributions to a retirement benefit scheme, and discretionary bonuses) for the five highest paid individuals of the Group, excluding the Directors, for the years ended December 31, 2019, 2020 and 2021 were RMB224.8 million, RMB615.4 million and RMB306.0 million, respectively.

Under the arrangement currently in force, the Company expects that the aggregate amount of remuneration (including fees, basic salaries, housing fund, allowances and benefits in kind, employer's contributions to a retirement benefit scheme and discretionary bonuses but excluding the restricted Class A Ordinary Shares granted to Mr. Peng and Mr. Shan pursuant to the 2022 Share Incentive Plan) to be paid to the Directors for the year ending December 31, 2022 will be approximately RMB34.6 million.

Further information on the remuneration of the Directors and the five highest paid individuals during the Track Record Period is set out in the Accountant's Report in Appendix I to this document.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to the Directors by our Group.

During the Track Record Period, no remuneration was paid to the Directors and the five highest paid individuals of the Group as an inducement to join or upon joining the Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of the Group. None of the Directors waived any emoluments during the Track Record Period.

CORPORATE GOVERNANCE

Audit Committee

Our audit committee is in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (with effect from the Listing). The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of the Group, manage risk, oversee the internal audit function, and provide advice and comments to the Board.

Upon the Listing, the audit committee will consist of three members, namely Ms. Xiaohong Chen, Mr. Hansong Zhu and Mr. Jun Wu. The chairperson of the audit committee upon the Listing will be Ms. Xiaohong Chen, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Compensation Committee

Our compensation committee is in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (with effect from the Listing). The primary duties of the compensation committee are, among other things, to review and make recommendations to the Board regarding the remuneration packages, bonuses and other compensation payable to the Directors and senior management.

Upon the Listing, the compensation committee will consist of three members, namely Mr. Jun Wu, Ms. Xiaohong Chen, and Mr. Hansong Zhu. The chairperson of the compensation committee upon the Listing will be Mr. Jun Wu.

Nomination Committee

Our nomination committee is in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and Chapter 8A of the Listing Rules (with effect from the Listing). The primary duties of the nomination committee are, among other things, to make recommendations to the Board regarding the appointment of Directors and Board succession. The existing nominating and corporate governance committee of the Company will be

DIRECTORS AND SENIOR MANAGEMENT

re-designated and separated into (i) the nomination committee and (ii) the corporate governance committee with effect from the Listing. Upon the Listing, the nomination committee will comprise of three members, namely Ms. Xiaohong Chen, Mr. Shan and Mr. Hansong Zhu. The chairperson of the nomination committee upon the Listing will be Ms. Xiaohong Chen.

Corporate Governance Committee

Our corporate governance committee is in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and Chapter 8A of the Listing Rules (with effect from the Listing). The primary duties of the corporate governance committee are, among other things, to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the weighted voting right structures of the Company.

Upon the Listing, the corporate governance committee will comprise of three independent non-executive Directors, namely Mr. Hansong Zhu, Ms. Xiaohong Chen and Mr. Jun Wu. The chairperson of the corporate governance committee upon the Listing will be Mr. Hansong Zhu. For details of their experiences in corporate governance related matters, please refer to the biographies of the independent non-executive Directors in the section headed “– Independent Non-Executive Directors” above.

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the work of our corporate governance committee as set out in its terms of reference includes, among others:

- (a) to develop and review periodically, the corporate governance principles adopted by the Board to assure that they are appropriate for the Company and comply with the requirements of the Stock Exchange, and recommend any desirable changes to the Board;
- (b) to advise the Board periodically with respect to significant developments in the law and practice of corporate governance as well as the Company's compliance with applicable laws and regulations, and making recommendations to the Board on all matters of corporate governance and on any corrective action to be taken;
- (c) to review and monitor the training and continuous professional development of directors and senior management;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (e) to review the Company's compliance with Appendix 14 to the Listing Rules and disclosure in the corporate governance report under Appendix 14 to the Listing Rules;

DIRECTORS AND SENIOR MANAGEMENT

- (f) to review and monitor whether the Company is operated and managed for the benefit of all its Shareholders;
- (g) to confirm, on an annual basis, that the beneficiaries of weighted voting rights have been members of the Board throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
- (h) to confirm, on an annual basis, whether or not the beneficiaries of weighted voting rights have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- (i) to review and monitor the management of conflicts of interests and make a recommendation to the Board on any matter where there is a potential conflict of interest between the Company, a subsidiary or Consolidated Affiliated Entity of the Company and/or Shareholders of the Company (considered as a group) on one hand and any beneficiary of weighted voting rights on the other;
- (j) to review and monitor all risks related to the Company's weighted voting rights structure, including connected transactions between the Company and/or a subsidiary or Consolidated Affiliated Entity of the Company on one hand and any beneficiary of weighted voting rights on the other hand, and make a recommendation to the Board on any such transaction;
- (k) to make a recommendation to the Board as to the appointment or removal of the Compliance Adviser;
- (l) to report on the work of the corporate governance committee on at least a half yearly and annual basis covering all areas of its terms of reference;
- (m) to disclose, on a comply or explain basis, its recommendations to the Board in respect of the matters in (i), (j) and (k) in its report referred to in sub-paragraph (l) above;
- (n) to guide and review the formulation of the Company's ESG vision, strategies, etc., and report and make recommendations to the Board; and
- (o) to review the ESG reports to be disclosed by the Company, and report and make recommendations to the Board.

Pursuant to Rule 8A.32 of the Listing Rules, the corporate governance report prepared by the Company for inclusion in our interim and annual reports after the Listing will include a summary of the work of the corporate governance committee for the relevant period.

DIRECTORS AND SENIOR MANAGEMENT

Role of our Independent Non-executive Directors

Pursuant to Rule 8A.26 of the Listing Rules, the role of the independent non-executive directors of a listed company with WVR structure must include, but is not limited to, the functions described in Code Provisions C.1.2., C.1.6 and C.1.7 of part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The functions of the independent non-executive Directors include:

- (a) participating in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the audit, compensation, nomination and corporate governance committees, if invited;
- (d) scrutinizing the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;
- (e) giving the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
- (f) making a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments; and
- (g) attending general meetings to gain and develop a balanced understanding of the views of our Shareholders.

Chairman of the Board and Chief Executive

Pursuant to Code Provision C.2.1 of part 2 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Peng 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 considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Maxa Capital Limited as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rules 3A.19 and 8A.33 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 and 8A.34 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules;
- (d) the WVR structure;
- (e) transactions in which any beneficiary of weighted voting rights in the Company has an interest; and
- (f) where there is a potential conflict of interest between the Company, its subsidiary and the Consolidated Affiliated Entities and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in the Company on the other hand.

The term of appointment of the Compliance Adviser shall commence on the Listing Date. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engage a compliance adviser on a permanent basis.

BOARD DIVERSITY POLICY

We will adopt a board diversity policy which sets out the approach to achieve and maintain diversity in our Board. Pursuant to our board diversity policy, selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of seven male and one female members, with four executive Directors, one non-executive Director and three independent non-executive Directors, of ages ranging from 42 to 56. We consider that our Board has a balanced mix of skill-set, experience, expertise, and diversity which enhances decision-making capability and the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value.

Our nomination committee will be responsible for the implementation of our board diversity policy. Upon the Listing, our nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

We are committed to adopting similar approach to promote diversity, including but not limited to gender diversity, at all other levels of the Company from the Board downwards to enhance the effectiveness of our corporate governance as a whole.

COMPETITION

Each of the Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Introduction and assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans, and (ii) except for the conversion of 727,407,230 Class B ordinary shares held by Propitious Global into Class A ordinary shares, no other Class B ordinary shares are converted into Class A ordinary shares,

- (a) Propitious Global will directly hold 885,301,280 Class A ordinary shares, representing approximately 17.0% voting power in the Company. Such voting power will be exercised by Baihui Partnership pursuant to the POA Arrangement;
- (b) Mr. Peng will control 71,824,250 Class A ordinary shares and 110,116,275 Class B ordinary shares, representing approximately 22.5% voting power in the Company; and
- (c) Mr. Shan will control 53,868,189 Class A ordinary shares and 47,777,775 Class B ordinary shares, representing approximately 10.2% voting power in the Company.

Accordingly, the Controlling Shareholders, in aggregate, will control approximately 49.7% voting power in the Company.

Propitious Global is wholly owned by Grain Bud, which is in turn wholly owned by Z&Z Trust, a discretionary trust the beneficiaries of which are immediate family members of Mr. Zuo. Mrs. Zuo controls the disposition right over the Shares of the Company beneficially owned by the Z&Z Trust. Accordingly, Z&Z Trust, Grain Bud, Propitious Global, Mrs. Zuo, Baihui Partnership, Mr. Peng and Mr. Shan are considered to be a group of Controlling Shareholders of the Company. Cantrust, as a professional trustee, is not entitled to exercise or control the exercise of any voting powers at general meetings of the Company and is therefore not regarded as our Controlling Shareholder.

CLEAR DELINEATION OF BUSINESS

Each of our Controlling Shareholders confirms that he/she/it does not have any interest in a business, apart from the business of the Group, which competes or is likely to compete (directly or indirectly) with our business that would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

(a) Management Independence

Our business is managed and conducted by our Board and senior management. Upon the Listing, our Board will consist of eight Directors comprising four executive Directors, one non-executive Director and three independent non-executive Directors. For more information, please see the section headed “Directors and Senior Management” in this document.

Our Directors consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each Director is aware of their fiduciary duties as a director which require, among other things, that they act for the benefit and in the interest of our Company and do not allow any conflict between their duties as a Director and their personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is(are) required to declare the nature of such interest before voting at the relevant Board meeting; and
- (e) we have adopted other corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, as detailed in “– Corporate Governance Measures” below.

Based on the above, our Directors believe that our business is managed independently from our Controlling Shareholders.

(b) Operational Independence

Our Group’s operation is independent from our Controlling Shareholders. Our Company (through our subsidiaries and Consolidated Affiliated Entities) holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We have an independent human resources management system and have entered into employment contracts with our employees. We also have independent access to our customers and an independent management team to operate our business.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders.

(c) Financial Independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have an independent internal control and accounting system and also have an independent finance department responsible for discharging the treasury function. We can obtain financing from third parties, if necessary, without reliance on our Controlling Shareholders.

As of the Latest Practicable Date, there is no outstanding loan or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates.

Based on the above, our Directors believe that our business is financially independent from our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

Our Company and our Directors are committed to upholding and implementing a high standard of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

In light of this, the Company has established a corporate governance committee pursuant to Rule 8A.30 which will adopt terms of reference consistent with Code Provision D.3.1 of Appendix 14 to, and Rule 8A.30 of, the Listing Rules upon the Listing. The members of the corporate governance committee are independent non-executive Directors with experience in overseeing corporate governance related functions of private and listed companies. The primary duties of the corporate governance committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to its WVR structure.

We will also adopt the following corporate governance measures to resolve actual or potential conflict of interests between our Group and our Controlling Shareholders:

- (a) where a Shareholders' meeting is held pursuant to the Listing Rules to consider proposed transactions or arrangements in which our Controlling Shareholders or any of their associates have a material interest, our Controlling Shareholder(s) shall abstain from voting and their votes shall not be counted;
- (b) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expense;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their respective associates, our Company will comply with the applicable Listing Rules and our independent non-executive Directors shall give their opinions to the Board and/or our independent Shareholders pursuant to the Listing Rules;
- (d) we have appointed Maxa Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (e) we have established our audit committee, compensation committee, nomination committee and corporate governance committee which will adopt written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix 14 to the Listing Rules upon the Listing.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in the Company is made in this document and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities of the Company in respect of which it is shown by this document to be the beneficial owner; and
- (b) in the period of six months from the expiry of the First Six-Month Period, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this document and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

- (i). when it pledges or charges any securities of the Company beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan pursuant to Note 2 to Rule 10.07 of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and
- (ii). when it receives indications, either verbal or written, from the pledgee or chargee of any securities of the Company that any of the pledged or charged securities will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above by the Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of the Company immediately prior to and upon the completion of the Introduction, assuming that (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans, and (ii) except for the conversion of 727,407,230 Class B ordinary shares held by Propitious Global into Class A ordinary shares, no other Class B ordinary shares are converted into Class A ordinary shares.

Authorized share capital

Description of Shares	Number	Aggregate Nominal Value
Class A ordinary share with a nominal value of US\$0.00002 each	23,614,698,720	US\$472,293.9744
Class B ordinary share with a nominal value of US\$0.00002 each	885,301,280	US\$17,706.0256
Undesignated share with a nominal value of US\$0.00002 each ⁽¹⁾	500,000,000	US\$10,000
Total	25,000,000,000	US\$500,000

Note:

- (1) The Company will convene an extraordinary general meeting within six months of the Listing to amend its Memorandum such that the authorized share capital of the Company will consist of Class A ordinary shares and Class B ordinary shares only.

Issued and outstanding as of the Latest Practicable Date

Description of Shares	Number	Aggregate Nominal Value
Class A ordinary share with a nominal value of US\$0.00002 each ⁽¹⁾	2,782,227,087	US\$55,644.54174
Class B ordinary share with a nominal value of US\$0.00002 each ⁽²⁾	885,301,280	US\$17,706.0256
Total	3,667,528,367	US\$73,350.56734

Note:

- (1) Including 43,109,607 Class A ordinary shares registered in the name of our depositary bank for future issuance of ADSs upon the exercise or vesting of awards granted under the Share Incentive Plans.
- (2) Immediately upon the completion of the Introduction, 727,407,230 Class B ordinary shares held by Propitious Global will be converted into Class A ordinary shares.

SHARE CAPITAL

Issued and outstanding immediately following the completion of the Introduction

Description of Shares	Number	Aggregate Nominal Value
Class A ordinary share with a nominal value of US\$0.00002 each ⁽¹⁾	3,635,326,756	US\$72,706.53512
Class B ordinary share with a nominal value of US\$0.00002 each	157,894,050	US\$3,157.881
Total	3,793,220,806	US\$75,864.41612

Note:

- (1) Including 43,109,607 Class A ordinary shares registered in the name of our depositary bank for future issuance of ADSs upon the exercise or vesting of awards granted under the Share Incentive Plans.

WEIGHTED VOTING RIGHTS STRUCTURE

The Company has a weighted voting rights structure. Under our weighted voting rights structure, our share capital comprises Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share entitles the holder to exercise one vote, and each Class B ordinary share entitles the holder to exercise ten votes, respectively, on any matters subject to the vote at general meetings of the Company, subject to Rule 8A.24 of the Listing Rules that requires the Reserved Matters to be voted on a one vote per share basis (save for the specified exception for the compliance of Rule 8A.24 of the Listing Rules).

The Reserved Matters are:

- (i) any amendment to the Memorandum and Articles of Association;
- (ii) the variation of the rights attached to any class of Shares;
- (iii) the appointment, election or removal of any independent non-executive Director;
- (iv) the appointment or removal of the Company's auditors; and
- (v) the voluntary liquidation or winding-up of the Company.

As we are seeking the Introduction as an issuer with a WVR structure, we are subject to: (a) certain shareholder protection measures and governance safeguards under Chapter 8A of the Listing Rules, including Rule 8A.44 of the Listing Rules; and (b) the articles requirements set out in Appendix 3 to the Listing Rules (the “**Listing Rules Articles Requirements**”). Our Articles do not currently comply with some of the Listing Rules Articles Requirements, and we undertake to put forth resolutions to amend our Articles to comply with these requirements at an extraordinary general meeting to be convened within six months of the Listing.

SHARE CAPITAL

In addition, save for the exceptions specified below, we have undertaken to the Stock Exchange to fully comply with the Unmet Listing Rules Articles Requirements, the Baihui Partnership Special Rights Removal Requirement, the Overriding Compliance Requirement, and the Forum Selection Clarification upon the Listing and before our current Articles are formally amended:

- (i) Paragraph 15 of Appendix 3 such that, prior to the Company's Articles being amended, the threshold for passing any resolution for amendments to the Company's Articles in a separate class meeting will be approval by holders of two-thirds of the issued shares of that class, at a class meeting, in accordance with article 17 of the Company's current Articles;
- (ii) Rules 8A.24(1) and (2) such that, prior to the Company's Articles being amended, weighted voting rights would apply in connection with passing resolutions for amendments to the Company's Articles;
- (iii) Paragraph 16 of Appendix 3 such that, prior to the Company's Articles being amended, the threshold for passing any special resolution for amendments to the Company's Articles will be approved by not less than two-thirds of the votes cast by such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives at the general meeting in accordance with article 162 of the Company's current Articles; and
- (iv) paragraph 14(1) of Appendix 3 such that, the annual general meeting for the year of 2021 will be convened by the Company on or before November 30, 2022.

For further details, see "Waivers – Waiver in Relation to the Articles of Association of the Company" and the summary of the Articles in Appendix III to this document.

The table below sets out the ownership and voting rights to be held by the WVR Beneficiaries upon the completion of the Introduction:

Description of Shares	Number of Shares	Approximate percentage of issued share capital ⁽¹⁾	Approximate percentage of voting rights ⁽¹⁾⁽²⁾
Class A ordinary share held by the WVR Beneficiaries	125,692,439	3.3%	2.4%
Class B ordinary share held by the WVR Beneficiaries	<u>157,894,050</u>	<u>4.2%</u>	<u>30.3%</u>
Total	<u><u>283,586,489</u></u>	<u><u>7.5%</u></u>	<u><u>32.7%</u></u>

SHARE CAPITAL

Notes:

- (1) Assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans; and (ii) except for the conversion of 727,407,230 Class B ordinary shares held by Propitious Global into Class A ordinary shares, no other Class B ordinary shares are converted into Class A ordinary shares.
- (2) On the basis that Class A ordinary shares entitle the Shareholder to one vote per share and Class B ordinary shares entitle the Shareholder to ten votes per share, without taking into consideration the voting rights of 885,301,280 Class A ordinary shares held by Propitious Global.

The table below sets out the ownership and voting rights of the Company upon the completion of the Introduction:

Name of Shareholders	Class A ordinary share	Class B ordinary share	Total ordinary shares of the Company	Approximate percentage of voting rights ⁽¹⁾⁽²⁾	Approximate percentage of beneficial interests ⁽¹⁾
Mr. Peng ⁽³⁾	71,824,250	110,116,275	181,940,525	22.5%	4.8%
Mr. Shan ⁽⁴⁾	53,868,189	47,777,775	101,645,964	10.2%	2.7%
Propitious Global ⁽⁵⁾	885,301,280	–	885,301,280	17.0%	23.3%
Other Directors and Executive Officers ⁽⁶⁾	64,272,705	–	64,272,705	1.2%	1.7%
Tencent Affiliated Entities ⁽⁷⁾	410,842,111	–	410,842,111	7.9%	10.8%
Other ADS holders and Shareholders	<u>2,149,218,221</u>	<u>–</u>	<u>2,149,218,221</u>	<u>41.2%</u>	<u>56.7%</u>
Total	<u><u>3,635,326,756</u></u>	<u><u>157,894,050</u></u>	<u><u>3,793,220,806</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

Notes:

- (1) Assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans; and (ii) except for the conversion of 727,407,230 Class B ordinary shares held by Propitious Global into Class A ordinary shares, no other Class B ordinary shares are converted into Class A ordinary shares.
- (2) On the basis that Class A ordinary shares entitle the Shareholder to one vote per share and Class B ordinary shares entitle the Shareholder to ten votes per share.
- (3) 110,116,275 Class B ordinary shares and 71,824,250 Class A ordinary shares are held by Ever Orient International Limited, which is wholly-controlled by Mr. Peng.

Without taking into consideration the voting rights of 885,301,280 Class A ordinary shares held by Propitious Global.

- (4) 47,777,775 Class B ordinary shares and 53,868,189 Class A ordinary shares are held by Clover Rich Limited, which is wholly-owned by Sapient Rich Holdings Limited. Sapient Rich Holdings Limited is wholly-owned by Trident Trust Company (HK) Limited as the trustee of De Chang Trust, a discretionary trust established by Mr. Shan (as the settlor). The beneficiaries of De Chang Trust are Mr. Shan and his family members.

Without taking into consideration the voting rights of 885,301,280 Class A ordinary shares held by Propitious Global.

SHARE CAPITAL

- (5) As of the Latest Practicable Date, 157,894,050 Class A ordinary shares and 727,407,230 Class B ordinary shares were held by Propitious Global. In connection with the Introduction, Propitious Global has delivered a conversion notice to the Company that, subject to and immediately upon the completion of the Introduction, the remaining 727,407,230 Class B ordinary shares held by Propitious Global will be converted into Class A ordinary shares on a one-to-one basis.

Propitious Global executed and delivered an irrevocable proxy and power of attorney on July 28, 2021 (as supplemented on November 8, 2021), pursuant to which Propitious Global irrevocably authorized Baihui Partnership to exercise the voting rights represented by the Shares held by Propitious Global.

- (6) Representing 64,272,705 Class A ordinary shares held by our Directors and executive officers other than Mr. Peng and Mr. Shan.
- (7) Representing 410,842,111 Class A ordinary shares held by Tencent Affiliated Entities, based on the latest Schedule 13D filed with the SEC on August 24, 2020.

Class B ordinary shares may be converted into Class A ordinary shares on a one to one ratio. Assuming the conversion of all the remaining 157,894,050 Class B ordinary shares into Class A ordinary shares, the number of Class A ordinary shares will increase by 157,894,050, representing approximately 4.3% the total number of issued and outstanding Class A ordinary shares immediately following the completion of the Introduction (assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans; and (ii) 727,407,230 Class B ordinary shares held by Propitious Global have been converted into Class A ordinary shares).

The weighted voting rights attached to our Class B ordinary shares held by one WVR Beneficiary will cease when such WVR Beneficiary no longer has beneficial ownership of any of our Class B ordinary shares. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rule, in particular where a WVR Beneficiary is: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;
- (ii) when the holders of Class B ordinary shares have transferred to another person the beneficial ownership of, or economic interest in, the Class B ordinary shares or the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rule;
- (iii) where a vehicle holding Class B ordinary shares on behalf of a WVR Beneficiary no longer complies with Rule 8A.18(2) of the Listing Rule;
- (iv) when the Class B ordinary shares have been converted to Class A ordinary shares;
- (v) neither of the WVR Beneficiaries having control over the exercise of the voting rights of the Shares held by Propitious Global immediately upon the Listing (the “**Subject Shares**”) for reasons within or outside their control (the “**WVR Fall Away Provision**”). For the avoidance of doubt, (A) subject to the Listing Rules, (i) any

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sale, transfer, assignment or disposition of any part or all of the Subject Shares by Propitious Global to any person, or (ii) a change of control of the ultimate beneficial ownership of any part or all of the Subject Shares or Propitious Global to any person (the above activities are collectively referred to as “**Transactions**”), and (B) consequentially resulting in the loss of control over the exercise of the voting rights of the relevant Subject Shares that are subject to the Transactions, will not give rise to any obligation to convert the Class B ordinary shares to Class A ordinary shares; or

- (vi) a director holding vehicle holding Class B Ordinary Shares no longer complies with the principle that the weighted voting rights attached to a beneficiary’s shares must cease upon transfer to another person of the beneficial ownership of, or economic interest in, those shares or the control over the voting rights attached to them (through voting proxies or otherwise).

The Company and the WVR Beneficiaries will notify the Hong Kong Stock Exchange as soon as practicable with details of the event set out in paragraphs (ii), (iii), (v) and (vi) above.

Rationale of the WVR Fall Away Provision and the circumstances where it may or may not be triggered

Background

As set out in (v) above, one circumstance where the weighted voting rights attached to our Class B ordinary shares will cease is the triggering of the WVR Fall Away Provision.

The background for adopting this WVR Fall Away Provision is that, while the economic interests beneficially owned by the WVR Beneficiaries will only be approximately 7.5% upon the Listing, in light of the existence of the POA Arrangement which allows the WVR Beneficiaries, through Baihui Partnership, to control the voting rights over approximately 23.3% economic interests held by Propitious Global, the aggregate economic interests represented by the Shares in respect of which the voting rights are controlled by the WVR Beneficiaries will be above 10% at the time of Listing.

In addition, the POA Arrangement is irrevocable and shall remain in full force and effect until terminated in the written form by both parties to the POA Arrangement. Therefore, Propitious Global will not be able to terminate the POA Arrangement without the consent of Baihui Partnership. Further, even if the ultimate beneficial ownership of Propitious Global is being disposed of or transferred to any person, the POA Arrangement will remain binding on Propitious Global and Baihui Partnership as the POA Arrangement was entered into between Baihui Partnership and Propitious Global.

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Rationale for the WVR Fall Away Provision

As the power of attorney under the POA Arrangement is granted to Baihui Partnership, which is currently owned and controlled by the WVR Beneficiaries and this POA Arrangement is relevant to the waiver of Rule 8A.12 as discussed above, the WVR Fall Away Provision is put in place as an additional safeguard so that it will be triggered as and when neither of the WVR Beneficiaries have control over the voting rights of the Subject Shares currently enjoyed by Baihui Partnership under the POA Arrangement.

Circumstances where the WVR Fall Away Provision may be triggered

The WVR Fall Away Provision will be triggered (i.e. the Class B ordinary shares will need to be converted into Class A ordinary shares (the “**mandatory conversion**”)) if neither of the WVR Beneficiaries have control over the exercise of the voting power attached to the Subject Shares in circumstances including,

- (i) with respect to circumstances within the WVR Beneficiaries’ control, (a) the WVR Beneficiaries disposing a majority of their interests in the general partner of Baihui Partnership or (b) Baihui Partnership changing its general partner or (c) Baihui Partnership agree to terminate the POA Arrangement; or
- (ii) with respect to circumstances outside WVR Beneficiaries’ control, the foreclosure of the controlling interests in Baihui Partnership pledged by the WVR Beneficiaries (if any) as a result of default,

and in each case, without the WVR Beneficiaries taking necessary measures (including entering into a new POA arrangement with respect to the Subject Shares that remain subject to the POA Arrangement before the occurrence of the relevant circumstance) to ensure that at least one WVR Beneficiary can continue to control the exercise of the voting power attached to the relevant Subject Shares.

Circumstances where the WVR Fall Away Provision may not be triggered

However, as the intention of the WVR Fall Away Provision is not to restrict the trading in the Subject Shares by the family members of Mr. Zuo, if Propitious Global sells part or all of its shareholdings in the Company after the expiry of the lock-up period under Rule 10.07 of the Hong Kong Listing Rules, the mandatory conversion will not be triggered.

Under the POA Arrangement, if Propitious Global sells the Subject Shares and the transferee is a *founder affiliate*, such founder affiliate shall deliver an irrevocable proxy and power of attorney to Baihui Partnership regarding the Subject Shares which are transferred from Propitious Global to the *founder affiliate* on terms substantially the same as those set out under the POA Arrangement.

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The *founder affiliate* mentioned above refers to (a) each of the Mr. Zuo’s legal spouse, parents, children and other lineal descendants (each, an “**Immediate Family Member**”); and (b) any trust for the benefit of Mr. Zuo and/or any of the Immediate Family Members as defined under (a), and any corporation, partnership or any other entity ultimately controlled by Mr. Zuo and/or any of the Immediate Family Members as defined under (a) through possession of voting power or investment power over the Subject Shares held by any such entity.

If the transferee is a third party other than a *founder affiliate* as set out above, the POA Arrangement will not be binding on such transferee and although the relevant portion of the Subject Shares transferred to such third party shall no longer be subject to the POA Arrangement, it will not trigger the WVR Fall Away Provision.

WVR Beneficiaries

Immediately upon the completion of the Introduction, the WVR Beneficiaries will be the following:

Name of WVR Beneficiaries	Number of Class A ordinary shares	Number of Class B ordinary shares	Approximate percentage of issued share capital ⁽¹⁾	Approximate percentage of voting rights ⁽¹⁾⁽²⁾
Mr. Peng ⁽³⁾	71,824,250	110,116,275	4.8%	22.5%
Mr. Shan ⁽⁴⁾	53,868,189	47,777,775	2.7%	10.2%
Total	125,692,439	157,894,050	7.5%	32.7%

Notes:

- (1) Assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans; and (ii) except for the conversion of 727,407,230 Class B ordinary shares held by Propitious Global into Class A ordinary shares, no other Class B ordinary shares are converted into Class A ordinary shares.
- (2) On the basis that Class A ordinary shares entitle the Shareholder to one vote per share and Class B ordinary shares entitle the Shareholder to ten votes per share, without taking into consideration the voting rights of 885,301,280 Class A ordinary shares held by Propitious Global.
- (3) 110,116,275 Class B ordinary shares and 71,824,250 Class A ordinary shares are held by Ever Orient International Limited, which is wholly-controlled by Mr. Peng.
- (4) 47,777,775 Class B ordinary shares and 53,868,189 Class A ordinary shares are held by Clover Rich Limited, which is wholly-owned by Sapient Rich Holdings Limited. Sapient Rich Holdings Limited is wholly-owned by Trident Trust Company (HK) Limited as the trustee of De Chang Trust, a discretionary trust established by Mr. Shan (as the settlor). The beneficiaries of De Chang Trust are Mr. Shan and his family members.

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The Company's WVR structure enables the WVR Beneficiaries to hold shares with a higher voting power than the holders of Class A ordinary shares. Mr. Peng, the co-founder, the chairman, an executive Director and the chief executive officer of the Company, and Mr. Shan, the co-founder and an executive Director of the Company, are the WVR Beneficiaries holding the Class B ordinary shares. Such shareholding will enable the Company to benefit from the continuing vision and leadership of Mr. Peng and Mr. Shan, who will exercise their voting power with a view to promoting the Company's long-term prospects and strategy.

Prospective investors are advised to be aware of the potential risks of investing in companies with weighed voting rights structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exercise their higher voting power to influence the affairs of our Company and the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote.

Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to "Risk Factors – Risks related to Our Shares and ADSs". Save for the weighted voting rights attached to Class B ordinary shares, the rights attached to both classes of Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A ordinary shares and Class B ordinary shares, please see "Summary of the Constitution of the Company and Cayman Islands Companies Law – 2. Articles of Association" in Appendix III to this document for further details.

Assumptions

The above assumes that the Introduction becomes unconditional and does not take into account any Shares which may be issued or repurchased by us.

RANKING

The Shares are ordinary shares in the issued share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank equally in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

UNDERTAKINGS BY THE WVR BENEFICIARIES

Pursuant to Rule 8A.43 of the Listing Rules, each WVR Beneficiary is required to give a legally enforceable undertaking to the Company that he will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by the Shareholders. Prior to the Listing, each of Mr. Peng and Mr. Shan made an undertaking to the Company (the "**Rule 8A.43 Undertaking**"), that for so long as he is a WVR Beneficiary:

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- (a) he shall comply with (and, if the shares to which the weighted voting rights that he is beneficially interested in are attached are held through a limited partnership, trust, private company, or other vehicle, use his best endeavors to procure that such limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18 and 8A.24 of the Listing Rules from time to time in force (the “**Requirements**”); and
- (b) he shall use his best endeavors to procure that the Company complies with all applicable Requirements.

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Listing Rules.

In addition, as further discussed in the section headed “Waivers – Waiver in Relation to the Articles of Association of the Company”, the Company had applied for a waiver from strict compliance with Unmet Articles Requirements upon Listing such that the Company will seek shareholders’ approval to incorporate such Unmet Articles Requirements into the Memorandum and Articles of Association in an extraordinary general meeting to be convened within six months of Listing (“**Articles Amendment Waiver**”). In light of the Articles Amendment Waiver and the Undertaking for Interim Compliance, each of the WVR Beneficiaries further undertakes to the Company that, before the proposed amendments to incorporate requirements under Rules 8A.18 and 8A.19 of the Listing Rules in the Articles of Association are approved by the Shareholders:

- (1) in the event that a divorce is being contemplated such that (i) any Class B ordinary share will be transferred to an entity which is not wholly owned or not wholly controlled by such WVR Beneficiary or (ii) the relevant director holding vehicle holding the Class B ordinary shares ceases to be wholly-owned and wholly-controlled by the relevant WVR Beneficiary, therefore the relevant WVR Beneficiary cannot comply with Rules 8A.18 and 8A.19, the relevant WVR Beneficiary will procure that such Class B ordinary share be converted into Class A ordinary share prior to such transfer; and
- (2) the WVR Beneficiaries will not create any encumbrance over any Class B ordinary share.

(the “**Interim Undertaking**”, and together with the “**Rule 8A.43 Undertaking**”, the “**Undertakings**”).

The WVR Beneficiaries acknowledged and agreed that the Shareholders rely on the Undertakings in acquiring and holding their Shares. The WVR Beneficiaries acknowledged and agreed that the Undertakings are intended to confer a benefit on the Company and all Shareholders and may be enforced by the Company and/or any Shareholder against the WVR Beneficiaries.

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The Undertakings shall automatically terminate upon the earlier of (i) the date of delisting of the Company from the Hong Kong Stock Exchange, and (ii) the date on which the relevant WVR Beneficiary ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Undertakings shall not affect any rights, remedies, obligations or liabilities of the Company and/or any Shareholder and/or the WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertakings which existed at or before the date of termination.

The Undertakings shall be governed by the laws of Hong Kong and all matters, claims or disputes arising out of the Undertakings shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

In addition, in connection with the proposed amendments to the Memorandum and Articles, the WVR Beneficiaries have provided further undertakings. Please refer to the section headed “Waivers – Waiver in Relation to the Articles of Association of the Company” for more details.

ALTERATION OF SHARE CAPITAL

Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles of Association, our Company may by ordinary resolution (a) increase its share capital by new Shares of such amount as it thinks expedient; (b) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares; (c) subdivide its Shares, or any of them, into Shares of an amount smaller than that fixed by the Memorandum, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; and (d) cancel any Shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled. In addition, our Company may by special resolution reduce its share capital or any capital redemption reserve subject to the Cayman Companies Act.

See “Summary of the Constitution of the Company and Cayman Islands Companies Law – 2. Articles of Association” in Appendix III to this document for further details.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Introduction (assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans; and (ii) except for the conversion of 727,407,230 Class B ordinary shares held by Propitious Global into Class A ordinary shares, no other Class B ordinary shares are converted into Class A ordinary shares), each of following persons will have an interest and/or short position (as applicable) in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at any general meeting of the Company:

	Class A ordinary shares	Class B ordinary shares	Number of Shares	Approximate % of shareholding in respective class of Share of our Company immediately upon completion of the Introduction
Z&Z Trust ⁽¹⁾	885,301,280	–	885,301,280	24.4%
Cantrust ⁽¹⁾	885,301,280	–	885,301,280	24.4%
Grain Bud ⁽¹⁾	885,301,280	–	885,301,280	24.4%
Propitious Global ⁽¹⁾	885,301,280	–	885,301,280	24.4%
Mrs. Zuo ⁽¹⁾	885,301,280	–	885,301,280	24.4%
Baihui Partnership ⁽¹⁾	885,301,280	–	885,301,280	24.4%
Mr. Peng ⁽²⁾	–	110,116,275	110,116,275	69.7%
	71,824,250	–	957,125,530	26.3%
	885,301,280			
Ever Orient International Limited ⁽²⁾	–	110,116,275	110,116,275	69.7%
	71,824,250	–	71,824,250	2.0%
Mr. Shan ⁽³⁾	–	47,777,775	47,777,775	30.3%
	53,868,189	–	939,169,469	25.8%
	885,301,280			
De Chang Trust ⁽³⁾	–	47,777,775	47,777,775	30.3%
	53,868,189	–	53,868,189	1.5%
Trident Trust Company (HK) Limited ⁽³⁾	–	47,777,775	47,777,775	30.3%
	53,868,189	–	53,868,189	1.5%
Sapient Rich Holdings Limited ⁽³⁾	–	47,777,775	47,777,775	30.3%
	53,868,189	–	53,868,189	1.5%
Clover Rich Limited ⁽³⁾	–	47,777,775	47,777,775	30.3%

SUBSTANTIAL SHAREHOLDERS

	Class A ordinary shares	Class B ordinary shares	Number of Shares	Approximate % of shareholding in respective class of Share of our Company immediately upon completion of the Introduction
	53,868,189	–	53,868,189	1.5%
Tencent Affiliated Entities ⁽⁴⁾	410,842,111	–	410,842,111	11.3%
SB Global Advisers Limited ⁽⁵⁾	219,080,949	–	219,080,949	6.0%
SoftBank Vision Fund II-2 L.P. ⁽⁵⁾	219,080,949	–	219,080,949	6.0%
SVF II Aggregator (Jersey) LP ⁽⁵⁾	219,080,949	–	219,080,949	6.0%
SVF II Holdings (DE) LLC ⁽⁵⁾	219,080,949	–	219,080,949	6.0%
SVF II Holdings Subco (DE) LLC ⁽⁵⁾	219,080,949	–	219,080,949	6.0%
SVF II Buzzard (Cayman) LP ⁽⁵⁾	219,080,949	–	219,080,949	6.0%

Notes:

- (1) Z&Z Trust is a discretionary trust, the beneficiaries of which are immediate family members of Mr. Zuo. As of the Latest Practicable Date, Cantrust, the trustee of Z&Z Trust, in its capacity as trustee held the entire issued share capital of Grain Bud, which in turn owned the entire issued share capital of Propitious Global, which directly held 157,894,050 Class A ordinary shares and 727,407,230 Class B ordinary shares. All Class B ordinary shares held by Propitious Global will be converted into Class A ordinary shares on a one-to-one basis immediately upon the completion of the Introduction. Mrs. Zuo controls the disposition right over the Class A ordinary shares beneficially held by the Z&Z Trust. Pursuant to the POA Arrangement, Baihui Partnership was entrusted to exercise the voting powers over the shares held by Propitious Global.

- (2) 110,116,275 Class B ordinary shares and 71,824,250 Class A ordinary shares are held by Ever Orient International Limited, which is wholly-controlled by Mr. Peng.

Mr. Peng holds 50% equity interests in Ample Platinum Holdings Limited, the general partner of Baihui Partnership, and therefore is deemed to be interested in the Class A ordinary shares interested in by Baihui Partnership under the SFO.

- (3) 47,777,775 Class B ordinary shares and 53,868,189 Class A ordinary shares are held by Clover Rich Limited, which is wholly-owned by Sapient Rich Holdings Limited. Sapient Rich Holdings Limited is wholly-owned by Trident Trust Company (HK) Limited as the trustee of De Chang Trust, a discretionary trust established by Mr. Shan (as the settlor). The beneficiaries of De Chang Trust are Mr. Shan and his family members. Any changes and/or additions of trustee, protector, investment adviser and/or beneficiary(ies) (whether due to death (other than the death of settlor of De Chang Trust himself), resignation, and refusal, unfitness or incapacity to act or otherwise) to De Chang Trust will not affect the control over the voting rights attached to the relevant Class B ordinary shares as Mr. Shan being the settlor retain an element of control of the De Chang Trust.

Mr. Shan holds 50% equity interests in Ample Platinum Holdings Limited, the general partner of Baihui Partnership, and is therefore deemed to be interested in the Class A ordinary shares interested in by Baihui Partnership under the SFO.

SUBSTANTIAL SHAREHOLDERS

- (4) Based on the latest Schedule 13D filed with the SEC on August 24, 2020, (i) 49,169,495 Class A ordinary shares were held by Morespark Limited; (ii) 33,625,445 Class A ordinary shares were held by Parallel Stellar Investment Limited; (iii) 245,499,801 Class A ordinary shares (including 20,400,000 Class A ordinary shares represented by 6,800,000 ADSs) were held by Tencent Mobility Limited; (iv) 78,947,370 Class A ordinary shares were held by Parallel Galaxy Investment Limited; and (v) 3,600,000 Class A ordinary shares represented by 1,200,000 ADSs were held by Sunshine Peak Holding Limited.
- (5) Based on the latest Schedule 13G/A filed with the SEC on February 14, 2022, 219,080,949 Class A ordinary shares were directly held by SVF II Buzzard (Cayman) LP (“**Buzzard**”). SoftBank Vision Fund II-2 L.P. is the sole limited partner of SVF II Aggregator (Jersey) LP, which is the sole member of SVF II Holdings (DE) LLC, which is the sole member of SVF II Holdings Subco (DE) LLC, which is the general partner of Buzzard. SB Global Advisers Limited has been appointed as manager and is exclusively responsible for making all decisions related to the acquisition, structuring, financing and disposal of SoftBank Vision Fund II-2 L.P.’s investments.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Introduction (assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans; and (ii) except for the conversion of 727,407,230 Class B ordinary shares held by Propitious Global into Class A ordinary shares, no other Class B ordinary shares are converted into Class A ordinary shares), have an interest and/or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at any general meeting of the Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

CONNECTED TRANSACTIONS

OVERVIEW

Prior to the Listing, we have entered into certain transactions in our ordinary and usual course of business with the Company's connected persons and their respective associates, which will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon the Listing.

As our ADSs are listed on the NYSE, we will continue to be subject to and regulated by the listing rules of the NYSE and other applicable U.S. securities laws and regulations so far as our ADSs remain listed on the NYSE. The requirements of the Listing Rules in relation to connected transactions are different from those in the U.S. securities laws and regulations and the listing rules of the NYSE. In particular, the definition of "connected persons" under the Listing Rules is different from the definition of "related party" under the relevant U.S. securities laws and regulations. Therefore, a connected transaction under the Listing Rules may or may not constitute a related party transaction under the relevant U.S. securities laws and regulations, and *vice versa*.

SUMMARY OF THE CONNECTED PERSONS

The table below sets forth certain entities who will become connected persons of the Company upon the Listing and have entered into certain transactions with us which will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon the Listing.

Name	Connected Relationship
Ziroom Inc. (" Ziroom ," together with its subsidiaries and consolidated affiliated entities, " Ziroom Group ")	Mrs. Zuo, a controlling shareholder of the Company, held approximately 35.5% equity interests in Ziroom as of the Latest Practicable Date.
Represented Tencent Group ⁽¹⁾	Tencent was one of our substantial shareholders as of the Latest Practicable Date.

Note:

- (1) The "**Represented Tencent Group**" refers to group members of Tencent, excluding China Literature Limited, Tencent Music Entertainment Group and their respective subsidiaries.

CONNECTED TRANSACTIONS

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

					Proposed annual caps for the years ending December 31, (RMB in millions)		
No.	Nature of Transactions	Counterparty(ies)	Relevant Listing Rules	Waiver(s) Sought	2022	2023	2024
Non-fully Exempt Continuing Connected Transactions							
1	Provision of online marketing services	Ziroom Group	14A.35, 14A.76(2), 14A.105	Waiver from strict compliance with announcement requirement	158.0	237.0	355.5
2	Procurement of cloud services and technical services	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) (“Tencent Computer”)	14A.35, 14A.76(2), 14A.105	Waiver from strict compliance with announcement requirement	230.0	280.0	340.0
Non-exempt Continuing Connected Transactions							
3	Contractual Arrangements	VIEs and their respective registered shareholders	14A.35 14A.36 14A.52 14A.53 14A.105	Waiver from announcement, independent shareholders’ approval, circular, annual cap, and limiting the term to three years	N/A	N/A	N/A

NON-FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS (SUBJECT TO ANNOUNCEMENT, REPORTING AND ANNUAL REVIEW REQUIREMENTS)

The transactions set out below are entered into in the ordinary and usual course of business and on normal commercial terms where, as the Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be not less than 0.1% but less than 5% on an annual basis. Accordingly, such transactions will be subject to the announcement, reporting, and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

1. Provision of Online Marketing Services

On April 28, 2022, the Company entered into the online marketing services framework agreement (the “**Online Marketing Services Framework Agreement**”) with Ziroom, pursuant to which, the Group has agreed to provide online marketing services including but not limited to (i) analysis and matching services between properties and customers, (ii) property listing services and (iii) other technical services, to Ziroom Group, and charge relevant services fees.

The initial term of the Online Marketing Services Framework Agreement will commence from the Listing Date and expire on December 31, 2024. The Online Marketing Services Framework Agreement will be subject to the negotiation at renewal with mutual consent and in compliance with the requirements of the Listing Rules.

Subject to the terms of the Online Marketing Services Framework Agreement, the Group will enter into specific agreements with Ziroom Group to set out specific terms and conditions in respect of the online marketing services.

Reasons for and benefits of the transaction

We serve our customers with diversified needs during our ordinary business. Ziroom Group is primarily engaged in the provision of high-quality long-term apartment rental products and value-added property management services, and has continuous demand for analysis and matching services between properties and customers and property listing services. We believe it will create synergies to our business by providing such online marketing services to Ziroom Group, which will enrich the service portfolios on our *Beike* platform through adding long-term apartment rental products and value-added property management services from Ziroom Group and satisfy the diversified needs of our customers.

Pricing basis

The service fees of online marketing services contemplated under the Online Marketing Services Framework Agreement shall be determined on an arm’s length basis between the Group and Ziroom Group. Specifically, the service fee in terms of the analysis and matching services, which have contributed most of the revenue generated from the online marketing services, is calculated based on the rental of the leased properties and multiplied by certain fee rates. The fee rates are determined between Ziroom Group and us based on multiple factors, including location and region of such leased properties and types of leases.

Historical figures, annual caps and basis for annual caps

The historical amounts of the service fees generated from the provision of online marketing services by the Group to Ziroom Group were approximately RMB19.3 million, RMB72.3 million and RMB104.9 million for the years ended December 31, 2019, 2020 and 2021, respectively.

CONNECTED TRANSACTIONS

The proposed annual caps of the service fees contemplated under the Online Marketing Services Framework Agreement for the years ending December 31, 2022, 2023 and 2024 are RMB158.0 million, RMB237.0 million and RMB355.5 million, respectively.

In arriving at the above annual caps, the Directors have considered, among other things,

- (i) the historical amounts of the transactions of the provision of online marketing services by the Group to Ziroom Group during the Track Record Period. The online marketing services fees received from Ziroom Group increased significantly during the Track Record Period from RMB19.3 million in 2019 to RMB72.3 million in 2020 and further to RMB104.9 million in 2021;
- (ii) the number and terms of existing online marketing service agreements between the Group and Ziroom Group; and
- (iii) the expected fast business expansion of Ziroom Group and the expected average annual growth rate of no less than 50% of its demand on our online marketing services in the next three years based on our current discussion with Ziroom Group.

2. Procurement of Cloud Services and Technical Services

On April 28, 2022, the Company entered into the cloud services and technical services framework agreement (the “**Cloud Services and Technical Services Framework Agreement**”) with Tencent Computer, pursuant to which, Tencent Computer (for itself and on behalf of the Represented Tencent Group) has agreed to provide cloud services and other technical services, including but not limited to cloud servers, cloud object storage, classic load balancer, cloud database, live streaming, video on demand, cloud communications, cloud security, domain name resolution services and other products and services, to the Group.

The initial term of the Cloud Services and Technical Services Framework Agreement will commence from the Listing Date and expire on December 31, 2024. The Cloud Services and Technical Services Framework Agreement will be subject to the negotiation at renewal with mutual consent and in compliance with the requirements of the Listing Rules.

Subject to the terms of the Cloud Services and Technical Services Framework Agreement, we will enter into specific agreements or place specific orders with the Represented Tencent Group to set out specific terms and conditions in respect of the cloud services and technical services.

Reasons for and benefits of the transaction

The Represented Tencent Group is a leading integrated service provider in the PRC which provides a wide range of high quality, reliable and cost-efficient cloud services and technical services. By deploying our certain business on the Represented Tencent Group’s cloud server, we are capable to leverage the flexibility of the cloud computing and support the growth of our

CONNECTED TRANSACTIONS

business traffic. The Group has a strong demand for cloud services and technical services during its ordinary course of business, and we believe that obtaining such services from an integrated service provider is a cost-effective alternative to build all supporting technology infrastructure internally. In addition, we established strategic cooperation relationship with Tencent Computer in respect of the cloud services and other technical services in 2017 and had been utilizing such resources and services rendered by Represented Tencent Group since then. By entering into the Cloud Services and Technical Services Framework Agreement, we believe that we will be able to (i) improve our IT efficiency, safety and reliability, and (ii) reduce unnecessary resources and costs incurred from the procurement of additional technology hardware and tools, and recruitment of additional information technology and maintenance staff.

Pricing basis

The service fees of cloud services and technical services contemplated under the Cloud Services and Technical Services Framework Agreement shall be determined on an arm's length basis between the Group and the Represented Tencent Group based on the fee rates disclosed on the relevant official platforms or websites of the Represented Tencent Group and with reference to the prevailing market prices. Before entering into any specific technical service agreement pursuant to the Cloud Services and Technical Services Framework Agreement, our business department will assess our business needs, collect and compare the service fee rates proposed by the Represented Tencent Group with the fee rates offered by other comparable service providers. In addition, we will take into account a number of factors, including but not limited to (i) the exact type of services involved; (ii) the quality, reliability and stability of cloud services and technical services of different service providers; and (iii) the service fee rates. The fee quotes and comparison results will be submitted to the relevant responsible manager of our business department, certain senior management and the audit committee (if applicable) for approval. We will only purchase cloud services and technical services from the Represented Tencent Group when (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms than those offered by other service providers who can provide comparable services; and (ii) it is in the best interests of the Company and the Shareholders as a whole.

Historical figures, annual caps and basis for annual caps

The historical amounts of the service fees paid to the Represented Tencent Group in respect of the cloud services and technical services were approximately RMB66.6 million, RMB126.6 million and RMB183.6 million for the years ended December 31, 2019, 2020 and 2021, respectively.

The proposed annual caps of the service fees contemplated under the Cloud Services and Technical Services for the years ending December 31, 2022, 2023 and 2024 are RMB230.0 million, RMB280.0 million and RMB340.0 million, respectively.

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In arriving at the above annual caps, the Directors have considered, among other things,

- (i) the historical amounts of the service fees paid to the Represented Tencent Group in respect of the cloud services and technical services during the Track Record Period and the existing agreements between the Group and the Represented Tencent Group. The service fees charged for cloud services and technical services provided by the Represented Tencent Group increased significantly during the Track Record Period from RMB66.6 million in 2019 to RMB126.6 million in 2020 and further to RMB183.6 million in 2021. The increase in the service fees was mainly due to our growing demand for efficient, secure and stable IT system and servers to support our overall growth of business which relies on massive computing resources and storage resources, as well as the continuous expansion of new business and technologies since the inception of the Company and the *Beike* platform in 2018;
- (ii) the continued collaboration with the Represented Tencent Group due to its stable and cost-efficient services; and
- (iii) the expected increase of expenses in respect of the cloud services and technical services to be incurred by the Group in the next three years to maintain and further improve the efficiency, security and stability of our IT system. The growing needs of cloud services and technical services resulting from overall growth of our business, expansion of our new businesses and development of our new technology, especially the needs from our fast-growing VR services.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (SUBJECT TO ANNOUNCEMENT, REPORTING, ANNUAL REVIEW, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS)

Contractual Arrangements

Overview

As disclosed in the section headed “Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership in the PRC, we conducted a portion of our business through the Consolidated Affiliated Entities in the PRC. See the section headed “Contractual Arrangements” in this document for details of the agreements comprising the Contractual Arrangements.

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon the Listing as certain parties to the Contractual Arrangements will be connected persons of the Group.

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Our Directors (including the independent non-executive Directors) are of the view that and based on the documentation, information and data provided by the Company, the representations and confirmations provided by the Company and the Directors to the Joint Sponsors, and participation in the due diligence discussion with the management of the Company and the Company's PRC Legal Adviser, the Joint Sponsors have reasonable ground to believe that, the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, and such transactions have been and will be entered into in the ordinary and usual course of business of our 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 Consolidated Affiliated Entities and any member of the Group technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that the Group is placed in a special situation 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 announcement, independent shareholders' approval, circular, annual cap and limiting the term to three years requirements.

WAIVERS

Non-fully Exempt Continuing Connected Transactions

The non-fully exempt continuing connected transactions abovementioned will constitute our continuing connected transactions which are subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules (as the case may be) upon the Listing.

As those non-fully exempt continuing connected transactions are expected to continue on a recurring basis and have been disclosed in this document, our Directors consider that compliance with the announcement requirement will incur unnecessary administrative costs for us, and will be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement requirement in respect of the above non-fully exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the above non-fully exempt continuing connected transactions, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

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Non-exempt Continuing Connected Transactions

We have 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, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) 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 our Class A ordinary shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

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

(b) No change without independent Shareholders' approval

Save as disclosed 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, except for those disclosed above, 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 the Company will however continue to be applicable.

(c) Economic benefits and flexibility

The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) the 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 consideration stated in the exclusive option agreements, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by the Group, such that no annual cap shall be set out for the amount of service fees payable to the relevant member of the Group by the Consolidated Affiliated Entities under the Contractual Arrangements, and (iii) the Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

CONNECTED TRANSACTIONS

Renewal and reproduction

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 shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, such framework may be renewed and/or reproduced without obtaining the approval of our Shareholders: (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the registered shareholders or directors of the Consolidated Affiliated Entities, or (iii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including branch company), engaging in a business similar or relating to those of the Group. Such renewal and/or reproduction is justified by business expediency. The directors, chief executive or substantial shareholders of any existing or new wholly-owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of the Group and transactions between these connected persons and the 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 renewed or reproduced framework will be on substantially the same terms and conditions as the existing Contractual Arrangements.

Ongoing reporting and approval

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

- the Contractual Arrangements in place during each financial period will be disclosed in the 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 the Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the registered holders of their equity interests which are not otherwise subsequently assigned or transferred to the Group, and (iii) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the relevant financial period above are fair and reasonable, and in the interests of the Company and the Shareholders as a whole;
- the Company's auditors will carry out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under

CONNECTED TRANSACTIONS

the Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to the Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;

- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person,” the 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 their respective associates will be treated as connected persons of the Company (excluding for this purpose, the Consolidated Affiliated Entities) as applicable under the Listing Rules, and transactions between these connected persons and the 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
- the Consolidated Affiliated Entities will undertake that, for so long as the Class A ordinary shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide the Group’s management and the Company’s auditors full access to its relevant records for the purpose of the Company’s auditor’s review of the connected transactions.

MEASURES TO SAFEGUARD THE INTERESTS OF OUR SHAREHOLDERS

To safeguard the interests of the Company and the Shareholders as a whole, including the minority Shareholders, the Company has put in place certain internal approval and monitoring procedures relating to the proposed connected transactions contemplated under the agreements mentioned above, which include:

- we have adopted and implemented a management system on connected transactions. Under such system, the audit committee is responsible for conducting reviews on compliance with relevant laws, regulations, the Company’s policies and the Listing Rules in respect of the continuing connected transactions. In addition, the audit committee, the Board and various internal departments of the Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;

CONNECTED TRANSACTIONS

- the audit committee, the Board and various other internal departments of the Company (including but not limited to the finance department and legal department) also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the specific business agreements entered into under the framework agreements;
- the independent non-executive Directors and auditors of the Company will conduct annual review of the non-fully exempt continuing connected transactions and non-exempt continuing connected transactions mentioned above and provide annual confirmations in accordance with the Listing Rules that those transactions are conducted in accordance with terms of the relevant agreements, on normal commercial terms, in accordance with relevant pricing policies and do not exceed the proposed applicable annual caps;
- when considering service fees for the services to be provided to the Group by the connected persons or the service fees for the services to be provided by the Group to the connected persons, the Group will regularly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and independent third parties for comparable transactions, to make sure that the terms and conditions offered by/to the connected persons from mutual commercial negotiations (as the case may be) are fair and reasonable and are based on normal or no less favorable commercial terms than those offered by/to other comparable independent third parties;
- when considering any renewal or revisions to the framework agreements after the Listing, our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps, if applicable) are fair and reasonable, and on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and
- for transactions the amount(s) of which exceed(s) or is/are about to exceed the proposed annual cap(s), we will comply with the Listing Rules and seek approval(s) for increasing the annual cap(s) and make additional disclosure as appropriate.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that (i) the non-fully exempt continuing connected transactions and the non-exempt continuing connected transactions as set out above have been entered into in our ordinary and usual course of business and on normal commercial or better terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, (ii) the proposed annual caps for

CONNECTED TRANSACTIONS

those transactions (where applicable) are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (iii) it is normal business practice for the Contractual Arrangements to be of a term greater than three years.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above continuing connected transactions, (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of the Company. Based on the above, the Joint Sponsors are of the view that the aforesaid continuing connected transactions, for which waivers have been sought, have been and will be entered into in the ordinary and usual course of business of the Company and on normal commercial or better terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps for those transactions (where applicable) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, based on the due diligence mentioned above, the Joint Sponsors have reasonable ground to believe that it is a justifiable and normal business practice to ensure that (i) policies of the Consolidated Affiliated Entities can be effectively controlled by the WFOEs, (ii) the WFOEs can obtain substantially all of the economic benefits derived from the Consolidated Affiliated Entities, (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented on an uninterrupted basis, and (iv) it is normal business practice for the Contractual Arrangements to be of a term greater than three years.

FUTURE PLANS AND PROSPECTS

FUTURE PLANS AND PROSPECTS

Please see “Business – Our Strategies” in this document for further details.

REASONS FOR THE LISTING

Our Directors consider that it would be desirable and beneficial for our Company to apply for a dual-primary Listing on the Stock Exchange by way of Introduction. Please see “Information about This Document and the Introduction” in this document for further details. The Listing on the Stock Exchange brings us closer to home market and further strengthens our brand. It also allows us to share the benefits from China’s long-term stable development and Hong Kong capital markets’ diversified investor base. Our Directors consider that this is important for our Company’s future growth and long-term competitiveness.

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

REGISTRATION, DEALINGS AND SETTLEMENT

See “Information about this Document and the Introduction” for further details about: (i) registration and stamp duty; (ii) share certificates in respect of Shares registered in our Hong Kong share register; (iii) converting ADSs to Class A ordinary shares registered in Hong Kong; (iv) eligibility of Class A ordinary shares for admission into CCASS; (v) dealings in Class A ordinary shares on the Hong Kong Stock Exchange; and (vi) settlement information.

ARRANGEMENTS TO FACILITATE TRANSFERS TO HONG KONG AND CONVERSION OF ADSs TO SHARES

Arrangements have been made to facilitate: (a) for holders of our Class A ordinary shares, the migration of Shares from our principal share register in the Cayman Islands to our Hong Kong share register; and (b) for holders of ADSs, services for converting ADSs to Class A ordinary shares, to ensure that there would be sufficient liquidity immediately upon and shortly after, commencement of dealings in Hong Kong. See section headed “Information about this Document and the Introduction – Conversion between Class A ordinary shares trading in Hong Kong and ADSs” for further details.

If you do not currently have a broker/CCASS account open through which you can trade Hong Kong listed securities on the Hong Kong Stock Exchange, please contact a broker to open an account.

For holders of our Class A ordinary shares who have already submitted the specimen signature(s) to Hong Kong Share Registrar and opened a broker account in Hong Kong or otherwise have a CCASS Investor Participant stock account, such Shareholders shall make necessary arrangements with the broker or arrange personally for deposit of their Class A ordinary shares into the relevant CCASS Participant’s stock account or CCASS Investor Participant stock account.

For holders of our ADSs who wish to cancel their ADSs to withdraw the Class A ordinary shares they represent, and who have already opened a broker account in Hong Kong or otherwise have a CCASS Investor Participant stock account, such ADS holders shall instruct the broker to arrange, or arrange personally, for surrender of the ADSs to the depository for cancellation of the ADSs and the transfer of the Class A ordinary shares withdrawn from the depository’s account with the custodian within the CCASS system to the investor’s Hong Kong stock account.

We have arranged with our principal share registrar in the Cayman Islands and Hong Kong Share Registrar to arrange for the removal of a portion of our Class A ordinary shares (which includes all of our Class A ordinary shares represented by ADSs) from our Cayman Islands share register to our Hong Kong share register prior to the Listing at no additional cost to the Shareholders.

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

BRIDGING ARRANGEMENTS

Intended market arrangements during the Bridging Period

Designated Dealers

We have appointed Goldman Sachs (Asia) Securities Limited as the designated securities dealer (designated dealer identity number: 7685) (the “**Designated Dealer**”) and China International Capital Corporation Hong Kong Securities Limited (designated dealer identity number: 7687) as the alternate designated securities dealer (the “**Alternate Designated Dealer**”), each being a regulated entity approved by the Hong Kong Stock Exchange, to carry out below bridging and other trading arrangements in good faith and on arm’s length terms with a view to contributing towards liquidity to meet demand for our Shares in Hong Kong and to maintain an orderly market. The Designated Dealer and the Alternate Designated Dealer have been appointed for a period of three months, commencing from the Listing Date.

The designated dealer identity numbers have been set up solely for the purposes of carrying out arbitrage trades, covered short-sales and other trades in Hong Kong as described in this document, in order to ensure identification and enhance transparency of such trades in the Hong Kong market. Any change in a designated dealer identity number will be disclosed as soon as practicable by way of announcement on the websites of our Company and the Hong Kong Stock Exchange as well as our Company’s filings with the SEC published on the SEC’s website on or before the first day of the Bridging Period.

Bridging and liquidity arrangements

For a period of three months commencing on the Listing Date (the “**Bridging Period**”), the Designated Dealer, on its own account, will seek to undertake, or, under the circumstance that the trades cannot be undertaken by the Designated Dealer as a result of technical failures, request the Alternate Designated Dealer to undertake, certain trading activities in circumstances as described below. The Bridging Period will end on August 10, 2022 (being the period of three months from and including the Listing Date). The Alternate Designated Dealer will only undertake trading activities at the request of the Designated Dealer.

The Designated Dealer and the Alternate Designated Dealer envisage undertaking the below activities for the purposes of facilitating the trading of our Class A ordinary shares in Hong Kong upon Listing and maintaining an orderly market for our Class A ordinary shares on the Hong Kong Stock Exchange:

- (a) *Stock borrowing arrangements.* On May 5, 2022, Goldman Sachs International as borrower, entered into a stock borrowing and lending agreement (the “**Stock Borrowing Agreement**”) with Tencent Mobility Limited as lender (the “**Lender**”) to ensure that the Designated Dealer and/or the Alternate Designated Dealer will have ready access to appropriate quantities of Class A ordinary shares for settlement purposes upon Listing and throughout the Bridging Period.

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

Pursuant to the Stock Borrowing Agreement, the Lender will make available to the borrower stock lending facilities of up to 152,000,000 Class A ordinary shares (the “**Borrowed Shares**”), or approximately 4.2% of the Class A ordinary shares in issue immediately upon Listing (assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans, and (ii) except for the conversion of 727,407,230 Class B ordinary shares held by Propitious Global into Class A ordinary shares, no other Class B ordinary shares are converted into Class A ordinary shares), on one or more occasions, subject to applicable Laws. The Borrowed Shares will be registered on our Hong Kong share register and admitted into CCASS prior to and upon Listing.

Under the Stock Borrowing Agreement, the Borrowed Shares shall be returned to the Lender within 15 business days after the expiry of the Bridging Period. To close out their borrowed positions, the Designated Dealer and/or the Alternate Designated Dealer may purchase ADSs from the NYSE and convert such ADSs into Class A ordinary shares or purchase Class A ordinary shares from the Hong Kong Stock Exchange or use any unutilised Borrowed Shares registered on our Hong Kong share register to transfer to the Lender. If necessary, the Designated Dealer and/or the Alternate Designated Dealer may repeat the process or alternatively may purchase Class A ordinary shares from the Hong Kong market, in order to provide additional liquidity to meet demand for our Class A ordinary shares in the Hong Kong market during the Bridging Period.

In the unlikely event that the Borrowed Shares falls short of what is required, the Designated Dealer and the Alternate Designated Dealer will have the option to purchase additional ADSs from the U.S. market and convert these to Class A ordinary shares in Hong Kong in order to further facilitate the liquidity arrangements if necessary.

- (b) the Designated Dealer and the Alternate Designated Dealer will closely monitor the trading of our Class A ordinary shares and continue to replenish their Share inventory while carrying out the liquidity trades. Once the market opens and during the Continuous Trading Period (as defined in the Rules and Regulations of the Exchange and the Options Trading Rules (“**Rules of the Exchange**”)), the Designated Dealer and/or the Alternate Designated Dealer will adopt various pre-determined quantitative and other parameters, including continuous monitoring of bid/ask price, closing price, last recorded price, day high/low price, trading volume, intra-day volatility, availability of sell orders in the market, macro backdrop, sector and company related news, in order to form decisions of liquidity arrangements on a real-time basis and to further provide facilitation services to buyers and sellers, and as such, they may sell more stock out of their inventory. The Designated Dealer and/or the Alternate Designated Dealer will monitor the market closely to ensure on a timely basis such sell orders are placed in the market as necessary to provide and facilitate liquidity while maintaining an orderly and fair

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

market. They will consider increasing sell orders while ensuring that they do not artificially push down share price. On the other hand, should supply exceed demand, they may opt to further build up their inventory by purchasing stock from buyers. The Designated Dealer and/or the Alternate Designated Dealer will also work on the set of parameters to provide liquidity arrangements during the Continuous Trading Period (as defined in the Rules of the Exchange). If the Designated Dealer and/or the Alternate Designated Dealer choose to purchase ADSs overnight on NYSE, the date of settlement for ADSs is on the second business day following the trade date (T+2). The Designated Dealer and/or the Alternate Designated Dealer can subsequently present ADRs evidencing such ADSs at the office of the Depositary, and send an instruction to cancel such ADSs to the Depositary. Upon payment of fees, expenses, taxes or charges and subject in all cases to the terms of the deposit agreement, the Depositary will instruct its custodian to deliver the Class A ordinary shares underlying the cancelled ADSs to Designated Dealer's and/or Alternate Designated Dealer's CCASS participant stock accounts provided in the instruction, in all cases subject to there being a sufficient number of Class A ordinary shares on the Hong Kong share register to facilitate a withdrawal from the ADS program directly into the CCASS system. If there is no delay, these Shares will be available the following morning Hong Kong time (T+2) at the earliest for settlement of Shares sold on or after T+2 by the Designated Dealer and/or the Alternate Designated Dealer on the Hong Kong Stock Exchange. While such transfer of Class A ordinary shares take place, the Designated Dealer and/or the Alternate Designated Dealer will utilize Class A ordinary shares borrowed under the Stock Borrowing Agreement for settlement of the sales made in Hong Kong. Alternatively, the Designated Dealer and/or Alternate Designated Dealer may purchase Class A ordinary shares from the Hong Kong market to replenish their Share inventory.

- (c) The Designated Dealer and/or Alternate Designated Dealer will enter into such bridging and liquidity arrangements (including the arbitrage activities) with a view to contributing towards the liquidity of our Class A ordinary shares in Hong Kong, and they intend for such bridging arrangements to constitute proprietary transactions.

In light of the above bridging and liquidity arrangements, our Company and the Joint Sponsors are of the view that there are adequate and effective precautionary measures in place to facilitate the maintenance of an orderly, informed and fair market in the securities of our Company upon and following its Listing in Hong Kong.

Other than the Designated Dealer and the Alternate Designated Dealer, trading activities may be carried out by market participants who have access to our Class A ordinary shares. Also, other existing Shareholders who have converted their shareholdings into our Class A ordinary shares in Hong Kong upon the commencement of trading can also carry out trades in our Class A ordinary shares to facilitate the liquidity of the trading of our Class A ordinary shares on the

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

Hong Kong Stock Exchange. Such activities will depend on the number of market participants (other than the Designated Dealer and the Alternate Designated Dealer) who elect to enter into such bridging and liquidity arrangements.

The bridging and liquidity arrangements being implemented in connection with the Listing are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering.

It should be noted that each of the Designated Dealer and the Alternate Designated Dealer and any persons acting for it may, in connection with the proposed liquidity activities, maintain a long position in the Class A ordinary shares. There is no certainty regarding the extent, time or the period for which each of the Designated Dealer and the Alternate Designated Dealer and any persons acting for it may maintain such a long position in the Class A ordinary shares. The liquidation of any such long position by the Designated Dealer and the Alternate Designated Dealer or any persons acting for it may have an adverse impact on the market price of the Class A ordinary shares.

There are no restrictions on existing Shareholders to dispose of their Shares under Hong Kong laws. Under the Hong Kong Listing Rules, apart from the restrictions under Rules 9.09(b) (in which a waiver has been sought and obtained from the Hong Kong Stock Exchange) and 10.07 of the Hong Kong Listing Rules and paragraph 4.6 of GL93-18 in respect of the requirement of the sophisticated investor, Tencent Affiliated Entities, retaining an aggregate of 50% of its investment at the time of listing for a period of at least six months post Listing, there are no other restrictions on existing Shareholders in relation to the disposal of Shares. For further details in respect of the waiver from strict compliance with Rule 9.09(b) of the Hong Kong Listing Rules, please refer to the section headed “Waivers” in this document.

Waiver in relation to short selling

Certain trades envisaged to be carried out by the Designated Dealer and the Alternate Designated Dealer during the Bridging Period may constitute covered short-selling (or be deemed to constitute short-selling) under Hong Kong laws. The Rules of the Exchange prohibit short-selling other than short selling of Designated Securities (as defined in the Rules of the Exchange) during the Pre-opening Session (as defined in the Rules of the Exchange), the Continuous Trading Period (as defined in the Rules of the Exchange) and the Closing Auction Session (as defined in the Rules of the Exchange).

The Designated Dealer and the Alternate Designated Dealer, have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, an exemption: (i) from the regulation to allow the Designated Dealer and the Alternate Designated Dealer to short sell the Company’s Class A ordinary shares which have not yet been admitted as Designated Securities; and (ii) from the regulation that a short sale shall not be made on the Hong Kong Stock Exchange below the POS reference price during the Pre-opening Session, the

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best current ask price during the Continuous Trading Session or the CAS reference price during the Closing Auction Session, and variation of Rule 563D(1) of the Listing Rules to permit the Designated Dealer and the Alternate Designated Dealer to conduct short selling transactions during the Pre-Opening Session, the Continuous Trading Session and the Closing Auction Session during the Bridging Period despite the Shares are not designated as Designated Securities.

No person other than the Designated Dealer and the Alternate Designated Dealer (including their respective affiliates authorized to carry out trading activities) is permitted to enter into short sales of our Class A ordinary shares on the Hong Kong Stock Exchange during the Bridging Period or thereafter unless the Shares are designated for short-selling by the Hong Kong Stock Exchange. Upon the expiry of the Bridging Period, the Designated Dealer and the Alternate Designated Dealer will not be able to engage in further bridging and liquidity activities described above in respect of our Class A ordinary shares on the Hong Kong Stock Exchange unless our Class A ordinary shares are designated for short-selling by the Hong Kong Stock Exchange.

Spread of shareholdings

It is expected that the following measures and factors will assist in creating and/or improving the spread of holdings of our Class A ordinary shares available for trading on the Hong Kong Stock Exchange following the Listing.

ADS holders may at their discretion cancel their ADRs and withdraw their Class A ordinary shares from the ADS program as described in the section headed “Information about this Document and the Introduction” in this document. For further details, see “Information about this Document and the Introduction”. To the extent that existing ADS holders elect to cancel their ADRs and to receive Class A ordinary shares tradable on the Hong Kong Stock Exchange shortly after Listing, such converted Class A ordinary shares will help contribute to the general liquidity of our Class A ordinary shares in the Hong Kong market.

Our Directors consider that, having regard to the arrangements described in “– Intended market arrangements during the Bridging Period” and “– Investor education” in this section, all reasonable efforts have been made to facilitate the migration of our Shares to the Hong Kong share register which shall provide sufficient basis for an open market at the time of the Listing.

Benefits of bridging and liquidity arrangements

We believe that the above market arrangements will benefit the Listing in the following ways:

- (a) the above stock borrowing will ensure that the Designated Dealer and the Alternate Designated Dealer have sufficient Class A ordinary shares registered on our Hong Kong share register and admitted into CCASS to meet the demands of public

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

investors in Hong Kong from the commencement of Listing and for a reasonable period of time, being the Bridging Period, to maintain liquidity in the trading of our Class A ordinary shares on the Hong Kong Stock Exchange;

- (b) additionally, trades carried out by the Designated Dealer and the Alternate Designated Dealer during the Bridging Period would be according to guidelines for the additional purpose of maintaining an orderly market in which our Class A ordinary shares are traded in Hong Kong;
- (c) the bridging arrangements are perceived to be a mechanism which is fair to all market participants who have access to our Shares, as it is open to all of our Shareholders and other market participants who have such access to carry out trades similar to those to be carried out by the Designated Dealer and the Alternate Designated Dealer to facilitate the liquidity in the trading of our Class A ordinary shares in the Hong Kong market; and
- (d) by seeking to minimize the risk of a disorderly market developing from significant demand for Class A ordinary shares not fulfilled in Hong Kong upon and during the initial period after Listing.

INVESTOR EDUCATION

Arrangements involving our Company and the Joint Sponsors

Prior to the Listing, our Company and the Joint Sponsors will cooperate to inform the investor community of general information about our Company, as well as developments and/or changes to the market arrangements disclosed in this document.

After Listing, our Company and the Joint Sponsors may continue to take measures to educate the public. The following measures may be taken to enhance transparency of our Company and the market arrangements, as appropriate:

- (a) media briefings and press interviews to inform investors of the arrangements;
- (b) analyst briefings to local brokerages/research houses that cover Hong Kong-listed companies;
- (c) investor relations activities, such as a non-deal road show, to maintain the interest of investors in our Class A ordinary shares and our business;
- (d) details of the available pool of Class A ordinary shares (with the aggregate number of Class A ordinary shares which have been registered on the Hong Kong share register and the inventory held by the Designated Dealer, and the designated dealer identity number(s) for carrying out liquidity activities) at the time of the Listing to meet the demand in the Hong Kong market will be disclosed by way of an announcement on the websites of our Company and the Hong Kong Stock Exchange

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

as well as our Company's filings with the SEC published on the SEC's website not later than one business day before the commencement of trading of our Class A ordinary shares on the Hong Kong Stock Exchange;

- (e) information, including the previous day closing price of our Company, trading volume and other relevant historical trading data will be disclosed by way of a daily announcement on the websites of our Company and the Hong Kong Stock Exchange during a period of three business days prior to the commencement of dealings in our Class A ordinary shares on the Hong Kong Stock Exchange;
- (f) information on developments and updates of the liquidity arrangements (for example, updates on the accumulated average daily trading volume of our Class A ordinary shares on the Hong Kong Stock Exchange at interim periods) will be disclosed by way of announcement on the websites of our Company and the Hong Kong Stock Exchange on a weekly basis during the Bridging Period; and
- (g) electronic copies of this document will be available for public download from the websites of our Company and the Hong Kong Stock Exchange.

Historical trading information in respect of our ADSs on the NYSE

Historical ADSs prices may not be indicative of the prices at which the ADSs will be traded following completion of the Introduction. See "Risk Factors – Risks Related to our Shares and ADSs" for further details.

The following table summarises the reported highs, lows, month ends and monthly averages of the closing trading prices of our ADSs from August 13, 2020 to April 26, 2022, the Latest Practicable Date:

	High	Low	Month End	Monthly average
	US\$	US\$	US\$	US\$
2020				
August	51.29	33.00	51.29	44.35
September	65.63	44.07	61.30	51.52
October	75.76	59.00	69.75	67.51
November	75.65	59.35	65.33	67.48
December	68.00	61.54	61.54	64.49
2021				
January	73.40	57.51	59.10	64.44
February	76.69	60.97	63.83	66.54
March	67.00	47.08	56.98	58.51
April	60.88	49.42	52.05	54.57

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	High	Low	Month End	Monthly average
	US\$	US\$	US\$	US\$
May	52.01	46.79	51.89	50.06
June	54.11	44.58	47.68	48.70
July	46.95	21.99	21.99	35.89
August	22.20	16.11	18.09	19.23
September	22.00	15.64	18.26	18.26
October	25.06	17.80	18.22	20.77
November	24.24	17.92	20.01	21.22
December	22.45	17.31	20.12	19.52
2022				
January	22.95	17.09	21.79	20.62
February	22.50	19.11	19.41	20.21
March	20.35	9.00	13.37	12.37
April 1 to April 26, 2022, the Latest Practicable Date	16.43	11.87	13.94	12.79

The following table set forth the average daily trading volume and turnover of each month of our ADSs from the commencement of trading of our ADSs on the NYSE on August 13, 2020 to April 26, 2022, the Latest Practicable Date:

	Average daily trading volume	Average daily turnover
	(% of total underlying Shares)	(US\$ in millions)
2020		
August	10	1.2%
September	3	0.3%
October	2	0.2%
November	4	0.5%
December	2	0.3%

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	Average daily trading volume		Average daily turnover
	(ADSs in millions)	(% of total underlying Shares)	(US\$ in millions)
2021			
January	4	0.4%	246
February	5	0.6%	370
March	5	0.6%	313
April	3	0.4%	170
May	8	0.9%	415
June	6	0.7%	306
July	10	1.1%	312
August	16	1.8%	304
September	12	1.3%	219
October	9	1.0%	181
November	10	1.1%	216
December	13	1.4%	254
2022			
January	10	1.1%	203
February	8	0.9%	168
March	32	3.5%	410
April 1 to April 26, 2022, the Latest Practicable Date	16	1.7%	220

Inventory of Shares to meet Hong Kong demand

Taking into account the average daily trading volume of our ADSs on the NYSE in the three months prior to April 26, 2022, the Latest Practicable Date, the average daily trading volume, within three months immediately after listings, of certain dual-listed companies recently listed in Hong Kong with market capitalization and turnover similar to that of our Company and the investor education measures as stated above, the Joint Sponsors believe that the above arrangements should provide a reasonable basis to facilitate the development of an open and orderly market in Hong Kong for the Shares.

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

DISCLOSURE AND OTHER SOURCES OF INFORMATION

Disclosure of market arrangements and investor education

As disclosed in “– Investor education” above, we have, and will continue to, take various measures to keep our Shareholders, investors and the market informed about our market arrangements, including dealing activities under the bridging and liquidity arrangements, and investor education prior to and after Listing. This includes, in addition to those disclosed in “– Investor education” above, the following measures:

- (a) publishing an announcement on the websites of the Company and the Hong Kong Stock Exchange as soon as practicable and in any event before 9:00 a.m., Hong Kong time, on the business day immediately before the Listing Date disclosing the number of Class A ordinary shares to be removed from our principal share register in the Cayman Islands and registered on our Hong Kong share register;
- (b) the interests of, and changes in interests from the dealings of, the Designated Dealer and the Alternate Designated Dealer in our Class A ordinary shares will be disclosed on the website of the Hong Kong Stock Exchange in accordance with Part XV of the SFO and other applicable Laws; and
- (c) additional information about our Company can be found in our Company’s filings with the SEC published on the SEC’s website.

Sources of information

Source	Designated website
Company	investors.ke.com
Hong Kong Stock Exchange	www.hkexnews.hk
U.S. Securities and Exchange Commission	www.sec.gov

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KE HOLDINGS INC. AND GOLDMAN SACHS (ASIA) L.L.C. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED**Introduction**

We report on the historical financial information of KE Holdings Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-132, which comprises the consolidated balance sheets as at December 31, 2019, 2020 and 2021, the company balance sheets as at December 31, 2019, 2020 and 2021, and the consolidated statements of comprehensive income (loss), the consolidated statements of changes in shareholders' equity (deficit) and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020 and 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-132 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated May 5, 2022 in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2.2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2.2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2019, 2020 and 2021 and the consolidated financial position of the Group as at December 31, 2019, 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 30 to the Historical Financial Information which states that no dividends have been paid by KE Holdings Inc. in respect of the Track Record Period.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

May 5, 2022

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the consolidated financial statements of the Group for the years ended December 31, 2019, 2020 and 2021 (collectively referred as “Historical Financial Statements”), after making additional disclosures for the purpose of this report. The consolidated financial statements for the years ended December 31, 2019, 2020 and 2021 were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”) relating to the financial statements and the effectiveness of internal control over financial reporting as of December 31, 2021.

The Historical Financial Information is presented in Renminbi (“RMB”). All values are rounded to the nearest thousand except when otherwise indicated.

CONSOLIDATED BALANCE SHEETS

(All amounts in thousands, unless otherwise noted)

		As of December 31,		
	Note	2019	2020	2021
		RMB	RMB	RMB
ASSETS				
Current assets:				
Cash and cash equivalents	3	24,319,332	40,969,979	20,446,104
Restricted cash	3	7,380,341	8,567,496	6,286,105
Short-term investments	4	1,844,595	15,688,321	29,402,661
Short-term financing receivables, net of allowance for credit losses of RMB92,223, RMB113,905 and RMB131,558 as of December 31, 2019, 2020 and 2021, respectively	7	2,125,621	3,931,641	702,452
Accounts receivable, net of allowance for credit losses of RMB460,962, RMB1,122,218 and RMB2,151,271 as of December 31, 2019, 2020 and 2021, respectively	6	8,093,219	13,183,559	9,324,952
Amounts due from and prepayments to related parties	27	927,306	484,349	591,342
Loan receivables from related parties	27	1,929,076	36,378	42,788
Prepayments, receivables and other assets	5	5,292,996	4,677,378	3,129,950
Total current assets		<u>51,912,486</u>	<u>87,539,101</u>	<u>69,926,354</u>
Non-current assets:				
Property and equipment, net	8	1,134,228	1,472,460	1,971,707
Right-of-use assets	10	5,625,015	6,821,100	7,244,211
Long-term financing receivables, net of allowance for credit losses of RMB847, RMB13,414 and RMB204 as of December 31, 2019, 2020 and 2021, respectively	7	265,868	218,018	10,039
Long-term investments, net	11	2,333,745	3,140,315	17,038,171
Intangible assets, net	9	2,560,442	1,642,651	1,141,273
Goodwill	12	2,477,075	2,467,497	1,805,689
Non-current restricted cash	3	230,903	–	–
Other non-current assets		<u>725,550</u>	<u>994,394</u>	<u>1,181,421</u>
Total non-current assets		<u>15,352,826</u>	<u>16,756,435</u>	<u>30,392,511</u>
TOTAL ASSETS		<u><u>67,265,312</u></u>	<u><u>104,295,536</u></u>	<u><u>100,318,865</u></u>

		As of December 31,		
	Note	2019	2020	2021
		RMB	RMB	RMB
LIABILITIES				
Current liabilities:				
Accounts payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB120,892, RMB139,103 and RMB61,836 as of December 31, 2019, 2020 and 2021, respectively)	14	4,212,705	6,594,846	6,008,765
Amounts due to related parties (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB104,957, RMB1,537 and RMB142,723 as of December 31, 2019, 2020 and 2021, respectively)	27	263,659	254,255	584,078
Employee compensation and welfare payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB1,587,750, RMB358,456 and RMB404,715 as of December 31, 2019, 2020 and 2021, respectively)		9,113,011	11,231,800	9,834,247
Customer deposits payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB3,173,825, RMB5,380,491 and RMB3,407,217 as of December 31, 2019, 2020 and 2021, respectively)		4,382,803	6,743,256	4,181,337
Income taxes payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB206,334, RMB146,119 and RMB37,308 as of December 31, 2019, 2020 and 2021, respectively)		994,815	986,465	567,589
Short-term borrowings (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB720,000, nil and nil as of December 31, 2019, 2020 and 2021, respectively)	13	720,000	–	260,000
Lease liabilities current portion (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB98,260, RMB18,079 and RMB9,618 as of December 31, 2019, 2020 and 2021, respectively)	10	2,222,745	2,625,979	2,752,795

APPENDIX I**ACCOUNTANT'S REPORT**

		As of December 31,		
	<i>Note</i>	2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Short-term funding debts (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB2,291,723, RMB1,432,375 and RMB194,200 as of December 31, 2019, 2020 and 2021, respectively)	16	2,291,723	1,512,510	194,200
Contract liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB49,191, RMB27,397 and RMB7,590 as of December 31, 2019, 2020 and 2021, respectively)		593,373	734,157	1,101,929
Accrued expenses and other current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB205,337, RMB416,197 and RMB197,900 as of December 31, 2019, 2020 and 2021, respectively)	15	3,002,841	2,950,078	3,451,197
Total current liabilities		<u>27,797,675</u>	<u>33,633,346</u>	<u>28,936,137</u>
Non-current liabilities:				
Deferred tax liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB49,524, RMB7,700 and RMB4,483 as of December 31, 2019, 2020 and 2021, respectively)	19	22,446	17,289	22,920
Lease liabilities non-current portion (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB101,727, RMB25,475 and RMB3,416 as of December 31, 2019, 2020 and 2021, respectively)	10	2,914,240	3,833,914	4,302,934
Long-term borrowings	13	4,890,030	–	–
Long-term funding debts (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB7,500, RMB15,000 and nil as of December 31, 2019, 2020 and 2021, respectively)	16	7,500	15,000	–
Other non-current liabilities		<u>97,829</u>	<u>3,471</u>	<u>1,381</u>
Total non-current liabilities		<u>7,932,045</u>	<u>3,869,674</u>	<u>4,327,235</u>
TOTAL LIABILITIES		<u>35,729,720</u>	<u>37,503,020</u>	<u>33,263,372</u>

		As of December 31,		
	<i>Note</i>	2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Commitments and contingencies	28			
MEZZANINE EQUITY	22			
Series B convertible redeemable preferred shares (US\$0.00002 par value; 750,000,000 shares authorized, 298,483,760 issued and outstanding with redemption value of RMB6,406,056 as of December 31, 2019; nil authorized, issued and outstanding as of December 31, 2020 and 2021)		6,406,056	—	—
Series C convertible redeemable preferred shares (US\$0.00002 par value; 750,000,000 shares authorized, 470,568,175 issued and outstanding with redemption value of RMB12,118,251 as of December 31, 2019; nil authorized, issued and outstanding as of December 31, 2020 and 2021)		12,118,251	—	—
Series D convertible redeemable preferred shares (US\$0.00002 par value; 1,000,000,000 shares authorized, 430,835,530 issued and outstanding with redemption value of RMB11,831,223 as of December 31, 2019; nil authorized, issued and outstanding as of December 31, 2020 and 2021)		11,831,223	—	—
Series D+ convertible redeemable preferred shares (US\$0.00002 par value; 750,000,000 shares authorized, 310,879,155 issued and outstanding with redemption value of RMB10,017,365 as of December 31, 2019; nil authorized, issued and outstanding as of December 31, 2020 and 2021)		10,017,365	—	—
TOTAL MEZZANINE EQUITY		<u>40,372,895</u>	<u>—</u>	<u>—</u>

		As of December 31,		
	Note	2019	2020	2021
		RMB	RMB	RMB
SHAREHOLDERS' EQUITY (DEFICIT)				
KE Holdings Inc. shareholders' equity				
(deficit):				
Ordinary Shares (US\$0.00002 par value; 25,000,000,000 ordinary shares authorized, comprising of 23,614,698,720 Class A ordinary shares, 885,301,280 Class B ordinary shares and 500,000,000 shares each of such classes to be designated, 584,865,410, 2,666,966,855 and 2,705,911,235 Class A ordinary shares issued and outstanding as of December 31, 2019, 2020 and 2021; 885,301,280 Class B ordinary shares issued and outstanding as of December 31, 2019, 2020 and 2021)	21	202	482	489
Additional paid-in capital		2,533,889	77,433,882	78,972,169
Statutory reserves		253,732	392,834	483,887
Accumulated other comprehensive income (loss)		63,308	(1,834,087)	(2,639,723)
Accumulated deficit		(11,775,637)	(9,227,664)	(9,842,846)
Total KE Holdings Inc. shareholders' equity				
(deficit)		(8,924,506)	66,765,447	66,973,976
Non-controlling interests		87,203	27,069	81,517
TOTAL SHAREHOLDERS' EQUITY				
(DEFICIT)		(8,837,303)	66,792,516	67,055,493
TOTAL LIABILITIES, MEZZANINE				
EQUITY AND SHAREHOLDERS'				
EQUITY (DEFICIT)		67,265,312	104,295,536	100,318,865

COMPANY BALANCE SHEETS

(All amounts in thousands, unless otherwise noted)

		As of December 31,		
	Note	2019 RMB	2020 RMB	2021 RMB
ASSETS				
Current assets:				
Cash and cash equivalents		12,525,274	3,261,585	55,235
Short-term investments	4	–	3,903,368	81,906
Amounts due from related parties		–	34,414	–
Amounts due from subsidiaries and VIEs	29	69,763	2,618,824	1,997,867
Prepayments, receivables and other assets		25,679	20,468	55,320
Non-current assets:				
Investment in subsidiaries and VIEs		16,630,877	57,035,601	62,289,064
Long-term investments, net	11	–	–	2,527,253
Intangible assets, net	9	2,075,420	–	–
Other non-current assets		145,806	–	–
TOTAL ASSETS		<u>31,472,819</u>	<u>66,874,260</u>	<u>67,006,645</u>
LIABILITIES				
Current liabilities:				
Accrued expenses and other current liabilities		24,430	108,813	32,669
TOTAL LIABILITIES		<u>24,430</u>	<u>108,813</u>	<u>32,669</u>
MEZZANINE EQUITY				
	22			
Series B convertible redeemable preferred shares		6,406,056	–	–
Series C convertible redeemable preferred shares		12,118,251	–	–
Series D convertible redeemable preferred shares		11,831,223	–	–
Series D+ convertible redeemable preferred shares		10,017,365	–	–
TOTAL MEZZANINE EQUITY		<u>40,372,895</u>	<u>–</u>	<u>–</u>
SHAREHOLDERS' EQUITY (DEFICIT)				
Ordinary Shares	21	202	482	489
Additional paid-in capital		2,533,889	77,433,882	78,972,169
Accumulated other comprehensive income (loss)		63,308	(1,834,087)	(2,639,723)
Accumulated deficit		(11,521,905)	(8,834,830)	(9,358,959)
Total shareholders' equity (deficit)		<u>(8,924,506)</u>	<u>66,765,447</u>	<u>66,973,976</u>
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY (DEFICIT)		<u>31,472,819</u>	<u>66,874,260</u>	<u>67,006,645</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(All amounts in thousands, unless otherwise noted)

		For the Year Ended December 31,		
	<i>Note</i>	2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net revenues:				
Existing home transaction services		24,568,508	30,564,584	31,947,953
New home transaction services		20,273,860	37,937,886	46,472,378
Emerging and other services		<u>1,172,538</u>	<u>1,978,508</u>	<u>2,332,108</u>
Total net revenues	2.21	<u>46,014,906</u>	<u>70,480,978</u>	<u>80,752,439</u>
Cost of revenues:				
Commission-split		(11,154,698)	(24,847,023)	(31,826,634)
Commission and compensation-internal		(19,444,127)	(23,324,145)	(26,306,569)
Cost related to stores		(3,078,672)	(3,206,601)	(3,809,757)
Others		<u>(1,069,365)</u>	<u>(2,243,352)</u>	<u>(2,990,064)</u>
Total cost of revenues		<u>(34,746,862)</u>	<u>(53,621,121)</u>	<u>(64,933,024)</u>
Gross profit		<u>11,268,044</u>	<u>16,859,857</u>	<u>15,819,415</u>
Operating expenses:				
Sales and marketing expenses		(3,105,899)	(3,715,278)	(4,309,116)
General and administrative expenses		(8,376,531)	(7,588,809)	(8,924,470)
Research and development expenses		(1,571,154)	(2,477,911)	(3,193,988)
Impairment of goodwill, intangible assets and other long-lived assets	8&9&12	<u>—</u>	<u>(236,050)</u>	<u>(746,705)</u>
Total operating expenses		<u>(13,053,584)</u>	<u>(14,018,048)</u>	<u>(17,174,279)</u>
Income (loss) from operations		<u>(1,785,540)</u>	<u>2,841,809</u>	<u>(1,354,864)</u>
Interest income, net	18	230,339	163,600	354,567
Share of results of equity investees		11,382	(37,574)	36,606
Fair value changes in investments, net		(109,193)	369,124	564,804
Impairment loss for equity investments accounted for using measurement alternative	11	<u>—</u>	<u>(9,000)</u>	<u>(183,789)</u>
Foreign currency exchange gain (loss)		(54,052)	3,506	20,988
Other income, net	17	<u>431,300</u>	<u>1,055,654</u>	<u>1,702,414</u>

APPENDIX I**ACCOUNTANT'S REPORT**

		For the Year Ended December 31,		
	<i>Note</i>	2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Income (loss) before income tax expense		(1,275,764)	4,387,119	1,140,726
Income tax expense	19	<u>(904,363)</u>	<u>(1,608,796)</u>	<u>(1,665,492)</u>
Net income (loss)		(2,180,127)	2,778,323	(524,766)
Net loss (income) attributable to non-controlling interests shareholders		<u>(3,419)</u>	<u>(731)</u>	<u>637</u>
Net income (loss) attributable to KE Holdings Inc.		(2,183,546)	2,777,592	(524,129)
Accretion on convertible redeemable preferred shares to redemption value		(1,866,528)	(1,755,228)	–
Income allocation to participating preferred shares		<u>–</u>	<u>(301,898)</u>	<u>–</u>
Net income (loss) attributable to KE Holdings Inc.'s ordinary shareholders		<u><u>(4,050,074)</u></u>	<u><u>720,466</u></u>	<u><u>(524,129)</u></u>
Net income (loss)		(2,180,127)	2,778,323	(524,766)
Other comprehensive income (loss)				
Currency translation adjustments		63,442	(1,897,395)	(841,214)
Unrealized gains on available-for-sale investments, net of reclassification		<u>–</u>	<u>–</u>	<u>35,578</u>
Total other comprehensive income (loss)		<u>63,442</u>	<u>(1,897,395)</u>	<u>(805,636)</u>
Total comprehensive income (loss)		<u>(2,116,685)</u>	<u>880,928</u>	<u>(1,330,402)</u>
Comprehensive loss (income) attributable to non-controlling interests shareholders		<u>(3,419)</u>	<u>(731)</u>	<u>637</u>

	<i>Note</i>	For the Year Ended December 31,		
		2019 <i>RMB</i>	2020 <i>RMB</i>	2021 <i>RMB</i>
Comprehensive income (loss) attributable to KE Holdings Inc.		(2,120,104)	880,197	(1,329,765)
Accretion on convertible redeemable preferred shares to redemption value		(1,866,528)	(1,755,228)	–
Income allocation to participating preferred shares		–	(301,898)	–
Comprehensive loss attributable to KE Holdings Inc.'s ordinary shareholders		<u>(3,986,632)</u>	<u>(1,176,929)</u>	<u>(1,329,765)</u>
Weighted average number of ordinary shares used in computing net income (loss) per share, basic and diluted				
– Basic	26	1,378,235,522	2,226,264,859	3,549,121,628
– Diluted	26	1,378,235,522	2,267,330,891	3,549,121,628
Net income (loss) per share attributable to ordinary shareholders				
– Basic	26	(2.94)	0.32	(0.15)
– Diluted	26	(2.94)	0.32	(0.15)
Share-based compensation expenses included in:	20			
Cost of revenues		–	511,637	406,131
Sales and marketing expenses		–	77,574	110,446
General and administrative expenses		2,955,590	1,131,335	595,732
Research and development expenses		–	532,043	425,978

(All amounts in thousands, except for share and per share data, unless otherwise noted)

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Attributable to owners of KE Holdings Inc.											
	Ordinary Shares		Treasury Shares		Additional		Accumulated			Non-controlling Interests	Total Equity (Deficit)
	Shares	RMB	Shares	RMB	Paid-in Capital	Statutory Reserves	Comprehensive Income (Loss)	Accumulated Deficit	Total		
		RMB		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance at December 31, 2019	1,470,166,690	202	-	-	2,533,889	253,732	63,308	(11,775,637)	(8,924,506)	87,203	(8,837,303)
Change in accounting standard (Note 2.1(a))	-	-	-	-	-	-	-	(90,517)	(90,517)	-	(90,517)
Balance at January 1, 2020	1,470,166,690	202	-	-	2,533,889	253,732	63,308	(11,866,154)	(9,015,023)	87,203	(8,927,820)
Net income	-	-	-	-	-	-	-	2,777,592	2,777,592	731	2,778,323
Issuance of ordinary shares	22,652,050	3	-	-	605,392	-	-	-	605,395	-	605,395
Share-based compensation	-	-	-	-	2,252,589	-	-	-	2,252,589	-	2,252,589
Accretion on convertible redeemable preferred shares to redemption value (Note 22)	-	-	-	-	(1,755,228)	-	-	-	(1,755,228)	-	(1,755,228)
Automatic conversion of preferred shares into ordinary shares upon initial public offering ("IPO")	1,510,766,620	210	-	-	42,127,913	-	-	-	42,128,123	-	42,128,123
Ordinary shares issuance upon IPO, net of issuance costs	365,700,000	51	-	-	16,345,771	-	-	-	16,345,822	-	16,345,822
Ordinary share issuance upon follow-on public offering, net of issuance costs	122,130,000	16	-	-	15,284,267	-	-	-	15,284,283	-	15,284,283
Appropriation to statutory reserves	-	-	-	-	-	139,102	-	(139,102)	-	-	-
Currency translation adjustments	-	-	-	-	-	-	(1,897,395)	-	(1,897,395)	-	(1,897,395)
Acquisition of non-controlling interests	-	-	-	-	39,289	-	-	-	39,289	(60,865)	(21,576)
Balance at December 31, 2020	3,491,415,360	482	-	-	77,433,882	392,834	(1,834,087)	(9,227,664)	66,765,447	27,069	66,792,516

	Attributable to owners of KE Holdings Inc.												
	Ordinary Shares		Treasury Shares		Additional Paid-in Capital		Statutory Reserves		Accumulated Other Comprehensive Income (Loss)		Non-controlling Interests		Total Equity (Deficit)
	Shares	RMB	Shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance at January 1, 2021	3,491,415,360	482	-	-	77,433,882	392,834	(1,834,087)	(9,227,664)	66,765,447	27,069	66,792,516		
Net loss	-	-	-	-	-	-	-	(524,129)	(524,129)	(637)	(524,766)		
Exercise of share options	57,076,970	7	-	-	-	-	-	-	7	-	7		
Share-based compensation	-	-	-	-	1,538,287	-	-	-	1,538,287	-	1,538,287		
Appropriation to statutory reserves	-	-	-	-	-	91,053	-	(91,053)	-	-	-		
Currency translation adjustments	-	-	-	-	-	-	(841,214)	-	(841,214)	-	(841,214)		
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	55,085	55,085		
Unrealized gains on available-for-sale investments, before reclassification	-	-	-	-	-	-	45,242	-	45,242	-	45,242		
Unrealized gains on available-for-sale investments, amounts reclassified from accumulated other comprehensive income	-	-	-	-	-	-	(9,664)	-	(9,664)	-	(9,664)		
Balance at December 31, 2021	3,548,492,330	489	-	-	78,972,169	483,887	(2,639,723)	(9,842,846)	66,973,976	81,517	67,055,493		

CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts in thousands, unless otherwise noted)

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Cash flows from operating activities:			
Net income (loss)	(2,180,127)	2,778,323	(524,766)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation of property and equipment	561,995	552,798	879,729
Amortization of intangible assets	477,323	621,174	491,032
Net impairment losses on financial assets	382,129	781,656	1,326,698
Impairment of goodwill, intangible assets and other long-lived assets	–	236,050	746,705
Equity method investment impairment	–	26,650	2,914
Provision (reversal) of credit losses for financing receivables	38,425	(26,650)	124,335
Deferred tax benefits	(438,661)	(359,429)	(170,065)
Share of results of equity investees	(11,382)	10,924	(39,520)
Dividends received from long-term investments	8,000	38,616	76,619
Fair value changes in investments	109,193	(369,124)	(564,804)
Impairment loss for equity investments accounted for using measurement alternative	–	9,000	183,789
Loss on disposal of a subsidiary	15,368	–	–
Gain on short-term investments	(104,893)	(174,839)	(487,724)
Foreign currency exchange loss (gain)	54,052	(3,506)	(20,988)
Loss (gain) on disposal of property, equipment and intangible assets	7,448	(3,548)	467
Share-based compensation expenses	2,955,590	2,252,589	1,538,287
Changes in assets and liabilities:			
Accounts receivable	(5,040,865)	(5,835,383)	2,646,058
Amounts due from and prepayments to related parties	113,435	442,957	(106,993)
Prepayments, receivables and other assets	(3,401,469)	559,094	1,450,492
Right-of-use assets	(493,133)	(1,196,085)	(418,389)
Other non-current assets	192,566	108,724	(11,331)
Accounts payable	2,719,717	2,302,917	(566,709)
Amounts due to related parties	37,757	(9,404)	329,823
Employee compensation and welfare payable	727,231	2,118,789	(1,399,663)
Customer deposits payable	1,589,450	2,360,453	(2,561,919)
Contract liabilities	289,559	140,784	367,772
Lease liabilities	431,398	1,322,908	588,714
Accrued expenses and other current liabilities	379,564	767,172	80,442
Income taxes payable	682,341	(8,350)	(418,876)
Other liabilities	10,615	(83,311)	52,993
Net cash provided by operating activities	112,626	9,361,949	3,595,122

APPENDIX I

ACCOUNTANT'S REPORT

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Cash flows from investing activities:			
Purchases of short-term investments	(10,351,585)	(52,966,073)	(47,854,690)
Maturities of short-term investments	11,136,382	39,767,644	37,978,991
Cash paid for business combination, net of cash acquired	(772,783)	(10,800)	(21,842)
Proceeds from disposal of a subsidiary, property, equipment and long-lived assets	28,770	24,667	18,521
Purchases of property, equipment and intangible assets	(703,008)	(887,002)	(1,429,977)
Financing receivables originated	(16,178,638)	(37,176,862)	(32,966,185)
Collections of financing receivables principal	14,792,984	35,384,443	36,279,018
Purchases of long-term held-to-maturity investments	—	—	(136,322)
Purchases of available-for-sale debt investments	—	—	(8,544,633)
Purchases of long-term investments	(1,917,860)	(996,123)	(9,458,545)
Sales and maturities of available-for-sale debt investments	—	—	715,957
Proceeds from disposal of other long-term investments	800	790	542,043
Loans to related parties	(584,576)	(29,953)	(28,100)
Repayments of loans from related parties	675,792	1,911,651	21,690
Net cash used in investing activities	(3,873,722)	(14,977,618)	(24,884,074)
Cash flows from financing activities:			
Proceeds from issuance of preferred shares	15,844,058	—	—
Ordinary shares issuance upon IPO, net of issuance costs	—	16,345,822	—
Ordinary shares issuance upon follow-on public offering, net of issuance costs	—	15,284,283	—
Cash paid for non-controlling interests in subsidiaries	(6,383)	(51,474)	(870)
Cash paid for mandatorily redeemable non-controlling interests (<i>Note 15</i>)	—	(193,983)	—
Repurchase of ordinary shares	(207,145)	—	—
Proceeds from issuance of ordinary shares upon exercise of share option	—	—	7
Proceeds from re-issuance of treasury shares	232,885	—	—
Repurchase of deemed issued shares	(140,074)	—	—
Proceeds from short-term borrowings	3,333,343	250,000	260,000
Repayments of short-term borrowings	(2,823,343)	(970,000)	—
Proceeds from long-term borrowings	4,880,423	42,040	—
Repayments of long-term borrowings	—	(4,528,725)	—
Proceeds from funding debts	3,950,227	3,260,988	507,543
Repayments of funding debts	(2,582,213)	(4,032,701)	(1,840,853)

APPENDIX I
ACCOUNTANT'S REPORT

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Reinjection of capital from preferred shareholders in connection with the Reorganization (<i>Note 1</i>)	9,892,606	—	—
Repatriation of capital to preferred shareholders to facilitate the Reorganization (<i>Note 1</i>)	(6,931,136)	—	—
Repurchases of preferred shares	(2,414,607)	—	—
Dividends paid to non-controlling shareholders of subsidiaries	(2,245)	—	—
Net cash provided by (used in) financing activities	<u>23,026,396</u>	<u>25,406,250</u>	<u>(1,074,173)</u>
Effect of exchange rate change on cash, cash equivalents and restricted cash	(94,922)	(2,183,682)	(442,141)
Net increase (decrease) in cash and cash equivalents and restricted cash	<u>19,170,378</u>	<u>17,606,899</u>	<u>(22,805,266)</u>
Cash, cash equivalents and restricted cash at the beginning of the year			
Including:			
Cash and cash equivalents at the beginning of the year	9,115,649	24,319,332	40,969,979
Restricted cash at the beginning of the year	3,516,594	7,380,341	8,567,496
Non-current restricted cash at the beginning of the year	<u>127,955</u>	<u>230,903</u>	<u>—</u>
Total	<u>12,760,198</u>	<u>31,930,576</u>	<u>49,537,475</u>
Cash, cash equivalents and restricted cash at the end of the year			
Including:			
Cash and cash equivalents at the end of the year	24,319,332	40,969,979	20,446,104
Restricted cash at the end of the year	7,380,341	8,567,496	6,286,105
Non-current restricted cash at the end of the year	<u>230,903</u>	<u>—</u>	<u>—</u>
Total	<u>31,930,576</u>	<u>49,537,475</u>	<u>26,732,209</u>

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Supplemental disclosures:			
Cash paid for income taxes	(660,683)	(2,076,115)	(2,295,576)
Cash paid for interest	(236,827)	(194,752)	(4,671)
Non-cash investing and financing activities			
Accretion of convertible redeemable preferred shares to redemption value	1,866,528	1,755,228	—
Prepayments for long-term investments	40,000	—	—
Changes in accounts payable related to property and equipment addition	48,230	(139,100)	20,142
Issuance of ordinary shares for purchase of non-controlling interests (<i>Note 15</i>)	—	605,395	—

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ORGANIZATION

(a) Principle activities, subsidiaries and VIEs

KE Holdings Inc. (“the Company”) was incorporated in the Cayman Islands on July 6, 2018 under the Cayman Islands Companies Law as an exempted company with limited liability. The Company through its consolidated subsidiaries, variable interest entities (the “VIE”s) and the subsidiaries of the VIEs (collectively, the “Group”), is principally engaged in operating a leading integrated online and offline platform for housing transactions and services in the People’s Republic of China (the “PRC” or “China”).

As of December 31, 2021, the details of the Company’s major subsidiaries and consolidated VIEs (inclusive of the VIEs’ subsidiaries) are as follows:

Name	Place and date of incorporation or acquisition	Registered/ Issued and paid-up capital ('000)	Attributable equity interest of the Group			Principal activities and place of operation	Statutory auditors	
			2019	December 31, 2020	2021		2019	December 31, 2020
Major subsidiaries								
Beike Group (Cayman) Limited	Cayman Island, August 6, 2018	USD6,000,010	100%	100%	100%	Investment holding in Cayman Island	N/A	N/A
Beike Group (BVI) Limited	British Virgin Islands, July 12, 2018	USD10	100%	100%	100%	Investment holding in British Virgin Islands	N/A	N/A
Sharehome HK International Limited	Hong Kong, December 16, 2016	HKD1,000	100%	100%	100%	Investment holding in Hong Kong	N/A	N/A
Beike (Tianjin) Investment Co., Ltd. ("Beike Tianjin")	PRC, September 29, 2018	USD500,000	100%	100%	100%	Investment holding in the PRC	BDO Dahua Certified Public Accountants ("BDO Dahua")	BDO Dahua
Jinbei (Tianjin) Technology Co., Ltd. ("Jinbei Technology")	PRC, August 22, 2018	USD100	100%	100%	100%	Investment holding in the PRC	N/A	N/A
Beike Jinke (Tianjin) Technology Co., Ltd. ("Beike Jinke")	PRC, October 30, 2018	USD5,000	100%	100%	100%	Investment holding in the PRC	N/A	N/A
Lianjia (Tianjin) Enterprise Management Co., Ltd. ("Lianjia Enterprise Management")	PRC, August 13, 2018	RMB209,539	100%	100%	100%	Investment holding in the PRC	BDO Dahua	BDO Dahua
Beijing Lianjia Zhidi Real Estate Brokerage Co., Ltd. ("Lianjia Zhidi")	PRC, July 25, 2005	RMB10,000	100%	100%	100%	Agency service in the PRC	BDO Dahua	BDO Dahua
Deyou Real Estate Agency Co., Ltd. ("Deyou Real Estate Agency")	PRC, September 5, 2002	RMB50,000	100%	100%	100%	Agency service in the PRC	BDO Dahua	BDO Dahua
Beike Zhaofang (Beijing) Technology Co., Ltd. ("Beike Zhaofang")	PRC, August 3, 2015	RMB10,000	100%	100%	100%	Research and development in the PRC	BDO Dahua	BDO Dahua
Beike Technology Co., Ltd.	PRC, June 28, 2017	RMB100,000	100%	100%	100%	Research and development in the PRC	BDO Dahua	BDO Dahua
Consolidated VIEs								
Beijing Lianjia Real Estate Brokerage Co., Ltd. ("Beijing Lianjia")	PRC, September 30, 2001	RMB13,558	100%	100%	100%	Mobile application development and operation in the PRC	BDO Dahua	BDO Dahua
Beijing Yiju Taihe Technology Co., Ltd. ("Yiju Taihe")	PRC, July 23, 2010	RMB753,036	100%	100%	100%	Holding company of licensed financial business in the PRC	N/A	N/A
Tianjin Xiaowu Information & Technology Co., Ltd. ("Tianjin Xiaowu")	PRC, November 14, 2017	RMB10,000	100%	100%	100%	Mobile application and webpage development and operation in the PRC	BDO Dahua	BDO Dahua
Subsidiaries of VIEs								
Beijing Zhongrongxin Financing Guarantee Co., Ltd.	PRC, November 10, 2006	RMB1,000,000	100%	100%	100%	Financing guarantee in the PRC	Beijing Dongshen Dingli International Accounting Firm Co., Ltd.	Beijing Dongshen Dingli International Accounting Firm Co., Ltd.
Beijing Ehomepay Technologies Co., Ltd.	PRC, August 8, 2013	RMB100,000	100%	100%	100%	Third party payment in the PRC	BDO Dahua	BDO Dahua

- (1) For the ones not applicable, no audited financial statements were issued for certain companies for the years ended December 31, 2019 and 2020 as they are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation. Except for Beijing Ehomepay Technologies Co., Ltd., whose statutory auditor is BDO Dahua, no audited financial statements have been issued for these companies yet for the year ended December 31, 2021.
- (2) The English names of the subsidiaries and VIEs represent the best effort by the management of the Company in translating its Chinese names as they do not have official English name.

(b) History and reorganization of the Group

The Group commenced operations in the PRC in 2001 through Beijing Lianjia, which was established in September 2001 by Mr. Zuo Hui (the “Founder” and permanent chairman emeritus of the Company). Beijing Lianjia and its subsidiaries developed various businesses over time and expanded nationwide in China. During January 2017, the Group restructured Yiju Taihe, which was originally a subsidiary of Beijing Lianjia and operated financial service businesses, to mirror the holding structure substantially identical to that of Beijing Lianjia. In November 2017, the Group incorporated Tianjin Xiaowu, to conduct operations related to value-added telecommunication services. The Founder is the ultimate controlling party of the Group as he has held majority voting power over the Group throughout the Group’s history.

Along with the launch of the Group’s Beike platform, the Company was incorporated in the Cayman Islands in July 2018 as the Group’s holding company to facilitate offshore financing. During July to December 2018, the Company established a series of intermediary holding entities which directly or indirectly hold the equity interests in Beike Tianjin, Jinbei Technology, and Beike Jinke, all of which are the Company’s wholly-owned PRC subsidiaries (collectively, “WFOEs”). Through a series of transactions, most of the original subsidiaries of Beijing Lianjia have become the subsidiaries of the applicable WFOEs and the Group’s other PRC subsidiaries. For example, most of Beijing Lianjia’s operating entities are transferred to Lianjia Zhidi and Lianjia Enterprise Management, both of which are wholly-owned subsidiaries of Beike Tianjin.

Then, through a series of reorganization transactions (the “Reorganization”), the Company obtained control over Beijing Lianjia, Yiju Taihe and Tianjin Xiaowu through contractual arrangements. In connection with the Reorganization, most of the shareholders of Beijing Lianjia and Yiju Taihe or such shareholders’ affiliates subscribed for ordinary shares, Series B and C convertible redeemable preferred shares of the Company as applicable, substantially in proportion to their previous respective equity interests in Beijing Lianjia and Yiju Taihe prior to the Reorganization. To effect the Reorganization, the Group returned onshore capital of RMB3,000 million and RMB6,931 million to preferred shareholder in 2018 and 2019, respectively. Such capital was reinjected to the Group offshore in 2019.

The Reorganization was completed on December 28, 2018.

During the second quarter of 2020, certain subsidiaries of Yiju Taihe operating businesses that do not restrict foreign ownership became the subsidiaries of the WFOEs.

On July 22, 2020, the Company effected a 5-for-1 share subdivision, following which each of the Company’s issued ordinary shares and preferred shares was subdivided into five ordinary shares and preferred shares, respectively. Upon the subdivision, the number of shares reserved for issuance under the Company’s existing share incentive plans and the number of shares to be issued under the options and other awards granted by the Company pursuant to the existing share incentive plans were adjusted to reflect the subdivision. All applicable share data, per share amounts and related information in the consolidated financial statements and notes thereto have been adjusted retroactively to give effect to the 5-for-1 share subdivision.

The Company has completed its initial public offering and been listed on the New York Stock Exchange since August 2020.

(c) Basis of Presentation for the Reorganization

During the Reorganization, the shareholding percentages and rights of each shareholder of the Group are substantially the same in Beijing Lianjia, Yiju Taihe and in the Company immediately before and after the Reorganization. Accordingly, the Reorganization is accounted for as a common control transaction because the Founder has control over the Group before and after the Reorganization.

There was no change in the basis of presentation of the financial statements resulting from these Reorganization transactions. The assets and liabilities have been stated at historical carrying amounts. The financial statements are prepared as if the corporate structure of the Group had been in existence since inception of the Group.

(d) VIE Companies

Due to the restrictions imposed by PRC laws and regulations on foreign ownership of companies engaged in value-added telecommunication services, finance businesses and certain other businesses, the Group operates its platforms and other restricted businesses in the PRC through certain PRC domestic companies, whose equity interests are held by certain management members of the Group and several other individuals and entities affiliated with the Group (“Nominee Shareholders”). The Group obtained control over these PRC domestic companies by entering into a series of contractual arrangements with these PRC domestic companies and their respective Nominee Shareholders.

These contractual agreements include powers of attorney, exclusive business cooperation agreements, exclusive option agreements, equity pledge agreements and spousal consent letters. These contractual agreements can be extended at the Group's relevant PRC subsidiaries' options prior to the expiration dates. Management concludes that these PRC domestic companies are VIEs of the Group, of which the Group is the ultimate primary beneficiary. As such, the Group consolidated the financial results of these PRC domestic companies and their subsidiaries in the Group's consolidated financial statements.

The following is a summary of the contractual agreements (collectively, "Contractual Agreements") that the Group, through its subsidiaries, entered into with the VIEs and their Nominee Shareholders:

i) Contractual Agreements with VIEs

Power of Attorney

Pursuant to the power of attorney agreements among the WFOEs, the VIEs and their respective Nominee Shareholders, each Nominee Shareholder of the VIEs irrevocably undertakes to appoint the WFOE, or a PRC citizen designated by the WFOE as the attorney-in-fact to exercise all of the rights as a shareholder of the VIEs, including, but not limited to, the right to convene and attend shareholders' meeting, vote on any resolution that requires a shareholder vote, such as appoint or remove directors and other senior management, and other voting rights pursuant to the articles of association (subject to the amendments) of the VIEs. Each power of attorney agreement is irrevocable and remains in effect as long as the Nominee Shareholder continues to be a shareholder of the VIEs.

Exclusive Business Cooperation Agreements

Pursuant to the exclusive business cooperation agreements among the WFOEs and the VIEs, respectively, the WFOEs have the exclusive right to provide the VIEs with services related to, among other things, comprehensive technical support, professional training, consulting services and marketing and promotional services. Without prior written consent of the WFOEs, the VIEs agree not to directly or indirectly accept the same or any similar services provided by any others regarding the matters ascribed by the exclusive business cooperation agreements. The VIEs agree to pay the WFOEs services fees, which will be determined by the WFOEs. The WFOEs have the exclusive ownership of intellectual property rights created as a result of the performance of the agreements. The agreements will remain effective except that the WFOEs are entitled to terminate the agreements in writing.

Exclusive Option Agreements

Pursuant to the exclusive option agreements among the WFOEs, the VIEs and their respective Nominee Shareholders, the Nominee Shareholders of the VIEs irrevocably grant the respective WFOEs an exclusive option to purchase, or have its designated person to purchase, at its discretion, to the extent permitted under PRC law, all or part of their equity interests in the VIEs (except for 3.03% of Beijing Lianjia's equity interests pledged to a third party as of December 31, 2018, while the pledge was removed in December 2019 and all equity interests were subject to the exclusive option agreements). The purchase price with respect to the equity interests in Tianjin Xiaowu shall be the amount of paid-in capital or the lowest price permitted by applicable PRC law, and the purchase price with respect to the equity interests in other VIEs shall be the higher of RMB1 or the lowest price permitted by applicable PRC law. The shareholders of the VIEs further undertake to pay to the WFOEs any dividends and other distributions they receive in relation to the equity interests they held in the VIEs, to the extent permitted by PRC law. The shareholders of the VIEs undertake that, without prior written consent of the WFOEs, they will not create any pledge or encumbrance on their equity interests in the VIEs, approve any transfer or in any manner disposal of their equity interests, or any disposition of any assets of the VIEs (other than limited exceptions). The shareholders of each of the VIEs agree, among other things, without prior written consent of the WFOEs, not to cause the relevant VIEs to merge with any other entities, increase or decrease its registered capital, declare or distribute dividends, amend its articles of association, enter into any material contract (other than those occurring in the ordinary course of business), appoint or remove its directors, supervisors or other management, be liquidated or dissolved (unless mandated by PRC laws), lend or borrow money (except for payables incurred in the ordinary course of business other than through loans) or undertake any actions that may adversely affect the VIEs' operating status and asset value. These agreements will remain effective until all of the equity interests of the relevant VIEs have been transferred to the WFOEs and/or its designated person. Jinbei Technology has the unilateral right to terminate the agreement with Tianjin Xiaowu.

Equity Pledge Agreements

Pursuant to the equity pledge agreements among the WFOEs, the VIEs and their respective Nominee Shareholders, the Nominee Shareholders of the VIEs pledged all of their respective equity interests in the VIEs to the WFOEs as security for performance of the obligations of the VIEs and their Nominee Shareholders under the exclusive business cooperation agreements, the power of attorney agreements, the exclusive option agreements and the equity pledge agreements, except for 3.03% of Beijing Lianjia's equity interests pledged to a third party as of December 31, 2018. The pledge was removed in December 2019 and all equity interests became subject to the equity pledge agreements. The Nominee Shareholders of the VIEs also undertake that, during the term of the equity pledge agreements, unless otherwise approved by the WFOEs in writing, they will not transfer the pledged equity interests or create or allow any new pledge or other encumbrance on the pledged equity interests. As of the date of this report, the Group has registered all such equity pledges with the local branch of the State Administration for Market Regulation in accordance with PRC laws to perfect the respective equity pledges. After the completion of the equity pledge registrations, in the event of a breach by the VIEs or its shareholders of contractual obligations under these agreements, the WFOEs will have the right to dispose of the pledged equity interests in the VIEs.

Spousal Consent Letters

Pursuant to the spousal consent letters, each of the spouses of the applicable individual Nominee Shareholders of the VIEs unconditionally and irrevocably agrees that the equity interest in the VIEs held by and registered in the name of his or her respective spouse will be disposed of pursuant to the relevant exclusive business cooperation agreements, equity pledge agreements, the exclusive option agreements and the power of attorney agreements, without his or her consent. In addition, each of them agrees not to assert any rights over the equity interest in the VIEs held by her respective spouses. In addition, in the event that any of them obtains any equity interest in the VIEs held by their respective spouses for any reason, such spouses agree to be bound by similar obligations and agreed to enter into similar contractual arrangements.

ii) Risks in relation to VIE structure

Part of the Group's business is conducted through the VIEs of the Group, of which the Company is the ultimate primary beneficiary. The Company has concluded that (i) the ownership structure of the VIEs is not in violation of any existing PRC law or regulation in any material respect; and (ii) each of the VIE Contractual Agreements is valid, legally binding and enforceable to each party of such agreements and will not result in any violation of PRC laws or regulations currently in effect. However, uncertainties in the PRC legal system could cause the relevant regulatory authorities to find the current VIE Contractual Agreements and businesses to be in violation of any existing or future PRC laws or regulations.

On March 15, 2019, the National People's Congress adopted the Foreign Investment Law of the PRC, which became effective on January 1, 2020, together with their implementation rules and ancillary regulations. The Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, but it contains a catch-all provision under the definition of "foreign investment", which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. It is unclear that whether the Group's corporate structure will be seen as violating the foreign investment rules as the Group are currently leveraging the contractual arrangements to operate certain businesses in which foreign investors are prohibited from or restricted to investing. If variable interest entities fall within the definition of foreign investment entities, the Group's ability to use the contractual arrangements with the VIE and the Group's ability to conduct business through the VIEs could be severely limited.

In addition, if the Group's corporate structure and the contractual arrangements with the VIEs through which the Group conducts its business in the PRC were found to be in violation of any existing or future PRC laws and regulations, the Group's relevant PRC regulatory authorities could:

- revoke or refuse to grant or renew the Group's business and operating licenses;
- restrict or prohibit related party transactions between the wholly owned subsidiary of the Group and the VIEs;
- impose fines, confiscate income or other requirements which the Group may find difficult or impossible to comply with;
- require the Group to alter, discontinue or restrict its operations;
- restrict or prohibit the Group's ability to finance its operations, and;
- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.

The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's businesses. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIEs or the right to receive its economic benefits, the Group would no longer be able to consolidate the VIEs. The management believes that the likelihood for the Group to lose such ability is remote based on current facts and circumstances. However, the interpretation and implementation of the laws and regulations in the PRC and their application to an effect on the legality, binding effect and enforceability of contracts are subject to the discretion of competent PRC authorities, and therefore there is no assurance that relevant PRC authorities will take the same position as the Group herein in respect of the legality, binding effect and enforceability of each of the contractual arrangements. Meanwhile, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to the Group to enforce the contractual arrangements should the VIEs or the Nominee Shareholders of the VIEs fail to perform their obligations under those arrangements.

Summary of Financial Information of the VIEs

In accordance with VIE Contractual Agreements, the Company (1) could exercise all shareholder's rights of the VIEs and has power to direct the activities that most significantly affects the economic performance of the VIEs, and (2) receive the economic benefits of the VIEs that could be significant to the VIEs. Accordingly, the Company is considered as ultimate primary beneficiary of the VIEs and has consolidated the VIEs' financial results of operations, assets and liabilities in the Company's consolidated financial statements. Therefore, the Company considers that there are no assets in the VIEs that can be used only to settle obligations of the VIEs, except for the registered capital of the VIEs amounting to approximately RMB1.9 billion, RMB2.5 billion and RMB2.8 billion as of December 31, 2019, 2020 and 2021, as well as certain non-distributable statutory reserves amounting to approximately RMB61.2 million, RMB69.2 million and RMB74.0 million as of December 31, 2019, 2020 and 2021. As the VIEs are incorporated as limited liability companies under the PRC Company Law, creditors do not have recourse to the general credit of the Company for the liabilities of the VIEs. There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs. As the Group is conducting certain businesses in the PRC through the VIEs, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss.

The following table sets forth the assets, liabilities, results of operations and changes in cash, cash equivalents and restricted cash of the consolidated VIEs (inclusive of the VIEs' subsidiaries, and the consolidated trusts as discussed in Note 2.11) taken as a whole, which were included in the Group's consolidated financial statements with intercompany transactions eliminated. The following disclosures present the financial positions of the businesses that currently constitute the VIE entities as of December 31, 2019, 2020 and 2021 and the operation results for the years ended December 31, 2019, 2020 and 2021.

APPENDIX I

ACCOUNTANT'S REPORT

Summary of Financial Information of the VIEs

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Cash and cash equivalents	3,569,728	1,082,388	2,465,384
Restricted cash	3,792,659	6,061,240	5,417,243
Short-term investments	1,821,946	1,065,752	324,804
Short-term financing receivables, net	2,125,621	953,840	640,419
Accounts receivable, net	78,480	92,123	25,186
Amounts due from and prepayments to related parties	664,078	533,988	336,223
Loan receivables from related parties	1,924,500	20,000	20,000
Prepayments, receivables and other assets	718,610	357,927	261,543
Amounts due from non-VIE subsidiaries of the Group	18,089,207	2,603,884	2,805,071
Total current assets	32,784,829	12,771,142	12,295,873
Property and equipment, net	163,450	103,914	93,031
Right-of-use assets	219,632	45,609	13,522
Long-term financing receivables, net	265,868	218,018	10,039
Long-term investments, net	306,874	106,742	361,375
Intangible assets, net	58,262	48,452	40,754
Goodwill	7,522	7,522	7,522
Non-current restricted cash	131,574	–	–
Other non-current assets	8,045	183,914	85,224
Total non-current assets	1,161,227	714,171	611,467
Total assets	33,946,056	13,485,313	12,907,340
Accounts payable	120,892	139,103	61,836
Amounts due to related parties	104,957	1,537	142,723
Employee compensation and welfare payable	1,587,750	358,456	404,715
Customer deposits payable	3,173,825	5,380,491	3,407,217
Income taxes payable	206,334	146,119	37,308
Short-term borrowings	720,000	–	–
Lease liabilities current portion	98,260	18,079	9,618
Short-term funding debts	2,291,723	1,432,375	194,200
Contract liabilities	49,191	27,397	7,590
Accrued expenses and other current liabilities	205,337	416,197	197,900
Amounts due to non-VIE subsidiaries of the Group	20,487,070	1,844,518	4,816,025
Total current liabilities	29,045,339	9,764,272	9,279,132
Deferred tax liabilities	49,524	7,700	4,483
Lease liabilities non-current portion	101,727	25,475	3,416
Long-term funding debts	7,500	15,000	–
Total non-current liabilities	158,751	48,175	7,899
Total liabilities	29,204,090	9,812,447	9,287,031

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Total net revenues from third party	5,195,298	1,020,299	946,883
Total net revenues from non-VIE subsidiaries of the Group	1,598,553	187,299	184,717
Total net revenues	6,793,851	1,207,598	1,131,600
Net income (loss)	(187,538)	614,223	(52,557)
Net cash provided by (used in) operating activities	6,701,805	(2,192,335)	(1,604,900)
Net cash provided by (used in) investing activities	(698,934)	3,413,849	3,784,129
Net cash used in financing activities	(7,442,072)	(1,571,848)	(1,440,230)
Net increase (decrease) in cash, cash equivalents and restricted cash	(1,439,201)	(350,334)	738,999

(e) Impact of COVID-19

The COVID-19 pandemic has adversely affected many aspects of the Group's business. Many of the brokerage stores on the platform, as well as the transaction support centers, underwent temporary closure in early 2020 as part of China's nationwide efforts to contain the spread of the novel coronavirus, and there were noticeable reductions of in-person visits of housing customers to brokerage stores and properties. After the initial outbreak of COVID-19, from time to time, some instances of COVID-19 infections have emerged in various regions of China, and varying levels of temporary restrictions are reinstated to contain the infections, such as temporary closure of the stores in the affected communities, which may adversely affected operations in these regions. The global spread of COVID-19 pandemic in major countries of the world may also result in global economic distress, and the extent to which it may affect the Group's results of operations will depend on future developments of the COVID-19 pandemic, which are highly uncertain and difficult to predict.

The Group has assessed various accounting estimates and other matters, including credit losses for financial assets, goodwill and other long-lived assets, long-term investments, share-based compensation, valuation allowances for deferred tax assets and revenue recognition. Based on the assessment, although the COVID-19 outbreak adversely affected the Group's business in the first quarter of 2020, considering its business activities have recovered since the second quarter of 2020, the Group concluded that COVID-19 would have no material impact on the Group's long-term forecast, and the Group did not identify any impairments related to its goodwill and other long-lived assets as a result of COVID-19 impact. However, there is still uncertainty around the duration of these disruptions and the possibility of other adverse effects on the Group's business, and the Group will continue to monitor for potential credit risk as the impact of the COVID-19 pandemic evolves.

As part of Chinese government's effort to ease the burden of businesses affected by COVID-19, the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration temporarily reduced or exempted payments to the government-mandated employee welfare benefit plans since February 2020. For the year ended December 31, 2020, the Group recognized government grants related to the above support program of approximately RMB916.6 million, which reduced the costs of employee benefits in the consolidated statements of comprehensive income (loss). There was no such program in the year ended December 31, 2021. It is uncertain whether such government support program will continue in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 (a) Impact of newly adopted accounting pronouncement

In 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326)," which replaces the existing incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The Company adopted Topic 326 using a modified retrospective method for all financial assets measured at amortized cost and liabilities for guarantee arrangements. Results for reporting periods beginning after January 1, 2020 are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a decrease to retained earnings, net of tax, of RMB91 million as of January 1, 2020 for the cumulative effect of adopting Topic 326. The Company assesses all financial assets subject to credit losses quarterly and establishes a reserve to reflect the net amount expected to be collected. The credit loss reserve is based on an assessment of historical collection activity, the nature of the receivable, the current business environment and forecasts that may affect the customers' ability to pay.

In December 2019, the FASB issued ASU No. 2019-12, "Simplifying the Accounting for Income Taxes" to remove specific exceptions to the general principles in Topic 740 and to simplify accounting for income taxes. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted the standard effective January 1, 2021 on a prospective basis. The adoption of the new standard did not have a material impact on the Company's consolidated financial statements.

In January 2020, the FASB issued ASU No. 2020-01, "Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815", which clarifies the interaction of the accounting for equity investments under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted the standard effective January 1, 2021 on a prospective basis. The adoption of the new standard did not have a material impact on the Company's consolidated financial statements.

2.1 (b) Recently issued accounting pronouncements not yet adopted

In August 2020, the FASB issued ASU No. 2020-06, "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)". The amendments in this update affect entities that issue convertible instruments and/or contracts indexed to and potentially settled in an entity's own equity. The new ASU eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. It also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the diluted EPS computation. The amendments in the ASU are effective for public business entities that meet the definition of an SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Board also specified that an entity should adopt the guidance as of the beginning of its annual fiscal year and is not permitted to adopt the guidance in an interim period. The Company does not expect the adoption of this update to have any material impact on its consolidated financial statements and accompanying disclosures.

In October 2021, the FASB issued ASU No. 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers," which requires entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination as if it had originated the contracts. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements.

In November 2021, the FASB issued ASU No. 2021-10, "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance," which requires disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The standard is effective for public companies for fiscal years beginning after December 15, 2021. The Company does not expect the adoption of this update to have any material impact on its consolidated financial statements and accompanying disclosures.

2.2 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Significant accounting policies followed by the Group in the preparation of its accompanying consolidated financial statements are summarized below.

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the consolidated VIEs (inclusive of the VIEs' subsidiaries) for which the Company is the ultimate primary beneficiary.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting power, has the power to appoint or remove the majority of the members of the Board of directors, to cast a majority of votes at the meeting of the Board of directors or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A consolidated VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, has the power to direct the activities that most significantly impact the entity's economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiaries is the primary beneficiary of the entity.

All transactions and balances between the Company, its subsidiaries, consolidated VIEs (inclusive of VIEs' subsidiaries) have been eliminated upon consolidation. The results of subsidiaries and VIEs acquired or disposed of during the year are recorded in the consolidated statements of comprehensive income (loss) from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

2.4 Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reporting periods in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Group's consolidated financial statements include, but are not limited to (i) revenue recognition, (ii) provision for credit losses of accounts receivable, financing receivables and other receivables, (iii) assessment for impairment of long-lived assets, intangible assets and goodwill, (iv) valuation and recognition of share-based compensation expenses, (v) useful lives of property and equipment and intangible assets, (vi) fair value of short-term and long-term investments, and derivative instruments, (vii) fair value of ordinary shares and convertible redeemable preferred shares, (viii) liabilities related to employee welfare benefits and (ix) provision for income tax and valuation allowance for deferred tax assets. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

2.5 Foreign currencies and foreign currency translation

The Group's reporting currency is Renminbi ("RMB"). The functional currency of the Company and its subsidiaries incorporated in the Cayman Islands, BVI and Hong Kong is United States dollars ("US\$") and the functional currency of the PRC entities in the Group is RMB. The Company's subsidiaries with operations in other jurisdictions generally use their respective local currencies as their functional currencies.

Transactions denominated in other than the functional currencies are re-measured into the functional currency of the entity at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rates at the balance sheet dates. Net gains and losses resulting from foreign exchange transactions are included in foreign currency exchange gain (loss) in the consolidated statements of comprehensive income (loss).

The financial statements of the Group are translated from the functional currencies into RMB. Assets and liabilities denominated in foreign currencies are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings generated in current period are translated into RMB at the appropriate historical rates. Revenues, expenses, gain and loss are translated into RMB using the periodic average exchange rates. Translation differences are recorded currency translation adjustments as a component of other comprehensive income in the consolidated statements of comprehensive income (loss).

2.6 Fair value measurements

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Other inputs that are directly or indirectly observable in the marketplace.
- Level 3 – Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measure the fair value of assets and liabilities: 1) market approach; 2) income approach and 3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

2.7 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments placed with banks or other financial institutions, which are unrestricted as to withdrawal or use, and which have original maturities less than three months and are readily convertible to known amount of cash.

2.8 Restricted cash and non-current restricted cash

Cash that is legally restricted as to withdrawal or for use or pledged as security is reported separately on the face of the consolidated balance sheets. In accordance with Accounting Standards Codification ("ASC") 230, the amounts generally described as restricted cash and restricted cash equivalents are included in the total cash, cash equivalents and restricted cash balances in the consolidated statements of cash flows.

The Group's restricted cash is classified into current and non-current portion based on the length of restricted period, and is mainly comprised of 1) cash received from the property buyers but not yet paid to the sellers through the Group's online payment platform, which is placed with banks in escrow accounts; 2) cash pledged with commercial banks for the Group's bank loans; 3) security deposits for the Group's guarantee and financing services; and 4) security deposits for forward exchange contract.

2.9 Short-term investments

Short-term investments include investments in financial instruments with a variable interest rate indexed to performance of underlying assets. For equity classified securities, in accordance with ASC 825 – "Financial Instruments", the Group elected the fair value option at the date of initial recognition and carried these investments at fair value. Changes in the fair value are reflected in the consolidated statements of comprehensive income (loss).

The Group also holds debt classified securities, and accounts for such investments in accordance with ASC Topic 320, Investments – Debt Securities ("ASC 320"). The Group classifies the short-term investments in debt as held-to-maturity, trading or available-for-sale, whose classification determines the respective accounting methods stipulated by ASC 320. Dividend and interest income, including amortization of the premium and discount arising at acquisition, for all categories of investments in securities are included in earnings. Any realized gains or losses on the sale of the short-term investments are determined on a specific identification method, and such gains and losses are reflected in earnings during the period in which gains or losses are realized.

Held-to-maturity investments include debt instruments issued by private companies for which the Group has the positive intent and ability to hold those securities to maturity, and time deposits represent time deposits placed with banks with maturities more than three months. The Group accounts for the held-to-maturity debt securities at amortized cost less allowance for credit losses.

The allowance for credit losses of the held-to-maturity debt securities reflects the Group's estimated expected losses over the contractual lives of the held-to-maturity debt securities and is charged to "Other income, net" in the consolidated statements of comprehensive income (loss). Estimated allowances for credit losses are determined by considering reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions. As of December 31, 2019, 2020 and 2021, the allowance for credit losses provided for the held-to-maturity debt securities held by the Group was insignificant.

Debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities, in accordance with ASC 320. Unrealized holding gains and losses for trading securities are included in earnings.

Debt investments not classified as trading or as held-to-maturity are classified as available-for-sale debt securities, which are reported at fair value, with unrealized gains and losses recorded in "Accumulated other comprehensive income (loss)" on the consolidated balance sheets.

Investments with expected maturity of over a year are classified as long-term investments. Investments with maturity date within one year will be reclassified to short-term investments.

2.10 Accounts receivable

Accounts receivable represents those receivables derived in the ordinary course of business, net of allowance for credit losses, including receivable from real estate property sellers, buyers and agents from the platform. Prior to January 1, 2020, the Group maintains an allowance for doubtful accounts to reserve for uncollectible receivable amounts. The allowance for doubtful accounts is estimated based upon the Group's assessment of various factors including historical experience, the age of the accounts receivable balances, current economic conditions and other factors that may affect the customers' ability to pay. Starting from January 1, 2020, the Group adopted ASC 326 and assesses the accounts receivable and establishes a reserve to reflect the net amount expected to be collected. The allowance is management's estimate of expected credit losses after considering historical collection activity, the nature of the receivable, the current business environment and forecasts that may affect the customers' ability to pay. Management estimated the allowance by segmenting accounts receivable based on certain credit risk characteristics and determining an expected loss rate for each segmentation based on historical loss experience adjusted for judgments about the effects of relevant observable data including current and future economic conditions.

The allowance for credit losses and corresponding receivables were written off when they are determined to be uncollectible.

2.11 Financing receivables

The Group generates financing receivables by providing personal credit loans to property buyers, tenants and other individual borrowers. The Group has the intent and the ability to hold such financing receivables for the foreseeable future or until maturity or payoff.

Financing receivables from consolidated Trusts

The Group has entered into arrangements with consolidated trusts ("Trusts"), pursuant to which the Group invested in the financing receivables using funds from the consolidated Trusts. The Trusts are administered by third-party trust companies, which act as the trustees, with funds contributed by the Group and/or other third-party investors for the purposes of providing returns to the beneficiary of the Trusts. The Group has power to direct the activities of the Trusts and has the obligation to absorb losses or the right to receive benefits from the Trusts that could potentially be significant to the Trusts. As a result, the Trusts are considered consolidated VIEs of the Group under ASC 810 – "Consolidation".

Therefore the loans funded by the consolidated Trusts are recorded as the Group's financing receivables. The proceeds received from the third-party investors are recognized as funding debts. Cash received via consolidated Trusts that has not yet been distributed is recorded as restricted cash.

Financing receivables from micro-loan platforms

The Group also offers micro loans to borrowers via micro-loan platforms. The loans offered mainly include: 1) installment loans for home renovation and furnishing to property owners; 2) loans provided to external small property agents; 3) loans provided to other individuals. As the Group undertakes substantially all the risks and rewards, the micro loans are recognized as financing receivables on the consolidated balance sheets.

Measurement of financing receivables

Financing receivables are measured at amortized cost and reported on the consolidated balance sheets at outstanding principal adjusted for any write-offs and the allowance for credit losses.

Allowance for credit losses

Prior to the adoption of ASU No. 2016-13 on January 1, 2020, the allowance for credit losses reflected the Group's estimated probable incurred losses. The Group assessed the creditworthiness and collectability of the portfolios of respective financial receivables, mainly based on delinquency levels and historical write-offs of respective underlying loans, where applicable, using an established systematic process on a pooled basis within each credit risk levels of the borrowers. When assigning borrowers into different credit risk levels, factors like location, education background, income level, outstanding external borrowings, and external credit references of the borrowers were considered. In the consideration of above factors, the Group determined that each portfolio of respective financial receivables subject to credit losses within each credit risk level was homogenous with similar credit characteristics. The allowance for credit losses and corresponding receivables were written off when they are determined to be uncollectible, as before then there was still a significant portion of the delinquent balance being collected based on historical data.

Starting from January 1, 2020, the Group adopted ASU No. 2016-13 and estimated the allowance for credit losses to reflect the Group's estimated expected losses. The Group assesses the allowance for credit losses, mainly based on the past collection experience as well as consideration of current and future economic conditions and changes in the Group's customer collection trends. The provision for credit losses represents an estimate of the losses expected to be incurred from the Group's finance receivable portfolio. The Group uses projected risk parameters (e.g. probability of default and loss given default (severity)) to estimate the allowance of different segmentations, driven primarily by business type, on a collective basis. This projected risk parameters are primarily based upon historical loss experience adjusted for judgments about the effects of relevant observable data including current and future economic conditions as well as external historical loan performance trends, recovery rates, credit quality indicators.

The Group considers available information in quarterly assessments of the adequacy of the allowance. The Group believes the estimates, including any qualitative adjustments, are reasonable and have considered reasonably available information about past events, current conditions, and reasonable and supportable forecasts of future events and economic conditions.

Accrued interest receivable

Accrued interest income on financing receivables is calculated based on the effective interest rate of the loan and recorded as interest income as earned. When a financing receivable reaches 1 day past due, it is placed on non-accrual status, and the Group stops accruing interest of the financing receivables as of such date. The accrued but unpaid interest as of such date is not reversed. The Group assesses the collectability of accrued interest together with the unpaid principal amount and provides reserves if warranted interest income for non-accrual financing receivables is recognized on a cash basis. Cash receipt of non-accrual financing receivables would be first applied to any unpaid principal, late payment fees, if any, before recognizing interest income. The Group does not resume accrual of interest after a loan has been placed on non-accrual basis.

2.12 Derivative instruments

Derivative instruments are measured at fair value and recognized as either assets or liabilities on the consolidated balance sheets in either current or non-current other assets or accrued expenses and other current liabilities or other long-term liabilities depending upon maturity and commitment. Changes in the fair value of derivatives are either recognized periodically in the consolidated income (loss) statements or in other comprehensive income (loss) depending on the use of the derivatives and whether they qualify for hedge accounting. The Group selectively uses financial instruments to manage market risk associated with exposure to fluctuations in interest rates and foreign currency rates. These financial exposures are monitored and managed by the Group as an integral part of its risk management program. The Group does not engage in derivative instruments for speculative or trading purposes. The Group's derivative instruments are not qualified for hedge accounting, thus changes in fair value are recognized in fair value changes in investments, net in the consolidated statements of comprehensive income (loss). The cash flows of derivative financial instruments are classified in the same category as the cash flows from the items subject to the economic hedging relationships. The estimated fair value of the derivatives is determined based on relevant market information. These estimates are calculated with reference to the market rates using industry standard valuation techniques.

2.13 Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed based upon the usage of the asset, which is approximated using a straight-line method over the estimated useful lives of the assets, which range as follows:

• Office building	20 – 40 years
• Vehicles	4 years
• Computer equipment	3 – 5 years
• Furniture and office equipment	3 – 5 years
• Leasehold improvement	lesser of the term of the lease or the estimated useful lives of the assets

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in other income, net in the consolidated statements of comprehensive income (loss).

2.14 Intangible assets, net

Intangible assets mainly include those acquired through business combinations and purchased intangible assets. Intangible assets acquired through business combinations are recognized as assets separate from goodwill if they satisfy either the “contractual-legal” or “separability” criterion. Intangible assets arising from business combinations are recognized and measured at fair value upon acquisition. Purchased intangible assets are initially recognized and measured at cost upon acquisition. Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives based upon the usage of the asset, which is approximated using a straight-line method as follows:

• Software	3 – 10 years
• Trademarks and domain names	3 – 10 years
• Customer relationships	3 – 5 years
• Non-competition agreements	3 – 5 years
• Advertising resources	5 years
• Licenses	6 – 10 years

The Group considers the factors listed in ASC 350-30-35-3 when determining the useful life of an intangible asset, such as the expected use of the asset by the entity, and any legal, regulatory, or contractual provisions that may limit the useful life. The useful life of software is mainly determined based on its expected use and contractual provisions. The useful life of trademarks and domain names is determined based on the expected use and legal provisions. The useful life of licenses, which are mainly licenses for franchise business, is determined on the expected cooperation period with franchisees.

Separately identifiable intangible assets and other long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for identifiable intangible assets is based on the amounts by which the carrying amounts of the assets exceed the fair values of the assets.

2.15 Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired in a business combination.

Goodwill is not depreciated or amortized but is tested for impairment on an annual basis, and between annual tests when an event occurs or circumstances change that could indicate that the asset might be impaired. The Group early adopted ASU No. 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" in 2019. In accordance with the FASB, a company first has the option to assess qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. In the qualitative assessment, the Group considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. If the Group decides, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss equal to the difference between the fair value and the carrying value is recognized. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

2.16 Long-term investments

(i) Equity investments accounted for using the equity method

In accordance with ASC 323 – "Investment – Equity Method and Joint Ventures", the Group applies the equity method of accounting to equity investments, in common stock or in-substance common stock, over which it has significant influence but does not own a majority equity interests or otherwise control.

An investment in in-substance common stock is an investment that has risk and reward characteristics that are substantially similar to that entity's common stock. The Group considers subordination, risks and rewards of ownership and obligation to transfer value when determining whether an investment in an entity is substantially similar to one in that entity's common stock.

Under the equity method, the Group initially records its investment at cost. The difference between the cost of the equity investment and the amount of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill or as an intangible asset as appropriate. The Group subsequently adjusts the carrying amount of the investment to recognize the Group's proportionate share of each equity investee's net income or loss into the consolidated statements of comprehensive income (loss) after the date of acquisition. When the Group's share of losses in the equity investee equals or exceeds its interest in the equity investee, the Group does not recognize further losses, unless the Group has incurred obligations or made payments or guarantees on behalf of the equity investee, or the Group holds other investments in the equity investee.

The Group continually reviews its investment in equity investees under the equity method to determine whether a decline in fair value to below the carrying value is other-than-temporary. The primary factors the Group considers in its determination are the duration and severity of the decline in fair value, the financial condition, operating performance and the prospects of the equity investee, and other company specific information such as recent financing rounds.

The fair value determination, particularly for investments in early stage privately-held companies, requires significant judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investments and the determination of whether any identified impairment is other-than-temporary. If any impairment is considered other-than-temporary, the Group writes down the asset to its fair value and takes the corresponding charge to the consolidated statements of comprehensive income (loss).

(ii) Investments accounted for at fair values

Beginning January 1, 2017, the Group early adopted ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU No. 2016-01"). Securities with readily determinable fair values are measured at fair value. Equity securities accounted for at fair values include investments in i) marketable equity securities, which are publicly traded stock and ii) unlisted companies, for which the Group measures at fair value on a recurring basis. Pursuant to ASC 321, for equity investments measured at fair value with changes in fair value recorded in earnings, the Group does not assess whether those securities are impaired.

For investments in convertible notes and loans receivable with maturities of over one year, the Group elected the fair value option. The fair value option permits the irrevocable election on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The investments accounted for under the fair value option are carried at fair value with realized or unrealized gains and losses recorded in the consolidated statements of comprehensive income (loss). For wealth management products with variable interest rates referenced to performance of underlying assets and with original maturities greater than one year, the Group elected the fair value method at the date of initial recognition and carries these investments at fair value in accordance with ASC 825 – "Financial Instruments". Changes in the fair value of these investments are reflected on the consolidated statements of comprehensive income (loss) as fair value changes in investments, net. Fair value is estimated based on quoted prices of similar products provided by financial institutions at the end of each reporting period. The Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

(iii) Equity investments measured at measurement alternative and NAV practical expedient

Private equity funds pursue various investment strategies. Investments in private equity funds generally are not redeemable due to the closed-ended nature of these funds. These private equity funds, over which the Group does not have the ability to exercise significant influence, are accounted for under the existing practical expedient in ASC Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820") to estimate fair value using the net asset value per share (or its equivalent) of the investment ("NAV practical expedient").

The Group measures investments in equity securities, other than equity method investments, at fair value through earnings. For those investments without readily determinable fair value and do not qualify for NAV practical expedient, the Group may elect to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes, in accordance with ASU No. 2016-01. Under this measurement alternative, changes in the carrying value of the equity investment will be required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer. For those equity investments that the Group elects to use the measurement alternative, the Group makes a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the Group has to estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the Group recognizes an impairment loss in net income (loss) equal to the difference between the carrying value and fair value.

(iv) *Long-term held-to-maturity investments*

Long-term held-to-maturity investments include debt instruments issued by private companies with maturities of greater than one year and for which the Group has the positive intent and ability to hold those securities to maturity, and long-term time deposits represent time deposits placed with banks with maturities more than one year. The Group accounts for the held-to-maturity debt securities at amortized cost less allowance for credit losses.

The allowance for credit losses of the held-to-maturity debt securities reflects the Group's estimated expected losses over the contractual lives of the held-to-maturity debt securities and is charged to "Other income, net" in the consolidated statements of comprehensive income (loss). Estimated allowances for credit losses are determined by considering reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions. As of December 31, 2019, 2020 and 2021, the allowance for credit losses provided for the held-to-maturity debt securities held by the Group was insignificant.

(v) *Available-for-sale debt investments*

Available-for-sale debt investments are debt instruments or preferred shares issued by banks and other financial institutions that are redeemable at the issuer's option, which are measured at fair value. Available-for-sale debt investments that are redeemable at the issuer's option have no contractual maturity date. Interest income is recognized in earnings. All other changes in the carrying amount of these debt investments are recognized in other comprehensive income (loss).

The allowance for credit losses of on available-for-sale debt securities is accounted for in accordance with ASC 326, Financial Instruments – Credit Losses ("ASC 326"). The Group adopted ASC 326 on January 1, 2020, on a modified retrospective basis. Under ASC 326, at each reporting period, available-for-sale debt securities are evaluated at the individual security level to determine whether there is a decline in the fair value below its amortized cost basis (an impairment). In circumstances where the Group intends to sell, or are more likely than not required to sell, the security before it recovers its amortized cost basis, the difference between fair value and amortized cost is recognized as a loss in the consolidated statements of operations, with a corresponding write-down of the security's amortized cost. In circumstances where neither condition exists, we then evaluate whether a decline is due to credit-related factors. The factors considered in determining whether a credit loss exists can include the extent to which fair value is less than the amortized cost basis, changes in the credit quality of the underlying loan obligors, credit ratings actions, as well as other factors. To determine the portion of a decline in fair value that is credit-related, we compare the present value of the expected cash flows of the security discounted at the security's effective interest rate to the amortized cost basis of the security. A credit-related impairment is limited to the difference between fair value and amortized cost, and recognized as an allowance for credit loss on the consolidated balance sheet with a corresponding adjustment to net income (loss). Any remaining decline in fair value that is non-credit related is recognized in other comprehensive income (loss), net of tax. Improvements in expected cash flows due to improvements in credit are recognized through reversal of the credit loss and corresponding reduction in the allowance for credit loss.

2.17 Leases

The Group mainly leases brokerage sales stores (including contract service centers), administrative offices, entrusted houses and land use rights from property owners. These are all classified as operating leases. Effective January 1, 2019, the Group adopted the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)" ("ASC 842"), along with several additional clarifications issued during 2018, collectively "new lease standard", using a modified retrospective transition approach with the cumulative effect recognized at the beginning of the earliest comparative period presented in its audited consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019. The new lease standard requires entities that lease assets with lease terms of more than 12 months to recognize right-of-use ("ROU") assets and lease liabilities created by those leases on their balance sheets. This new lease standard also requires new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. As part of the adoption of the new lease standard, the Group elected the package of practical expedients which allows the Group to not re-assess (i) any existing arrangements contained a lease, (ii) the lease classification of any existing leases and (iii) initial direct costs for any existing lease. The Group also elected the practical expedient which allows use of hindsight in determining the lease term for leases in existence at the date of adoption. The Group elected to not assess whether existing or expired land easements contained a lease, as allowed by the practical expedient.

The adoption of ASC 842 resulted in recognition of ROU assets of RMB4,812 million, current operating lease liabilities of RMB1,732 million and non-current operating lease liabilities of RMB2,726 million upon the adoption date. There was no cumulative effect on retained earnings.

Rental contracts for the sales stores and offices are typically made for fixed periods ranging from few months to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Land use rights are amortized on a straight-line basis over the shorter of the estimated useful life, generally 44 years, or the estimated usage periods or the terms of the agreements. The Group's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option. The determination of whether an arrangement is or contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Group obtains substantially all of the economic benefits from and has the ability to direct the use of the asset.

The Group elected not to separate non-lease components from lease components. Therefore, it will account for lease and non-lease components as a single lease component when there is only one vendor in the lease contract.

The majority of the Group's leases have fixed payments schedules, with certain leases including additional payments based on excess consumption of services. For leases with additional payments based on excess consumption of services, no amount is included in the calculation of the lease liabilities or corresponding asset as it is not probable excess consumption. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Under a lease, the lessees are required to recognize ROU assets and lease liabilities. ROU assets represent the Group's right to use an underlying asset for the lease term and are recognized as the amount of the lease liabilities, adjusted for lease incentives received. Lease liabilities represent the Group's obligation to make lease payments arising from the lease and are recognized at the present value of the future lease payments at the lease commencement date. As the interest rate implicit in most of the Group's leases is not readily determinable, the Group uses the incremental borrowing rate ("IBR") to determine the present value of the future lease payments. The IBR is a hypothetical rate based on the Group's understanding of what its credit rating would be to borrow and resulting interest the Group would pay to borrow an amount equal to the lease payments in a similar economic environment over the lease term on a collateralized basis.

Any lease with a term of 12 months or less is considered short-term. As permitted by ASC 842, short-term leases are excluded from the ROU asset and lease liabilities accounts on the consolidated balance sheets. Consistent with all other operating leases, short-term lease expense is recorded on a straight-line basis over the lease term.

2.18 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

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

2.19 Funding debts

Funding debts represents the proceeds received from third-party investors less amounts paid to such investors of the consolidated Trusts. Accrued interest payable is calculated based on the effective interest rates of the funding debts. Funding cost mainly consists of interest expense the Group pays in relation to the funding debts, to fund its financing receivables.

2.20 Statutory reserves

In accordance with the laws applicable to the Foreign Investment Enterprises ("FIEs") established in the PRC, the Group's subsidiaries registered as WFOEs have to make appropriations from their annual after-tax profits as determined under generally accepted accounting principles in the PRC ("PRC GAAP") to reserve funds including the general reserve fund, enterprise expansion fund and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the annual after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the company.

Appropriations to the enterprise expansion fund and staff bonus and welfare fund are made at the respective company's discretion.

In addition, in accordance with the PRC Company Laws, the consolidated VIEs (inclusive of VIEs' subsidiaries) incorporated in PRC are required to make appropriations on annual basis from their after-tax profits to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

The use of the general reserve fund, enterprise expansion fund, statutory surplus fund and discretionary surplus fund is restricted to offsetting of losses or increasing of the registered capital of the respective company. The staff bonus and welfare fund is a liability in nature and is restricted to fund payments of special bonus to employees and for the collective welfare of all employees. None of these reserves is allowed to be transferred to the company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

For the years ended December 31, 2019, 2020 and 2021, profit appropriation to general reserve fund and statutory surplus fund for the Group's entities incorporated in the PRC was approximately RMB79.1 million, RMB139.1 million, and RMB91.1 million, respectively. No appropriation to other reserve funds was made for any of the periods presented.

2.21 Revenue recognition

The Group applied ASC 606-“Revenue from Contracts with Customers” for all periods presented. According to ASC 606, revenues from contracts with customers are recognized when control of the promised goods or services is transferred to the Group's customers in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services, after considering reductions by estimates for refund allowances, price concession, discount and Value Added Tax (“VAT”).

Existing home transaction services

The Group generates revenue from existing home transaction services primarily by earning commissions from housing customers for sales or leases transactions facilitated by the Group's own Lianjia brand where the Group acts as the principal agent, or splits of commissions with other brokerage firms acting as the principal agents in cooperation with the Group to complete transactions. In these transactions, the principal agent signs a housing agency service contract with housing customers and is responsible for fulfilling the obligations to provide the agency services under the contract. The Beike platform requires platform agreements to be signed by all brokerage firms registered with the platform. The platform agreements establish a cooperative relationship between the principal agent and all participating brokerage firms, which allows the principal agent to combine and control services provided by the participating agent. The platform agreements also set the principal agent's role and responsibility for overall agency services and a fee allocation structure for various standard cooperating roles of agency services. For each successful transaction completed through the platform, the platform will calculate commissions for each participating agent in accordance with the platform agreements and settle them through the platform's payment system.

When the Group signs the housing agency service contracts with housing customers and splits commissions with other brokerage firms who cooperate with the Group to complete the housing transactions in accordance with the platform agreement, the Group is considered to be the principal agent as it has the right to determine the service price and to define the service performance obligations, it has control over services provided and it is fully responsible for fulfilling the agency services pursuant to the housing agency service contracts it signed with the housing customers. Accordingly, the Group accounts for the commissions from these agency service contracts on a gross basis, with any commissions paid to other brokerage firms recorded as a cost of revenue.

When other brokerage firms on Beike platform sign the housing agency service contracts with housing customers and split commissions with the Group in accordance with platform agreement for cooperation services by the Group to complete the housing transactions, the Group is considered as a participating agent who provides services to the principal agents as the Group is not the primary obligor for the agency service contract and does not have the right to determine the service price. Accordingly, the Group accounts for the commissions from these agency service contracts on a net basis.

For agency commissions earned by the Group, either as the principal agent or participating agent, the Group recognizes commissions as revenues when the performance obligations are satisfied at the time the housing customers sign the housing sale and purchase agreements or the lease agreements, after deducting estimated potential refunds due to a terminated transaction.

The Group also generates revenue from existing home transaction services by earning (i) platform service fees from real estate brokerage firms on the Beike platform as a percentage of the transaction commissions earned on the platform for using the Group's ACN and SaaS systems; (ii) franchise fees from brokerage firms as a percentage of the transaction commissions earned under the Group's franchise brands such as the Deyou brand; and (iii) other service fees for various services offered by Beike platform, such as transaction closing service through the Group's transaction center.

For platform service and franchise fees, the Group recognizes the estimated fees that it expects to receive as revenues when the Group obtains the right to payment at the time the housing customers sign the housing sale and purchase agreements or the lease agreements.

For other service fees, the Group recognizes them as revenues when the services are provided.

New home transaction services

The Group generates revenues from new home transaction services principally by earning sales commissions from real estate developers for new home sales facilitated by the Group. The Group signs new home agency service contracts with real estate developers in where the terms and conditions for sales commission earned are defined. The Group recognizes sales commissions as revenues when the confirmations that terms and conditions for commissions earned are met are received from real estate developers or upon cash receipts of service fees if collection of the commissions are not considered probable.

The Group subcontracts with other brokerage firms to fulfil its agency services contracts with the real estate developers and splits commissions with these brokerage firms. The Group is considered as the principal agent for the agency service contracts signed with the developers as it has the right to determine the service price and to define the service performance obligations, it has control over the services provided by the other brokerage firms and it is fully responsible for fulfilling agency services pursuant to the new home agency service contracts signed with the real estate developers. Accordingly, the Group accounts for such agency service contracts on a gross basis and recognizes split commissions to collaborating brokerage firms as cost of revenues.

Emerging and other services

The Group generates revenues from emerging and other services such as financial services and home renovation and furnishing services. Service fees for emerging and other services are generally recognized as revenues when services are provided.

Practical Expedients

The Group has used the following practical expedients as allowed under ASC 606:

- (i) The effect of a significant financing component has not been adjusted for contracts when the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to the customer will be one year or less.
- (ii) The Group expenses the costs to obtain a contract as incurred when the expected amortization period is one year or less.

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. For certain services, customers are required to pay before the services are delivered. The Group recognizes a contract asset or a contract liability in the consolidated balance sheets, depending on the relationship between the Group's performance and the customer's payment.

The Group classifies its right to consideration in exchange for services transferred to a customer as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional as compared to a contract asset which is a right to consideration that is conditional upon factors other than the passage of time. The Group recognizes an accounts receivable in its consolidated balance sheets when it performs a service in advance of receiving consideration and if it has the unconditional right to receive consideration. The Group did not have any capitalized contract cost as of December 31, 2019, 2020 and 2021.

Contract liabilities are recognized if the Group receives consideration in advance of performance, which is mainly in relation to the existing home transaction services, new home transaction services and emerging and other services. The Group expects to recognize a significant majority of this balance as revenue over the next 12 months, and the remainder thereafter. The contract liabilities of the Group as of December 31, 2019, 2020 and 2021 are listed in the table below.

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Contract liabilities:			
Existing home transaction services	136,498	238,588	209,691
New home transaction services	334,429	299,726	707,163
Emerging and other services	122,446	195,843	185,075
Total	593,373	734,157	1,101,929

2.22 Advertising expenses

Advertising expenses are generally paid to the third parties for online traffic acquisition and offline advertising services such as television, outdoor and inner-building channels. Advertising expenses are expensed as sales and marketing expenses when the services are received. For the years ended December 31, 2019, 2020 and 2021, advertising expenses recognized in the consolidated statements of comprehensive income (loss) were RMB1,287.5 million, RMB1,974.4 million, and RMB2,038.4 million, respectively.

2.23 Share-based compensation

The Group grants share options and restricted share units ("RSUs") to its employees, directors and consultants with performance conditions and service conditions, and accounts for these share-based awards in accordance with ASC 718 – "Compensation – Stock Compensation".

Employees' share-based awards are classified as equity awards and are measured at the grant date fair value of the awards and recognized as expenses a) immediately at grant date if no vesting conditions are required, or b) using a straight-line method over the requisite service period, which is the vesting period.

Share options granted contained both a service condition and required completion of an IPO. The IPO was completed on August 17, 2020 and options for which the service condition had been met became vested. The remaining options will vest as the service conditions are met. All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The Group uses the binomial option pricing model to determine the fair value of stock options. The determination of the fair value of stock options is affected by the fair value of ordinary shares as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee share option exercise behavior, risk free interest rates and expected dividends. The fair value of the ordinary shares is assessed using the income approach/discounted cash flow method, with a discount for lack of marketability, given that the shares underlying the awards were not publicly traded at the time of grant.

In accordance with ASU No. 2016-09, the Group has chosen to account for forfeitures when they occur.

2.24 Income taxes*Income tax*

Current income tax is recorded in accordance with the laws of the relevant tax jurisdictions.

The Group applies the assets and liabilities method of income taxes in accordance of ASC 740 – “Income Taxes”, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are provided based on temporary differences arising between the tax bases of assets and liabilities and financial statements, using enacted tax rates that will be in effect in the period in which the differences are expected to reverse.

Deferred tax assets are recognized to the extent that such assets are more-likely-than-not to be realized. In making such a determination, the Group considers all positive and negative evidence, including results of recent operations and expected reversals of taxable income. Valuation allowances are established to offset deferred tax assets if it is considered more-likely-than-not that amount of the deferred tax assets will not be realized.

Uncertain tax positions

The Group accounts for uncertainty in income taxes recognized in the consolidated financial statements by applying the two-step approach to determine the amount of the benefit to be recorded. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained, including resolution of related appeals or litigation processes. If the tax positions meet the “more-likely-than-not” recognition threshold, the second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon settlement. The Group classifies interest and penalties related to income tax matters, if any, as income tax expense.

The Group did not have any significant interest or penalties associated with tax positions for the years ended December 31, 2019, 2020 and 2021. The Group did not have any significant unrecognized uncertain tax positions for the years ended December 31, 2019, 2020 and 2021.

2.25 Employee benefits

Full-time employees of the Group in mainland China are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurances, medical insurances, unemployment benefits and housing fund plans through a PRC government-mandated defined contribution plan. Chinese labor regulations require that the Group makes payments to the government for these benefits based on a certain percentage of the employees’ salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond making the required contributions.

Historically, the contributions made by the Group for employees might have been insufficient under the PRC laws and regulations, for which the Group made provisions based on its best estimates considering general administrative practice, historical precedent cases, legal advice and other factors. The provisions made are to be reversed if a) the potential exposures that the provisions were made for do not occur for a period of time and b) the Group believes that the probability that such exposures would materialize in the future is remote based on most recent developments. The balances of the provisions are included in employee compensation and welfare payable. The net impact of additions and reversals of the provisions was an increase/(decrease) in employee welfare benefit expenses of (RMB174.2 million), (RMB257.8 million), RMB805.0 million as of December 31, 2019, 2020 and 2021, respectively. Currently, the Group is implementing a remediation plan to reduce the exposure of non-compliance of relevant law and regulations for employee welfare benefits. The total amounts of such employee welfare benefit expenses, including the provision’s net impact, were approximately RMB2.04 billion, RMB1.29 billion, RMB3.44 billion for the years ended December 31, 2019, 2020 and 2021, respectively.

2.26 Research and development expenses

Research and development expenses consist primarily of personnel-related compensation expenses, including share-based compensation for employees in engineering, design, product and platform development, depreciation of property and equipment utilized by research and development functions, and bandwidth and server related costs incurred by research and development functions. The Group expenses all research and development expenses as incurred.

2.27 Net income (loss) per share

Basic net income (loss) per share is computed by dividing net income (loss) attributable to ordinary shareholders, considering the accretion on convertible redeemable preferred shares to redemption value, by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights, which provide the holders of participating securities the ability to participate in all dividends declared with the holders of ordinary shares on a one-to-one per-share basis in all dividend declared, as if all undistributed earnings for the period were distributed.

Diluted net income (loss) per share is calculated by dividing net income (loss) attributable to ordinary shareholders as adjusted for the effect of income allocation to holders of participating preferred shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of deemed issued shares, the conversion of the convertible preferred shares (using the if-converted method) and options to purchase ordinary shares (using the treasury stock method). Ordinary equivalent shares are not included in the denominator of the diluted net income (loss) per share calculation when inclusion of such shares would be anti-dilutive, such as in a period in which a net loss is recorded.

2.28 Comprehensive income (loss)

Comprehensive income (loss) is defined to include all changes in equity (deficit) of the Group during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Comprehensive income (loss) includes net income (loss), currency translation adjustments and unrealized gains (losses) on available-for-sale investments, net of reclassification.

2.29 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation.

2.30 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 a management committee including chief executive officer, chief financial officer and two chief operational officers.

The Group operates in three operating segments: (i) Existing home transaction services; (ii) New home transaction services; (iii) Emerging and other services, and the segment information is set out in Note 25.

2.31 Commitments and contingencies

In the normal course of business, the Group is subject to contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters. An accrual for a loss contingency is recognized if it is probable that a liability has been incurred and the amount of liability can be reasonably estimated. If a potential loss is not probable, but reasonably possible, or is probable but the amount of liability cannot be reasonably estimated, then the nature of contingent liability, together with an estimate of the range of the reasonably possible loss, if determinable and material, is disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of guarantee would be disclosed.

2.32 Government grants

Government grants are recognized as income in other income, net or as a reduction of specific costs and expenses for which the grants are intended to compensate. Such amounts are recognized in the consolidated statements of the comprehensive income (loss) upon receipt when all conditions attached to the grants have been fulfilled.

For the years ended December 31, 2019, 2020 and 2021, the Group recognized government grants of approximately RMB345 million, RMB876 million and RMB1,060 million, respectively, in other income, net in the consolidated statements of comprehensive income (loss).

2.33 Business combinations and non-controlling interests

The Group accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805 – “Business Combinations”. The cost of an acquisition is measured as the aggregate of the acquisition date fair value of the assets transferred to the sellers, liabilities incurred by the Group and equity instruments issued by the Group. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive income (loss). During the measurement period, which can be up to one year from the acquisition date, the Group may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Subsequent to the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any further adjustments are recorded in the consolidated statements of comprehensive income (loss).

In a business combination achieved in stages, the Group re-measures the previously held equity interest in the acquiree immediately before obtaining control at its acquisition date fair value and the re-measurement gain or loss, if any, is recognized in the consolidated statements of comprehensive income (loss).

2.34 Concentration and risks*Concentration of customers and suppliers*

There are no customers or suppliers from whom revenues or purchases individually represent greater than 10% of the total net revenues or the total purchases of the Group for the years ended December 31, 2019, 2020 and 2021.

Concentration of credit risk

Assets that potentially subject the Group to significant concentrations of credit risk primarily consist of cash and cash equivalents, restricted cash, accounts receivable, other receivables, short-term investments, long-term investments and financing receivables. As of December 31, 2019, 2020 and 2021, all of the Group's cash and cash equivalents, restricted cash and short-term investments were held by major financial institutions located in the PRC, Hong Kong, the USA, Japan and Australia, which the management believes are of high credit quality. On May 1, 2015, China's new Deposit Insurance Regulation came into effect, pursuant to which banking financial institutions, such as commercial banks, established in China are required to purchase deposit insurance for deposits in RMB and in foreign currency placed with them. This Deposit Insurance Regulation would not be effective in providing complete protection for the Group's accounts, as its aggregate deposits are much higher than the compensation limit. However, the Group believes that the risk of failure of any of these PRC banks is remote. Bank failure is uncommon in China and the Group believes that those Chinese banks that hold the Group's cash and cash equivalents, restricted cash and short-term investments are financially sound based on public available information.

Accounts receivable and other receivables are typically unsecured and are mainly derived from the ordinary course of business in the PRC. The risk with respect to these financial instruments is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring processes of outstanding balances. The risk with respect to the financing receivables and off-balance sheet guarantees is mitigated by credit evaluations the Group performs on its borrowers and the Group's ongoing monitoring controls for the outstanding balances. As of December 31, 2019, 2020 and 2021, only one customer's total receivable amounting to RMB3,184 million, RMB3,261 million and RMB1,266 million is considered to subject to concentration credit risk.

The expected credit loss rates for accounts receivable are 7.84% and 18.75% as of December 31, 2020 and 2021, respectively. The expected credit loss rates for financing receivables are 2.98% and 15.61% as of December 31, 2020 and 2021, respectively. The expected credit loss rates for other receivables (included in prepayments, receivables and other assets) are 5.47% and 17.39% as of December 31, 2020 and 2021, respectively. The expected credit loss of other financial assets subject to the impairment requirements of ASC 326 was immaterial. The increase in expected credit loss rate for accounts receivable and other receivables was mainly due to heightened credit risk of real estate developers in 2021. The increase in expected credit loss rate for financing receivables was mainly attributable to the higher proportion of delinquency due to the tightening commercial housing mortgage rule in 2021.

Currency convertibility risk

The PRC government imposes controls on the convertibility of RMB into foreign currencies. The Group's cash and cash equivalents, restricted cash and short-term investments denominated in RMB that are subject to such government controls amounted to RMB14.9 billion, RMB23.9 billion and RMB37.3 billion as of December 31, 2019, 2020 and 2021, respectively. The value of RMB is subject to changes in the central government policies and to international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in the PRC must be processed through PBOC or other Chinese foreign exchange regulatory bodies which require certain supporting documentation in order to process the remittance.

Foreign currency exchange rate risk

In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the US\$, and the RMB appreciated more than 20% against the US\$ over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the US\$ remained within a narrow band. Since June 2010, the RMB has fluctuated against the US\$, at times significantly and unpredictably. The appreciation of the RMB against the US\$ was approximately 2.3% for the year ended December 31, 2021. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US\$ in the future.

3. CASH, CASH EQUIVALENTS, RESTRICTED CASH

Cash, cash equivalents and restricted cash consisted of the following:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Cash and cash equivalents:			
Cash	22,991,101	36,667,669	19,853,352
Cash equivalents	1,328,231	4,302,310	592,752
Restricted cash:			
Current	7,380,341	8,567,496	6,286,105
Non-Current	230,903	—	—
Total cash, cash equivalents and restricted cash	31,930,576	49,537,475	26,732,209

- (i) Cash and cash equivalents consist of cash on hand and demand deposits which have original maturities of three months or less and are readily convertible to a known amount of cash. The weighted average interest rate of cash equivalent for the years ended December 31, 2019, 2020 and 2021 are 2.21%, 0.97% and 0.82%, respectively.
- (ii) The Group's restricted cash is classified into current and non-current portion based on the length of restricted period, and is mainly comprised of 1) cash received from the property buyers but not yet been paid to the sellers through the Group's online payment platform, which is placed with banks in escrow accounts; 2) cash pledged with commercial banks for the Group's bank loans; 3) security deposits for the Group's guarantee and financing services; 4) security deposits for forward exchange contract. The proportion for each type of restricted cash are 61.69%, 29.61%, 8.11% and 0.59% as of December 31, 2019; 91.68%, 0%, 8.32% and 0% as of December 31, 2020; 90.91%, 0%, 9.09% and 0% as of December 31, 2021, respectively.

4. SHORT-TERM INVESTMENTS

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Short-term investments:			
Bank time deposits	1,225	134,736	9,938,676
Wealth management products	1,843,370	15,553,585	19,463,985
Total	1,844,595	15,688,321	29,402,661

Bank time deposits are time deposits with original maturities of longer than three months but less than one year or the long-term bank deposits with a maturity date within one year.

The Group's wealth management products mainly consist of various financial instruments issued by multiple financial institutions with variable interest rates indexed to performance of underlying asset. For investment issued by commercial bank with a variable interest rate, the Group uses alternative pricing sources and models utilizing market observable inputs to estimate the fair value, and the Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurement. For financial product issued by asset management company, whose fair value is determined based on the expected cash flows and discounted by using the unobservable expected return, the Group classifies the valuation techniques that use these inputs as Level 3. The weighted average interest rates for the wealth management products are 3.51%, 3.83% and 3.48% for the years ended December 31, 2019, 2020 and 2021. The Group elects to measure the investment in wealth management products at fair value with the fair value changes mainly recorded in other income, net and fair value changes in investments, net in the consolidated statements of comprehensive income (loss). As of December 31, 2020 and 2021, the short-term investments held by the Company were wealth management products.

5. PREPAYMENTS, RECEIVABLES AND OTHER ASSETS

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Current:			
Advances to suppliers	254,534	474,629	388,319
Deposits paid to real estate developers (i)	3,311,371	2,124,204	558,286
Prepaid rental and other deposits	439,775	771,010	748,516
Staff advances	247,353	215,007	104,615
Receivables from escrow account	18,982	15,029	10,672
Interest receivables	93,950	37,227	39,156
VAT-input deductible	608,958	655,016	762,927
Prepaid income tax	–	108,989	138,716
Others	318,073	276,267	378,743
Total	5,292,996	4,677,378	3,129,950
Non-current:			
Prepayment for advertising resources	145,806	–	–
Deferred tax assets (Note 19)	520,292	884,435	1,060,131
Others	59,452	109,959	121,290
Total	725,550	994,394	1,181,421

(i) Deposits paid to real estate developers

Deposits paid to real estate developers refers to the earnest deposits paid by the Group to developers for new home transaction service contracts.

6. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
New home transaction services	7,838,045	13,546,605	11,026,647
Existing home transaction services	604,191	699,673	365,961
Emerging and other services	111,945	59,499	83,615
	<u>8,554,181</u>	<u>14,305,777</u>	<u>11,476,223</u>
Accounts receivable			
Allowance for credit losses	<u>(460,962)</u>	<u>(1,122,218)</u>	<u>(2,151,271)</u>
Accounts receivable, net	<u>8,093,219</u>	<u>13,183,559</u>	<u>9,324,952</u>

The movements in the allowance for credit losses were as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Balance at the beginning of the year	(207,245)	(460,962)	(1,122,218)
Additions	(328,868)	(745,043)	(1,216,517)
Write-offs	<u>75,151</u>	<u>83,787</u>	<u>187,464</u>
Balance at the end of the year	<u>(460,962)</u>	<u>(1,122,218)</u>	<u>(2,151,271)</u>

The Group usually allows a credit period within 90 days to its customers. Ageing analysis of accounts receivable based on the date of delivery of service to customers is as follows:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
– Up to 3 months	4,899,043	8,400,317	5,945,790
– 3 months to 1 year	3,311,112	4,939,347	4,124,218
– Over 1 year	<u>344,026</u>	<u>966,113</u>	<u>1,406,215</u>
Accounts receivable	8,554,181	14,305,777	11,476,223
Less: allowance for credit losses	<u>(460,962)</u>	<u>(1,122,218)</u>	<u>(2,151,271)</u>
Accounts receivable, net	<u>8,093,219</u>	<u>13,183,559</u>	<u>9,324,952</u>

7. FINANCING RECEIVABLES, NET

Financing receivables, net as of December 31, 2019, 2020 and 2021 consisted of the following:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Short-term:			
Financing receivables from consolidated Trusts	1,915,721	3,817,057	526,411
Financing receivables from micro-loan platforms	302,123	228,489	307,599
Total short-term financing receivables	2,217,844	4,045,546	834,010
Allowance for credit losses	(92,223)	(113,905)	(131,558)
Total short-term financing receivables, net	<u>2,125,621</u>	<u>3,931,641</u>	<u>702,452</u>
Long-term:			
Financing receivables from consolidated Trusts	28,565	1,541	10,243
Financing receivables from micro-loan platforms	238,150	229,891	—
Total long-term financing receivables	266,715	231,432	10,243
Allowance for credit losses	(847)	(13,414)	(204)
Total long-term financing receivables, net	<u>265,868</u>	<u>218,018</u>	<u>10,039</u>

These balances represent short-term and long-term financing receivables that are personal credit loans to home buyers and tenants, and to other individual borrowers.

The following table summarizes the balances of financing receivables by due date as of December 31, 2019, 2020 and 2021:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Due in months			
0-12	2,217,844	4,045,546	834,010
13-24	102,274	225,853	10,243
25-36	164,441	5,579	—
Total financing receivables	<u>2,484,559</u>	<u>4,276,978</u>	<u>844,253</u>

Finance Receivables – Allowance for Credit Losses and Credit Quality

Consistent with the adoption of ASU No. 2016-13 effective January 1, 2020 (refer to note 2.1 (a) Impact of newly adopted accounting pronouncement), the allowance for credit losses is determined principally based on the past collection experience as well as consideration of current and future economic conditions and changes in the Group's customer collection trends. All forward-looking statements are, by their nature, subject to risks and uncertainties, many of which are beyond the Group's control. Primarily as a result of the uncertainty in the real estate sector due to the tightening regulation in 2021, the management updated the CECL model taking the latest available information into consideration. The major assumption (i.e. forward-looking information) and CECL model parameters (i.e. the one-year probability of default) were updated accordingly. The allowance for credit losses increased to 15.61% of gross finance receivables (net of unearned income) at December 31, 2021 from 2.98% at December 31, 2020, which were mainly attributable to the higher proportion of delinquency due to the tightening commercial housing mortgage rule in 2021.

The activities in the provision for credit losses for the years ended December 31, 2019, 2020 and 2021, respectively, consisted of the following:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Beginning balance prior to ASC 326	–	(93,070)	–
Impact of adoption of ASC 326	–	(60,899)	–
Beginning balance	(54,645)	(153,969)	(127,319)
(Provisions) Reversals	(38,425)	26,650	(124,335)
Write-offs	–	–	119,892
	<u> </u>	<u> </u>	<u> </u>
Ending balance	<u>(93,070)</u>	<u>(127,319)</u>	<u>(131,762)</u>

The Group evaluates expected credit losses of financial receivables on a collective basis based on the type of borrowers and delinquency pattern:

Type of borrowers:

Property transaction related business: This segmentation includes financing receivables generated by property transaction business. The average loss rate in this category is 17.31% as of December 31, 2021.

Non-property transaction related business: This segmentation mainly includes consumer loans. The average loss rate in this category is 7.88% as of December 31, 2021.

Delinquency:

Based on the past due days, the Group separates the contracts into 5 groups including current, 1-29 days past due, 30-89 days past due, 90-179 days past due and over 180 days past due. The delinquency rate was 7.62%, 4.89% and 24.2% as at December 31, 2019, 2020 and 2021, respectively.

Credit quality indicators are updated quarterly, and the credit quality of any given customer can change during the life of the portfolio.

Financing receivables portfolio based on customer type, origination year and delinquency are as follows:

RMB in the thousands	1-29 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90-179 Days Past Due	180 days or greater Past Due	Total Past Due	Current	Total
Property transaction related business	34,825	17,797	9,386	10,355	114,322	186,685	1,882,360	2,069,045
Non-property transaction related business	51	10	2	106	2,381	2,550	412,964	415,514
December 31, 2019	34,876	17,807	9,388	10,461	116,703	189,235	2,295,324	2,484,559
Property transaction related business								
2017	–	–	–	–	6,652	6,652	–	6,652
2018	–	–	–	–	80,917	80,917	–	80,917
2019	–	–	–	–	42,822	42,822	–	42,822
2020	41,807	9,006	1,965	11,521	2,905	67,204	3,748,624	3,815,828
Subtotal	41,807	9,006	1,965	11,521	133,296	197,595	3,748,624	3,946,219
Non-property transaction related business								
2017	168	313	–	–	–	481	–	481
2018	9	–	–	63	337	409	17,399	17,808
2019	612	1,025	794	2,862	2,490	7,783	119,070	126,853
2020	769	263	178	1,235	325	2,770	182,847	185,617
Subtotal	1,558	1,601	972	4,160	3,152	11,443	319,316	330,759
December 31, 2020	43,365	10,607	2,937	15,681	136,448	209,038	4,067,940	4,276,978
Property transaction related business								
2017	–	–	–	–	4,942	4,942	–	4,942
2018	–	–	–	–	36,676	36,676	–	36,676
2019	–	–	–	–	21,616	21,616	–	21,616
2020	–	–	–	–	23,587	23,587	–	23,587
2021	8,340	6,039	8,678	18,161	52,252	93,470	511,224	604,694
Subtotal	8,340	6,039	8,678	18,161	139,073	180,291	511,224	691,515
Non-property transaction related business								
2017	–	–	–	–	453	453	–	453
2018	60	182	269	1,629	1,748	3,888	–	3,888
2019	309	464	572	1,662	8,123	11,130	45,752	56,882
2020	495	268	377	1,086	4,543	6,769	51,246	58,015
2021	421	459	371	529	37	1,817	31,683	33,500
Subtotal	1,285	1,373	1,589	4,906	14,904	24,057	128,681	152,738
December 31, 2021	9,625	7,412	10,267	23,067	153,977	204,348	639,905	844,253

8. PROPERTY AND EQUIPMENT, NET

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Office building	424,508	419,797	426,947
Vehicles	29,199	23,010	20,360
Computer equipment	716,833	901,894	1,071,326
Furniture and office equipment	313,915	355,748	421,157
Leasehold improvement	1,687,359	1,644,576	2,315,577
Construction in progress	122,343	173,957	143,360
Total	3,294,157	3,518,982	4,398,727
Less: accumulated depreciation	(2,159,929)	(2,046,522)	(2,412,683)
Less: accumulated impairment	–	–	(14,337)
Net book value	1,134,228	1,472,460	1,971,707

Depreciation expenses recognized for the years ended December 31, 2019, 2020 and 2021 amounted to RMB562.0 million, RMB552.8 million and RMB879.7 million, respectively.

9. INTANGIBLE ASSETS, NET

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Software	157,041	159,879	119,328
Trademarks and domain names	161,417	139,521	144,262
Customer relationships	35,642	6,820	4,080
Non-competition agreements	122,480	2,950	1,300
Advertising resources	2,441,670	2,283,715	2,231,495
License	340,413	340,413	349,912
Total	3,258,663	2,933,298	2,850,377
Less: accumulated amortization	(644,931)	(1,023,964)	(1,452,824)
Less: accumulated impairment	(53,290)	(266,683)	(256,280)
Net book value	2,560,442	1,642,651	1,141,273

Amortization expenses recognized for the years ended December 31, 2019, 2020 and 2021 amounted to RMB477.3 million, RMB621.2 million and RMB491.0 million, respectively. Impairment charges of intangible assets recognized for the years ended December 31, 2019, 2020 and 2021 amounted to nil, RMB213.4 million and nil, respectively.

Impaired intangible assets as at December 31, 2019 consisted of the trademarks acquired through business acquisitions in 2015. As of December 31, 2016, RMB53.3 million impairment loss was recognized on one acquired trademark as the financial performances of the acquired business were significantly below the forecasts on the acquisition dates.

As discussed in Note 12 Goodwill, the Group completed the integration of Nanchang Zhonghuan Hui Information Co., Ltd. ("Zhonghuan") business with its original business in the fourth quarter of 2020. The management and employees of Zhonghuan will work as sales channel to promote the business in the cities Zhonghuan has been integrated with. In addition, the Group decided to terminate the home renovation business it acquired in 2019. Therefore, management considered that the carrying amounts of intangible assets from these acquisitions may not be recoverable and performed an impairment testing with the assistance of an independent valuation firm and identified RMB213.4 million of impairment losses in these assets in 2020.

As of December 31, 2019, intangible assets held by the Company was mainly the advertising resources.

Estimated amortization expenses relating to the existing intangible assets with finite lives for future periods is as follows:

	Amounts <i>RMB</i> (in thousands)
Within 1 year	466,612
Between 1 and 2 years	461,342
Between 2 and 3 years	169,060
Between 3 and 4 years	21,226
Thereafter	23,033
Total	1,141,273

10. LEASES

The Group has operating leases for brokerage sales stores (including contract service centers), administrative offices, entrusted houses and land use rights in China. The recognition of whether a contract arrangement contains a lease is made by evaluating whether the arrangement conveys the right to use an identified asset and whether the Group obtains substantially all the economic benefits from and has the ability to direct the use of the asset.

Operating lease assets and liabilities are included in the items of “Right-of-use assets, Lease liabilities current portion, Lease liabilities non-current portion” on consolidated balance sheets.

The components of lease cost for the years ended December 31, 2019, 2020 and 2021 were listed as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Operating lease cost	2,631,991	3,055,021	3,586,026
Short-term lease cost	30,065	41,582	47,769
Total	2,662,056	3,096,603	3,633,795

Supplemental cash flows information related to leases was as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows payment from operating leases	2,705,440	2,928,198	3,413,301
Right-of-use assets obtained in exchange for lease liabilities:			
Right-of-use assets obtained in exchange for new operating lease liabilities	4,443,056	5,631,276	5,749,581

Supplemental balance sheet information related to leases was as follows:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Operating leases			
Store leases	4,371,957	4,597,948	5,561,664
Administrative office leases	764,303	1,295,715	1,037,978
Entrusted house leases	460,857	900,252	618,027
Land use rights	27,898	27,185	26,542
Total operating lease assets	5,625,015	6,821,100	7,244,211
Operating lease liabilities, current	2,222,745	2,625,979	2,752,795
Operating lease liabilities, non-current	2,914,240	3,833,914	4,302,934
Total operating lease liabilities	5,136,985	6,459,893	7,055,729
	For the Year Ended December 31,		
	2019	2020	2021
Weighted-average remaining lease term			
(in years)			
Operating leases	2.91	3.15	3.25
Land use right	43.34	42.34	41.34
Weighted-average discount rate			
Operating leases	5.3%	5.1%	4.8%
Land use right	5.3%	5.1%	5.3%

Maturities of lease liabilities were as follows:

	As of December 31, 2021 RMB (in thousands)
2022	2,911,311
2023	2,093,713
2024	1,292,977
2025	812,352
2026	242,276
Thereafter	249,100
Total undiscounted lease payments	7,601,729
Less: imputed interest	(546,000)
Total lease liabilities	7,055,729

The Group's lease agreements generally do not contain an option for the Group to renew a lease for a term agreed by the Group. The Group's lease agreements generally do not contain any residual value guarantees or material restrictive covenants. Payments under the lease arrangements are primarily fixed.

11. LONG-TERM INVESTMENTS, NET

The following table sets forth a breakdown of the categories of long-term investments held by the Group as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Investments in equity method investees	395,926	689,929	430,292
Investments accounted for at fair values	1,578,596	2,060,849	6,480,322
Equity investments measured under measurement alternative and NAV practical expedient	144,223	164,785	1,232,735
Long-term held-to-maturity investments	215,000	224,752	1,081,167
Available-for-sale debt investments	—	—	7,813,655
Total long-term investments	2,333,745	3,140,315	17,038,171
Investments in equity method investees			
Balance at December 31, 2018			93,314
Investments made			300,030
Income (loss) from investment			12,882
Investment impairment			(1,500)
Disposal of investment			(800)
Dividend received			(8,000)
Balance at December 31, 2019			395,926
Investments made			339,577
Income (loss) from investment			(10,924)
Investment impairment			(26,650)
Dividend received			(8,000)
Balance at December 31, 2020			689,929
Investments made			258,990
Income (loss) from investment			39,520
Investment impairment			(2,914)
Disposal of investment			(540,433)
Dividend received			(14,800)
Balance at December 31, 2021			430,292

The Group applies the equity method of accounting to account for its equity investments in common stock or in-substance common stock, over which it has significant influence but does not own a majority equity interest or otherwise control.

(i) *Marketable securities*

Marketable securities represent investments in the equity securities of publicly listed companies, for which the Group does not have significant influence. The marketable securities are valued using the market approach based on the quoted prices in active markets at the reporting date. The Group classifies the valuation techniques that use these inputs as Level 1 of fair value measurements.

(ii) *Unlisted equity securities and loan receivables measured at fair value*

Investment in IFM Investments Limited ("IFM")

In October 2017, the Group purchased 10% ownership in IFM, a company focusing on real estate agency business in the PRC, through subscription of 308,084,916 convertible redeemable preferred shares newly issued by IFM at an aggregated subscription price of RMB60 million. Concurrent with the preferred share investment, the Group entered into a convertible note purchase agreement on August 14, 2017 to purchase convertible notes issued by IFM in the principal amount of US\$ equivalent of RMB40 million with maturity period of 30 months and interest rate per annum of 12%. The convertible notes were convertible into IFM's preferred shares at a discounted price. The Group elected the fair value option to measure the preferred share investments and the entire convertible note with the assistance of an independent valuation firm.

In 2019, the Group launched many incentive programs to incentivize real estate brokerage firms to join the Group's platform. IFM is one of the leading firms in the real estate agency business industry. In May 2019, to incentivize IFM to join the Group's platform, the Group made additional investment of RMB308 million to acquire certain percentage of IFM's preferred and ordinary shares, converted the convertible note into preferred shares and provided RMB130 million loan to IFM's controlling shareholder, which is secured by 17.5% ownership of IFM. Total consideration of the additional investment in IFM and the loan to IFM's controlling shareholder was RMB438 million. The fair value of the additional investment in IFM and the loan to IFM's controlling shareholder was RMB120.1 million on the transaction date. The difference of RMB317.9 million between the consideration paid and the fair value received was considered and recognized as deemed marketing expenses. As the investment in IFM is not in-substance common stock, it does not qualify for equity method accounting, and according to ASC 321, the Group elected to account for this investment at fair value with realized or unrealized gains and losses recorded in the consolidated statements of comprehensive income (loss). As of December 31, 2019, 2020 and 2021, the Group held 37.6% in IFM and account for the investment in IFM amounted to RMB195.6 million, RMB225.9 million, and RMB218.6 million, and loan to IFM's controlling shareholder at fair value amounting to RMB29.8 million, RMB41.5 million, and RMB32.6 million, respectively. The Group classifies the valuation techniques that use these inputs as Level 3 of fair value measurements.

Other than the equity investment in IFM, the investment in unlisted equity securities was primarily equity investments in one private company focusing on home renovation business in the PRC and other private investment companies.

(iii) *Wealth management products*

As part of the Group's cash management program, the Group invested in certain wealth management products with variable interest rates and principal not guaranteed issued by financial institutions in Hong Kong and in the PRC. These wealth management products were with maturity of over one year, or can be redeemed through advance notice and the Group intended to hold the investments over one year, thus were classified as long-term investments.

Equity investments measured under measurement alternative and NAV practical expedient

Equity investments without readily determinable fair values include investments in private equity funds accounted for under NAV practical expedient, and investments in private companies accounted for under measurement alternative.

Investments in private equity generally are not redeemable due to the closed-ended nature of these funds. Investment in private equity funds over which the Group does not have the ability to exercise significant influence are accounted for under the NAV practical expedient. As of December 31, 2019, 2020 and 2021, the carrying amount of the Group's investment in private equity fund was approximately RMB68.1 million, RMB84.5 million, and RMB126.4 million, respectively. During the years ended December 31, 2019, 2020 and 2021, fair value changes recognized for this equity investment were RMB34.4 million, RMB20.4 million, and RMB51.6 million, respectively. Investments in the private equity fund is subject to a lock-up period of 8 years which restricts investor from withdrawing from the fund during the investment period.

The following table shows the details of investments measured under measurement alternative:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Yuanjing Mingchuang (i)	—	—	532,035
Shengdu (ii)	—	—	480,000
Others	76,056	80,262	94,320
Total Equity investments measured under measurement alternative	76,056	80,262	1,106,355

(i) Investment in Shenzhen Yuanjing Mingchuang Management Consulting Co. ("Yuanjing Mingchuang")

On May 31, 2021, the Group acquired 29.16% equity interest in Yuanjing Mingchuang, a private company and a related party of the Group, which engaged in long-term apartment rental business in Shenzhen under the brand "V-town". The investment was made in form of preferred shares with a total cash consideration of RMB700 million. The Group elected to use measurement alternative to account for the investment.

Due to the unsatisfied financial performance of Yuanjing Mingchuang, Management determined that impairment indicator existed as of December 31, 2021, and engaged an independent valuation firm to estimate the investment's fair value in accordance with the principles of ASC 820. The fair value of Yuanjing Mingchuang was measured using significant unobservable inputs (Level 3) based on the discounted cash flow method. Significant assumptions used in the valuation include future revenues, the discount rate and the long-term growth rate. Based on the impairment assessments performed, the Group recorded an impairment loss of RMB168.0 million.

(ii) Investment in Shengdu Home Renovation Co., Ltd. ("Shengdu")

On July 5, 2021, the Group announced to enter into a definitive agreement with Shengdu, a home renovation service provider headquartered in Hangzhou, pursuant to which the Group agreed to acquire 100% equity interests in Shengdu from its existing shareholders, for a total consideration capped at RMB8 billion consisting of cash and restricted shares, subject to a staggered acquisition arrangement and customary closing conditions, including regulatory approvals. The Group has purchased 6% of Shengdu's equity interests with preference rights in December 2021 with consideration amount to RMB480 million in cash, among which RMB120 million had been paid in December 2021. The Group elected to use measurement alternative to account for the investment.

As of December 31, 2019, 2020 and 2021, investments accounted for under measurement alternative were RMB76.1 million, RMB80.3 million, and RMB1,106.4 million, respectively. There was no upward adjustment identified by the management for the years ended December 31, 2019, 2020 and 2021.

For the years ended December 31, 2019, 2020 and 2021, nil, RMB9.0 million and RMB183.8 million impairment was recorded for equity investments without readily determinable fair values, respectively. The impairment was recorded in "Impairment loss for equity investments accounted for using measurement alternative" in the Group's consolidated statements of comprehensive income (loss). Also, the Group classifies the valuation techniques on those investments that use similar identifiable transaction prices as Level 2 of fair value measurements and those investments that measured using significant unobservable inputs as Level 3 of fair value measurements.

Long-term held-to-maturity investments

The Group's long-term held-to-maturity investments include long-term time deposits placed with banks with original maturities more than one year and those matured date within one year will be reclassified to short-term investments. As of December 31, 2019 and 2020, all time deposits were denominated in RMB amounting to approximately RMB215.0 million and RMB224.8 million with maturity date in May 2024, respectively. As of December 31, 2021, deposits were denominated in RMB amounting to approximately RMB946.1 million, among which RMB514.9 million will be matured in March 2024, RMB200.6 million will be matured in December 2024 and the remaining will be matured in May 2024.

During the year ended December 31, 2021, the Group invested in certain long-term held-to-maturity debt securities, and recorded interest income from its long-term held-to-maturity debt securities of RMB1.2 million in the consolidated statements of comprehensive income (loss). Long-term held-to-maturity debt securities as of December 31, 2021 are shown as below, which would be due in 2 to 3 years:

	Cost or Amortized cost <i>RMB</i>	As of December 31, 2021		Fair value <i>RMB</i>
		Gross unrecognized holding gains <i>RMB</i> (in thousands)	Gross unrecognized holding losses <i>RMB</i>	
Long-term held-to-maturity debt securities	135,071	—	(951)	134,120

Available-for-sale debt investments

The Group's available-for-sale debt investments mainly include investments in debt securities issued by banks and other financial institutions that are redeemable at the issuer's option, which have no contractual maturity date. As of December 31, 2021, RMB2,527.3 million available-for-sale debt investments were held by the Company. Available-for-sale debt investments as of December 31, 2021 are shown as below:

	Cost or Amortized cost <i>RMB</i>	As of December 31, 2021		Fair value <i>RMB</i>
		Gross unrealized gains <i>RMB</i> (in thousands)	Gross unrealized losses <i>RMB</i>	
Available-for-sale debt investments	7,778,077	55,630	(20,052)	7,813,655

The proceeds received at settlement date of available-for-sale debt investments is RMB716.0 million.

The following table summarizes the Group's gross unrealized losses and fair values for available-for-sale investments in an unrealized loss position as of December 31, 2021.

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value <i>RMB</i>	Unrealized Losses <i>RMB</i>	Fair Value <i>RMB</i> (in thousands)	Unrealized Losses <i>RMB</i>	Fair Value <i>RMB</i>	Unrealized Losses <i>RMB</i>
Additional Tier 1 Bonds	2,102,879	(13,859)	1,398,742	(6,193)	3,501,621	(20,052)

Estimated allowances for credit losses of available-for sales are determined by considering reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions. Based on this evaluation, no allowance for credit losses on debt securities was recorded as of December 31, 2021.

12. GOODWILL

For the years ended December 31, 2019, 2020 and 2021, the changes in the carrying value of goodwill by segment are as follows:

	Existing home transaction services RMB	New home transaction services RMB	Emerging and other services RMB	Total RMB
	(in thousands)			
Balance as of December 31, 2018 (i)	848,732	286,302	–	1,135,034
New additions (i)	1,343,556	–	16,193	1,359,749
Disposal of a business (ii)	(17,708)	–	–	(17,708)
Balance as of December 31, 2019	2,174,580	286,302	16,193	2,477,075
New additions (iii)	–	13,080	–	13,080
Re-assignment of goodwill (iv)	(1,192,875)	1,192,875	–	–
Impairment provided (v)	(695)	(5,770)	(16,193)	(22,658)
Balance as of December 31, 2020	981,010	1,486,487	–	2,467,497
New additions (vi)	46,932	23,628	–	70,560
Impairment provided (vii)	(433,034)	(299,334)	–	(732,368)
Balance as of December 31, 2021	594,908	1,210,781	–	1,805,689

- (i) During 2011 to 2018, the Group acquired several real estate agency companies in several cities which primarily operated existing home transaction services and new home transaction services in the PRC. The excess of purchase price over net tangible assets and identifiable intangible assets acquired were recorded as goodwill which amounted to RMB1,766.9 million at the acquisition date. The Group estimated the fair value of acquired assets and liabilities with the assistance of an independent valuation firm. As of December 31, 2018, the Group provided RMB631.8 million of impairment loss on goodwill, as the financial performances of certain acquired business were significantly below the forecasts on the acquisition dates.

During the year ended December 31, 2019, the addition under existing home transaction services was related to the acquisition of Zhonghuan (Note 24), while all the additions under other service segment was related to the acquisition of a subsidiary operating home renovation business.

- (ii) In November 2019, the Group disposed of one of Zhonghuan's subsidiaries. The net assets disposed constituted a business and a portion of Zhonghuan's goodwill which amount equals to RMB17.7 million was disposed.
- (iii) During the year ended December 31, 2020, the addition under new home transaction services was related to the acquisition of a new home transaction business.
- (iv) Zhonghuan was defined as one reporting unit after its acquisition. Considering the performance and operating profit did not meet expectations, the Group performed a quantitative analysis for the reporting unit of Zhonghuan as of December 31, 2019 with the assistance of an independent valuation firm, and no impairment was identified. In the fourth quarter of 2020, the Group completed the integration of Zhonghuan business with its existing home and new home transaction business. As such, the Group reassigned goodwill to reporting units affected using the relative fair value approach based on forecasted incremental revenue to the reporting units after the integration. RMB1,192.9 million of goodwill was reassigned to new home transaction segment, while RMB133.0 million remained in existing home

transaction segment. The management performed a quantitative impairment test for the reporting unit of Zhonghuan before the reassignment with the assistance of an independent valuation firm. Based on the assessment, the fair value exceeded the carrying amounts of the reporting unit and no impairment was identified. The management also performed a qualitative analysis on the affected reporting units after the reassignment, no impairment was identified in these affected reporting units as their business were profitable and fast growing, and it is more-likely-than-not that the fair values of these reporting units are more than their carrying amounts.

- (v) At the end of 2020, to further streamline the Group's home renovation business, management decided to terminate the home renovation business it acquired in 2019. Goodwill of RMB16.2 million associated with this reporting unit was determined to be fully impaired. Other impairments in goodwill were related to cities where the management decided not to operate any Beike platform business, and goodwill was fully impaired in these reporting units.

For other reporting units, as of December 31, 2019 and 2020, management performed a qualitative analysis by taking into consideration the macroeconomics, overall financial performance, industry and market conditions, and no impairment was identified.

- (vi) During the year ended December 31, 2021, the Group acquired several real estate agency companies in several cities which primarily operated existing home transaction services and new home transaction services in the PRC.
- (vii) During the nine months ended September 30, 2021, revenue and profit generated by certain reporting units decreased significantly due to market downturn. Management determined that the significant decline in revenue and profit was a triggering event. Based on the interim impairment assessment as of September 30, 2021, management concluded that the goodwill attributable to certain reporting units, was impaired and accordingly, recorded goodwill impairment loss of RMB397.1 million, including RMB178.3 million related to reporting units within the existing home transaction services segment and RMB218.8 million related to reporting units within new home transaction services segment.

The Group performed annual impairment assessments of goodwill as of December 31, 2021 by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of each of the reporting units was less than their carrying amount. Based on the qualitative assessments, the management determined that impairment indicators existed as of December 31, 2021 for certain reporting units. Management then performed quantitative impairment tests and recorded goodwill impairment loss of RMB335.3 million, including RMB254.7 million related to reporting units within the existing home transaction services segment and RMB80.6 million related to reporting units within new home transaction services segment. After the qualitative and quantitative impairment test, as of December 31, 2021, the carrying value of the impaired goodwill was RMB134.1 million, and the carrying value of goodwill that was not impaired was RMB1,671.6 million.

Key assumptions used in quantitative impairment test

The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. The Group used a discounted cash flow model ("DCF model") to estimate the current fair value of the reporting units, as management believes forecasted operating cash flows are the best indicator of current fair value. A number of significant assumptions were involved in the preparation of the DCF models including future revenues, discount rates and long-term growth rate. The financial projection covering a five-year period of each reporting unit adopted in DCF models for impairment test purpose is based on the financial budgets approved by the management of the Group, which considering the historical performance and its expectation for future market development. Cash flows beyond the five-year period are extrapolated using a long-term growth rate. Post-tax discount rates reflect market assessment of the weighted average cost of capital in the industry the Group operates and the specific risks relating to the Group.

The following table sets out the key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill of reporting unit of Zhonghuan:

	As of December 31,	
	2019	2020
Annual growth rate of revenue in the projected period	18%~38%	15%~20%
Long-term growth rate	3.0%	3.0%
Post-tax discount rate	17%	17%

The headroom for the reporting unit of Zhonghuan as of December 31, 2019 and 2020 is as follows, and the fair value of this reporting unit would equal its carrying amount if the key assumptions were to change as follows:

	As of December 31,	
	2019	2020
	<i>RMB</i>	<i>RMB</i>
<i>(in thousands, except for percentages)</i>		
Headroom	81,345	382,768
Forecasted revenue	-4.5%	-19.5%
Post-tax discount rate	0.6%	3.1%

For the reporting units that no goodwill impairment was identified, the following table sets forth each key assumption on which our management had based its cash flow projections to undertake impairment testing of goodwill of reporting units as of December 31, 2021:

	As of December 31, 2021	
	Existing home transaction services	New home transaction services
Annual growth rate of revenue in the projected period	-20%~12%	-47%~15%
Long-term growth rate	2.6%	2.6%
Post-tax discount rate	16%~17%	16%~17%

For the reporting units that no goodwill impairment was identified in the quantitative impairment test, as of December 31, 2021, their headroom by segment is as follows, and the fair value of these reporting units would equal its carrying amount if the key assumptions were to change as follows:

	As of December 31, 2021	
	Existing home transaction services	New home transaction services
	<i>RMB</i>	<i>RMB</i>
<i>(in thousands, except for percentages)</i>		
Headroom	1,006,969	7,500,681
Forecasted revenue	-46%~-85%	-30%~-94%
Post-tax discount rate	5%~35%	3%~112%

The management has considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the reporting units to exceed its fair value.

Impairment loss of goodwill recognized for the years ended December 31, 2019, 2020 and 2021 were nil, RMB22.7 million and RMB732.4 million, respectively. As of December 31, 2019, 2020 and 2021, the original gross amounts of goodwill were RMB3,108.9 million, RMB3,122.0 million and RMB3,192.5 million, respectively, and accumulated impairment losses were RMB631.8 million, RMB654.5 million and RMB1,386.9 million, respectively.

13. BORROWINGS

	As of December 31,		
	2019 RMB	2020 RMB	2021 RMB
	(in thousands)		
Short-term borrowings (i)	720,000	—	260,000
Long-term borrowings (ii)	4,890,030	—	—
Total	5,610,030	—	260,000

	Principal amount As of December 31,		
	2019 RMB	2020 RMB	2021 RMB
	(in thousands)		
Within 1 year	720,000	—	260,000
Between 1 to 2 years	114,758	—	—
Between 2 to 3 years	4,672,492	—	—
Between 3 to 4 years	—	—	—
Between 4 to 5 years	—	—	—
Beyond 5 years	102,780	—	—
Total	5,610,030	—	260,000

- (i) Short-term borrowings as of December 31, 2019, 2020 and 2021 amounted to RMB720 million, nil and RMB260 million, respectively.

In August 2021, Beike Technology Co., Ltd entered into a RMB260 million 359-day short-term borrowing contract with a bank at a fixed borrowing rate of 3.9%. RMB43.3 million and RMB216.7 million are scheduled to be paid off on February 28, 2022 and August 24, 2022 respectively according to the borrowing contract.

- (ii) In October 2019, Sharehome HK international Limited entered into a 3-year US\$675 million revolving credit facilities agreement with a group of 10 arrangers. The debt issuance costs of US\$5.56 million were presented as a direct deduction from the principal amount of the facility in the consolidated balance sheets. By the end of December 31, 2020, the borrowing was fully paid off in advance.

The revolving credit facilities agreement requires Sharehome HK international Limited to meet certain annually financial covenants calculated from the fiscal year most recently ended, including: i) a net leverage ratio, which requires that at the end of each fiscal year the ratio of (a) total net debt to (b) EBITDA, may not exceed 1.50 to 1.00; and ii) an interest coverage ratio, which requires that at the end of each fiscal year the ratio of EBITDA to interest expense, as defined in the Amended Credit Agreement, may not be less than 6.00 to 1.00. The Group was in compliance with all covenants during the credit period.

In October 2019, the Group entered into a 7-year RMB156 million facility agreement with a bank at a fixed borrowing rate of 4.9%. To facilitate this borrowing, an equity investment and a real estate property have been mortgaged. By the end of December 31, 2019, RMB102.78 million of the facility was drawn down, which was due in 2025. During the first quarter of 2020, RMB42.04 million of the facility was drawn down, which will be due in 2026. By the end of December 31, 2020, the borrowing was fully paid off in advance.

14. ACCOUNTS PAYABLE

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Payable related to new home transaction business	3,528,331	5,467,302	5,248,897
Payable for advertising fees	365,379	635,715	194,546
Payable for internet service fees	80,064	135,389	111,694
Payable for leasehold improvements	59,107	204,139	183,997
Others	179,824	152,301	269,631
Total	4,212,705	6,594,846	6,008,765

An ageing analysis of the trade payable as at December 31, 2019, 2020 and 2021, based on the invoice date, is as follow:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Within 3 months	2,629,567	6,464,949	5,728,257
Between 3 months and 1 year	1,217,496	61,873	133,745
More than 1 year	365,642	68,024	146,763
Total	4,212,705	6,594,846	6,008,765

15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Deposit related to franchise services	728,994	936,533	1,078,395
Deposit related to new home transaction services	–	–	648,443
Other tax payables	390,952	609,137	362,819
Payable related to business combination (i)	780,937	7,200	360,080
Payable related to escrow accounts services (ii)	425,858	352,609	187,605
Deferred guarantee revenue	50,343	64,184	31,246
Others	625,757	980,415	782,609
Total	3,002,841	2,950,078	3,451,197

- (i) As of December 31, 2021, payable related to business combination mainly consisted of cash consideration payable in relation to the purchase of equity investment in Shengdu Home Renovation Co., Ltd. in December 2021 (Note 11).

As of December 31, 2019, payable related to business combination mainly consisted of an obligation to purchase the remaining 38% non-controlling interests in Nanchang Zhonghuan Hulan Information Co., Ltd. ("Zhonghuan") with a total consideration consisted of RMB194.0 million in cash and an obligation to issue variable number of Class A Ordinary Shares to the selling shareholders of Zhonghuan. The obligation is considered a mandatorily redeemable non-controlling interests and classified as a liability

measured at fair value, and the fair value as of December 31, 2019 was RMB780.9 million. The obligation was settled in April 2020 by paying the RMB194.0 million in cash and issuing 22,315,135 Class A Ordinary Shares to the selling shareholders of Zhonghuan.

- (ii) Payable related to escrow accounts services refers to escrow payments such as deposits, down payments and other payments collected from the property buyers on behalf of and payable to the property sellers. The escrow payments will be paid to property sellers according to the payment schedule of the property purchase agreement agreed by both parties.

16. FUNDING DEBTS

The following table summarized the Group's outstanding funding debts as of December 31, 2019, 2020 and 2021, respectively:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Short-term:			
Loan payables to investors of consolidated Trusts	2,291,723	1,512,510	194,200
Total short term funding debts	<u>2,291,723</u>	<u>1,512,510</u>	<u>194,200</u>
Long-term:			
Loan payables to investors of consolidated Trusts	7,500	15,000	–
Total long-term funding debts	<u>7,500</u>	<u>15,000</u>	<u>–</u>

The following table summarizes the remaining contractual maturity dates of the Group's funding debts and associated interest payments as of December 31, 2021:

	Less than 1 year	1 – 2 years	2 – 3 years	More than 3 years	Total
	RMB	RMB	RMB	RMB	RMB
	(in thousands)				
Loan payables to investors of consolidated Trusts	194,200	–	–	–	194,200
Total funding debts	<u>194,200</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>194,200</u>
Interest payments	3,175	–	–	–	3,175
Total interest payments	<u>3,175</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,175</u>

For the years ended December 31, 2019, 2020 and 2021, terms of most funding debts borrowed by the Group from investors of certain consolidated trusts ranged from 30 days to 25 months. Since most of trusts allowed borrower's repayment to reinvest in issuing new loans, the terms of funding debts are not matched with the terms of the corresponding financial receivables. The funding debts had a weighted average interest rate of 7.94%, 8.09% and 7.84% for the years ended December 31, 2019, 2020 and 2021.

17. OTHER INCOME, NET

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Investment income, net	96,807	185,604	487,724
Government grants	344,811	876,255	1,059,907
Net gain (loss) on disposal of property, equipment and intangible assets	(7,448)	3,548	(467)
Others	(2,870)	(9,753)	155,250
Total	431,300	1,055,654	1,702,414

18. INTEREST INCOME, NET

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Interest income	437,869	383,116	385,375
Interest expense	(181,099)	(188,364)	(6,105)
Bank charges	(26,416)	(30,963)	(18,952)
Others	(15)	(189)	(5,751)
Total	230,339	163,600	354,567

19. TAXATION**Cayman Islands**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance or estate duty. There are no other taxes likely to be material to the Group levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

British Virgin Islands

The Group's subsidiaries incorporated in the British Virgin Islands are not subject to income or capital gains tax under the current laws of the British Virgin Islands. In addition, payment of dividends by the British Virgin Islands subsidiaries to their respective shareholders who are not resident in the British Virgin Islands, if any, is not subject to withholding tax in the British Virgin Islands.

Hong Kong

Hong Kong income tax rate is two-tiered profits tax regime, under which the tax rate is 8.25% or assessable profits on the first HK dollar 2 million and 16.5% or any assessable profits in excess of HK dollar 2 million. Hong Kong profits tax was provided for the assessable profit that was subject to Hong Kong profits tax during the Track Record Period. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Group are not subject to any Hong Kong withholding tax.

China

On March 16, 2007, the National People's Congress of PRC enacted a new Corporate Income Tax Law ("new CIT law"), under which Foreign Investment Enterprises ("FIEs") and domestic companies would be subject to corporate income tax at a uniform rate of 25%. The new CIT law became effective on January 1, 2008. Under the new CIT law, preferential tax treatments will continue to be granted to entities which conduct businesses in certain encouraged sectors and to entities otherwise classified as "high and new technology enterprises" or "small and micro businesses".

Beike Zhaofang has been entitled to an exemption from income tax for the first two years and 50% reduction for the next three years from its first profitable year as a "software enterprise." It also qualified as a "high and new technology enterprise" and has a preferential income tax rate of 15% from 2016 to 2018 and 2020 to 2022. The privileges cannot be applied simultaneously. Beike Zhaofang applied the privilege of "software enterprise" and was exempted from income tax in 2016 and 2017, and had a preferential income tax rate of 12.5% from 2018 to 2020. Beike Zhaofang applied the privilege of "high and new technology enterprise" and has a preferential income tax rate of 15% from 2021 to 2022.

Certain enterprises benefit from a preferential tax rate of 15% under the EIT Law if they are located in applicable PRC regions as specified in the Catalogue of Encouraged Industries in Western Regions (initially effective through the end of 2010 and further extended to 2030), or the Western Regions Catalogue, subject to certain general restrictions described in the EIT Law and the related regulations. Three, six and six entities in the Group for the years ended December 31, 2019, 2020 and 2021, respectively, were qualified as the enterprises within the Catalogue of Encouraged Industry in the Western Region and had a 15% preferential income tax rate.

The Group's other PRC subsidiaries, consolidated VIEs (inclusive of VIEs' subsidiaries) are subject to the statutory income tax rate of 25%.

According to the relevant laws and regulations in the PRC, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (the "R&D Deduction"). The State Taxation Administration of the PRC announced in September 2018 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses as R&D Deduction from January 1, 2018 to December 31, 2023.

The components of income (loss) before tax for the years ended December 31, 2019, 2020 and 2021, are as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Income (loss) before income tax expense			
Income from China operations	2,417,298	6,302,358	2,484,608
Loss from non-China operations	(3,693,062)	(1,915,239)	(1,343,882)
Total income (loss) before income tax expense	(1,275,764)	4,387,119	1,140,726
Income tax expense from China operations			
Current income tax expense	1,332,238	1,891,723	1,759,725
Deferred tax benefit	(438,661)	(359,429)	(169,673)
Income tax expense from China operations	893,577	1,532,294	1,590,052
Income tax expense from non-China operations	10,786	76,502	75,440
Total income tax expense	904,363	1,608,796	1,665,492

For the years ended December 31, 2019, 2020 and 2021, the Group's non-China operations mainly included (i) share-based compensation expenses amounting to RMB2,955.6 million, RMB2,252.6 million, RMB1,538.3 million, respectively; (ii) amortization of the advertising and traffic resources and consumption of other marketing and cloud services provided by Tencent amounting to RMB563.6 million, RMB175.7 million and RMB10.4 million, respectively; and (iii) gains from investment in wealth management products amounting to nil, RMB226.9 million and RMB502.4 million, respectively.

The income tax expense (benefit) applicable to the Group's operations for the years ended December 31, 2019, 2020 and 2021, differs from the amount computed by applying the PRC statutory income tax rate of 25% to income before tax due to the following:

	For the Year Ended December 31,		
	2019	2020	2021
Statutory income tax rate	25.0%	25.0%	25.0%
Tax effect of preferential treatments	2.5%	(2.5%)	(12.4%)
Effect on tax rates in different tax jurisdiction	(73.2%)	12.8%	36.1
Tax effect of permanent difference	15.7%	(3.5%)	49.7%
Tax effect of R&D deduction and others	5.0%	(4.0%)	(21.2%)
Change in valuation allowance	(45.9%)	8.9%	68.8%
Effect tax rates	(70.9%)	36.7%	146.0%

The change of effective tax rate for the years ended December 31, 2019 and 2020 is primarily due to increase in expected utilization of accumulated tax losses in certain entities. The change of effective tax rate for the years ended December 31, 2020 and 2021 is primarily due to increase in expected non-deductible expenses and increase in valuation allowance.

The following table sets forth the effect of tax holiday related to China operations:

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
<i>(in thousands, except for per share data)</i>			
Tax holiday effect	31,394	108,213	141,554
Basic net income per share effect	0.02	0.05	0.04
Diluted net income per share effect	0.02	0.05	0.04

Deferred tax assets and liabilities

The tax effects of temporary differences that give rise to the deferred income tax assets and liabilities as of December 31, 2019, 2020 and 2021 are as follows:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
<i>(in thousands)</i>			
Deferred tax assets			
Net operating loss carrying forward	1,476,412	1,483,894	2,210,114
Asset impairment	363,653	530,710	730,959
Deferred rental cost	75,374	88,147	116,862
Unrealized profits	333,064	467,404	330,808
Accrual expense	59,605	451,008	556,900
Others	9,418	41,922	42,186
Less: valuation allowance	(1,797,234)	(2,178,650)	(2,892,268)
Deferred tax assets, net of valuation allowance	520,292	884,435	1,095,561

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Deferred tax liabilities			
Fair value change of certain investments	(12,225)	(5,087)	(40,556)
Acquired intangible assets	(6,886)	(5,152)	(14,419)
Deferred revenue	(3,335)	(7,050)	(3,767)
Total deferred tax liabilities	(22,446)	(17,289)	(58,742)

The movements of the valuation allowance for the years ended December 31, 2019, 2020 and 2021 are as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Balance at the beginning of the year	(1,325,529)	(1,797,234)	(2,178,650)
Change of valuation allowance	(471,705)	(381,416)	(713,618)
Balance at the end of the year	(1,797,234)	(2,178,650)	(2,892,268)

A valuation allowance is provided against deferred tax assets when the Group determines that it is more-likely-than-not that the deferred tax assets will not be utilized in the future. The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will be more-likely-than-not realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses and forecasts of future profitability. These assumptions require significant judgment and the forecasts of future taxable income are consistent with the plans and estimates the Group is using to manage the underlying businesses. The statutory income tax rate of 25% or applicable preferential income tax rates were applied when calculating deferred tax assets.

As of December 31, 2019, 2020 and 2021, the Group had net operating loss carryforwards of approximately RMB7,054.8 million, RMB6,347.1 million and RMB8,925.6 million, respectively, which arose from the Group's certain subsidiaries, VIEs and the VIEs' subsidiaries established in the PRC. As of December 31, 2019, 2020 and 2021, deferred tax assets arose from the net operating loss carryforwards amounted to RMB1,475.6 million, RMB1,483.9 million and RMB2,153.8 million was provided for full valuation allowance respectively, while the remaining RMB0.8 million, nil and RMB56.6 million is expected to be utilized prior to expiration considering future taxable income for respective entities. As of December 31, 2021, the net operating loss carryforwards of RMB8,925.6 million will expire in the years ending December 31, 2022 through 2026, respectively, if not utilized.

The Company intends to indefinitely reinvest all the undistributed earnings of the VIEs and subsidiaries of the VIEs in China, and does not plan to have any of its PRC subsidiaries to distribute any dividend; therefore no withholding tax is expected to be incurred in the foreseeable future. Accordingly, no income tax is accrued on the undistributed earnings of the VIEs and subsidiaries of the VIEs as of December 31, 2019, 2020 and 2021. Although the Company's certain PRC subsidiaries have generated accumulated earnings as of December 31, 2021, they have not paid any dividends in the past and currently have no plans to pay any dividends. These PRC subsidiaries plan to reinvest their profits into the PRC operations. As of December 31, 2021, the total number of undistributed profits from the PRC subsidiaries and VIEs for which no withholding tax had been accrued was RMB19,389 million, and the unrecognized tax liabilities were RMB1,939 million.

Withholding tax on undistributed dividends

The new CIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside of the PRC should be considered a resident enterprise for PRC tax purposes.

The new CIT law also imposes a withholding income tax of 10% on dividends distributed by an VIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an VIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the VIE). The Group did not record any dividend withholding tax on the retained earnings of its FIEs in the PRC, as the Group intends to reinvest all earnings in China to further expand its business in China, and the VIEs do not intend to declare dividends on the retained earnings to their immediate foreign holding companies.

20. SHARE-BASED COMPENSATION

Compensation expenses recognized for share-based awards granted by the Company were as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Included in:			
Cost of revenues	–	511,637	406,131
Sales and marketing expenses	–	77,574	110,446
General and administrative expenses	2,955,590	1,131,335	595,732
Research and development expenses	–	532,043	425,978
Total	2,955,590	2,252,589	1,538,287
Share-based compensation related to share options (a)	2,523,105	2,252,589	1,504,025
Share-based compensation related to restricted share units (b)	–	–	34,262
Share-based compensation related to ordinary shares (c)	432,485	–	–
Total	2,955,590	2,252,589	1,538,287

There was no income tax benefit recognized in the consolidated statements of comprehensive income (loss) for share-based compensation expenses and the Group did not capitalize any of the share-based compensation expenses as part of the cost of any assets in the years ended December 31, 2019, 2020 and 2021.

(a) Share-based compensations related to share options***Share Awards in 2016***

In January 2016, Beijing Lianjia, the Group's main operation entity in China prior to the Reorganization, granted certain number equity-settled share-based awards to a number of key management members with the purpose of providing incentives for their contribution to the Group. These share awards will vest over a period of four years of continuous service, with one fourth (1/4) of which vest on each anniversary of the grant date respectively. The options may be exercised at any time and are exercisable for a maximum period of 10 years after the date of grant.

In connection with the Reorganization described in Note 1(b), in August 2018, the share awards granted by the Group in 2016 were cancelled and replaced by 100,000,000 of the Company's share options granted by the Company to these employees ("Modification Awards") under the 2018 Share Option Plan as mentioned below; terms and conditions of the Modification Awards were not changed. Concurrently, the unvested portion of the Modification Awards were all vested immediately upon the grant. Cancellation of an award accompanied by the grant of a replacement award in connection to the Reorganization is accounted for as a modification and any incremental compensation cost is measured as the excess of the fair value of the replacement award over the fair value of the cancelled award at the cancellation date. In relation to the Modification Awards, the Group recognized the portion of the incremental value on the grant date of the new awards. The incremental value was insignificant for the Group's financial statements. All Modification Awards were exercised in September 2018.

2018 Beijing Lianjia Plan

On July 6, 2018, Beijing Lianjia, the Group's main operation entity in China prior to the Reorganization, adopted the "2018 Employee Share Option Scheme" (the "2018 Beijing Lianjia Plan"), an equity-settled share-based compensation plan with the purpose of providing incentives and rewards to its employees, officers, directors or any other qualified persons. The maximum number of virtual shares that may be issued under the 2018 Beijing Lianjia Plan (including the share awards granted in 2016 as described above) shall be equivalent to approximately 14.01% of Beijing Lianjia's total equity interests. The share options granted under 2018 Beijing Lianjia Plan have a contractual term of ten years from the stated vesting commencement date, and are generally scheduled to be vested over four years of continuous service subject to one of the vesting schedules below according to each option agreement:

- 25% of the total granted share options are vested on the first, second, third and fourth anniversary of the stated vesting commencement date respectively;
- 50% of the total granted share options are vested on the second anniversary of the stated vesting commencement date, and the remaining of the awards are vested in equal installments on an annual basis over the remaining vesting period.

Under the 2018 Beijing Lianjia Plan, share options granted to the employees of the Group are only exercisable upon the occurrence of an initial public offering of the Group.

Pursuant to the 2018 Beijing Lianjia Plan, certain number of share options with exercise price of US\$0.00002 per share were granted to the employees of the Group. In connection with the Reorganization described in Note 1(b), in November 2019, all of the then outstanding share options granted under 2018 Beijing Lianjia Plan were cancelled and replaced by 32,428,930 share options granted by the Company to these employees under the 2018 Share Option Plan as mentioned below. As there was no additional economic benefit granted to or received from the employees in line with such exchange, the cancellation of the old award accompanied by the grant of a replacement award in connection to the Reorganization is not considered a modification to the awards, and no incremental value was recognized.

2018 Share Option Plan

On August 20, 2018, the Company adopted the “Pre-IPO Share Option Scheme” (the “2018 Share Option Plan”), an equity-settled share-based compensation plan with the purpose of providing incentives and rewards to its employees, directors and consultants of the Group who have contributed or will contribute to the Group. The maximum number of shares that may be issued under the 2018 Share Option Plan shall be 350,225,435 Class A Ordinary Shares of the Company on December 28, 2018. Share options granted under 2018 Share Option Plan have a contractual term of ten years from the stated vesting commencement date, and are generally scheduled to be vested over continuous service period of one to five years, the majority of which are subject to one of the vesting schedules below according to each option agreement:

- 25% of the total granted share options are vested on the first, second, third and fourth anniversary of the stated vesting commencement date respectively;
- 50% of the total granted share options are vested on the second anniversary of the stated vesting commencement date, and the remaining of the awards are vested in equal installments on an annual basis over the remaining vesting period;
- 30%, 30% and 40% of the total granted share options are vested on the second, third and fourth anniversary of the stated vesting commencement date, respectively;
- All granted share options are vested on the first anniversary of the stated vesting commencement date;
- All granted share options are vested on the fifth anniversary of the stated vesting commencement date.

Under the 2018 Share Option Plan, share options granted to employees of the Group are only exercisable upon the occurrence of an initial public offering of the Company.

Pursuant to the 2018 Share Option Plan, the Company has granted 95,193,795 share options with exercise price of US\$0.00002 per share to certain senior management members, which are all vested immediately upon the grant, and the related share based compensation costs were recognized on the grant date based on the fair value on the same date. All of the 95,193,795 share options granted under 2018 Share Option Plan were exercised immediately after vesting on November 29, 2019.

For the year ended of December 31, 2021, pursuant to 2018 Share Option Plan, the Company further granted 20,341,532 share options with exercise price of US\$0.00002 per share which have a contractual term of ten years from the stated vesting commencement date, and are generally scheduled to be vested over one to five years of continuous service according to each option agreement. Under the 2018 Share Option Plan, share options granted to employees of the Group are only exercisable upon the occurrence of an initial public offering of the Company.

The following table summarizes activities of the Company's share options under Modification Awards, 2018 Beijing Lianjia Plan and 2018 Share Option Plan as converted to the number of ordinary shares of the Company:

	Number of options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Aggregate intrinsic value US\$ (in thousands)
		US\$	In Years	
Outstanding as of December 31, 2018	24,551,710	0.00002	8.65	74,499
Granted	114,844,455	0.00002		
Exercised	(95,193,795)	0.00002		
Forfeited	<u>(5,779,200)</u>	0.00002		
Outstanding as of December 31, 2019	38,423,170	0.00002	8.12	144,869
Granted*	107,975,010	0.00002		
Exercised	—	0.00002		
Forfeited	<u>(8,016,790)</u>	0.00002		
Outstanding as of December 31, 2020	<u>138,381,390</u>	0.00002	8.29	2,838,661
Granted	20,341,532	0.00002		
Exercised	(57,076,970)	0.00002		
Forfeited	(8,913,268)	0.00002		
Outstanding as of December 31, 2021	<u><u>92,732,684</u></u>	<u><u>0.00002</u></u>	<u><u>8.11</u></u>	<u><u>621,926</u></u>
Vested and exercisable as of December 31, 2019	—	—	—	—
Vested and exercisable as of December 31, 2020	42,486,004	0.00002	8.29	871,529
Vested and exercisable as of December 31, 2021	10,816,028	0.00002	6.96	72,539

* 165,070 options were granted to non-employee consultants in the year ended December 31, 2020.

The weighted-average grant date fair value for options granted under the 2018 Beijing Lianjia Plan and 2018 Share Option Plan during the years ended December 31, 2019, 2020 and 2021 was US\$3.68, US\$6.63 and US\$15.65, respectively, computed using the binomial option pricing model. During the years ended December 31, 2019, 2020 and 2021, the aggregate intrinsic value of share options exercised was US\$359 million, nil and US\$788 million, respectively. The total share-based compensation expenses recognized for share options during the years ended December 31, 2019, 2020 and 2021 was RMB2,523 million, RMB2,253 million and RMB1,504 million.

The fair value of each option granted under the Company's Share Awards in 2018 Beijing Lianjia Plan and 2018 Share Option Plan for the years ended December 31, 2019, 2020 and 2021 was estimated on the date of each grant using the binomial option pricing model with the assumptions (or ranges thereof) in the following table:

	For the year ended December 31,		
	2019	2020	2021
Exercise price (US\$)	0.00002	0.00002	0.00002
Fair value of ordinary shares (US\$)	3.04 ~ 3.77	3.77 ~ 20.67	5.51 ~ 22.33
Expected volatility	50.8% ~ 52.6%	51.6% ~ 52.1%	51.0% ~ 52.2%
Expected term (in years)	10	10	10
Expected dividend yield	0%	0%	0%
Risk-free interest rate	2.3% ~ 3.5%	1.1% ~ 1.6%	1.9% ~ 2.3%

Risk-free interest rate is estimated based on the yield curve of US Sovereign Bond as of the option valuation date. The expected volatility at the grant date and each option valuation date is estimated based on annualized standard deviation of daily stock price return of comparable companies with a time horizon close to the expected expiry of the term of the options. The Group does not anticipate any dividend payments in the foreseeable future. Expected term is the contract life of the options.

As of December 31, 2021, there was RMB3,300.6 million of unrecognized compensation expense related to the share options granted to the Group's employees, which are expected to be recognized over a weighted-average period of 2.9 years and may be adjusted for future changes in forfeitures.

(b) Share-based compensations related to restricted share units

2020 Share Incentive Plan

In July 2020, the Company adopted a 2020 Global Share Incentive Plan (the "2020 Share Incentive Plan"), pursuant to which the maximum number of shares of the Company available for issuance pursuant to all awards under the 2020 Share Incentive Plan (the "Award Pool") shall initially be 80,000,000 shares, plus an annual increase on the first day of each fiscal year of the Company during the ten-year term of this plan commencing with the fiscal year beginning January 1, 2021, by an amount equal to the lesser of (i) 1.0% of the total number of shares issued and outstanding on the last day of the immediately preceding fiscal year, and (ii) such number of shares as may be determined by the Board. The size of the Award Pool to be equitably adjusted in the event of any share dividend, subdivision, reclassification, recapitalization, split, reverse split, combination, consolidation or similar transactions.

Pursuant to the 2020 Share Incentive Plan, 2,525,730 restricted share units have been granted to employees of the Group as of December 31, 2021, which are generally scheduled to be vested over continuous service period of one to five years, the majority of which are subject to one of the vesting schedules below according to each option agreement:

- 25% of the total granted restricted share units are vested on the first, second, third and fourth anniversary of the stated vesting commencement date respectively;
- 50% of the total granted restricted share units are vested on the second anniversary of the stated vesting commencement date, and the remaining of the awards are vested in equal installments on an annual basis over the remaining vesting period;
- 30%, 30% and 40% of the total granted restricted share units are vested on the second, third and fourth anniversary of the stated vesting commencement date respectively;
- 50% of the total granted restricted share units are vested on the first and second anniversary of the stated vesting commencement date respectively;
- All granted restricted share units are vested on the fifth anniversary of the stated vesting commencement date.

The following table summarizes activities of the Company's restricted share units under 2020 Share Incentive Plan:

	Number of RSU outstanding	Weighted average grant-date fair value US\$
Outstanding as of December 31, 2020	–	–
Granted	2,525,730	11.85
Vested	–	–
Forfeited	(83,607)	15.89
	<u> </u>	
Outstanding as of December 31, 2021	<u>2,442,123</u>	11.72

The total share-based compensation expenses recognized for restricted share units during the year ended December 31, 2021 was RMB34.3 million.

As of December 31, 2021, there was RMB150.2 million of unrecognized compensation expense related to restricted share units granted to the Group's employees, which are expected to be recognized over a weighted-average period of 3.5 years and may be adjusted for future changes in forfeitures.

(c) **Share-based Compensation related to ordinary shares**

Compensation expenses related to ordinary shares were as follows:

	For the year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Share-based compensation at transfer of ordinary shares from employees to investors (i)	323,199	–	–
Share-based compensation at repurchase of ordinary shares (i)	46,048	–	–
Share-based compensation at repurchase of deemed issued shares	63,238	–	–
	<u> </u>	<u> </u>	<u> </u>
Total	<u>432,485</u>	<u>–</u>	<u>–</u>

(i) For the detail, please refer to Note 21.

21. ORDINARY SHARES

On July 6, 2018, the Company was incorporated as a limited liability company with authorized share capital of US\$50,000 divided into 2,500,000,000 ordinary shares of par value US\$0.00002 each. Upon its incorporation, 437,700 and 20,700 ordinary shares were issued to Mr. Zuo Hui and Shan Yigang, respectively.

On September 4, 2018, 971,577,300 and 57,829,300 ordinary shares were issued to Mr. Zuo Hui and Shan Yigang, respectively. Concurrently, certain executive officers of the Company exercised their vested stock options to acquire 100,000,000 ordinary shares of the Company.

On December 28, 2018, in connection with the Reorganization, the Company increased its authorized share capital to US\$500,000 divided into 25,000,000,000 shares comprising of:

- (i) 21,250,000,000 Class A Ordinary Shares at par value of US\$0.00002 each;
- (ii) 1,250,000,000 Class B Ordinary Shares at par value of US\$0.00002 each;
- (iii) 750,000,000 Series B Preferred Shares at par value of US\$0.00002 each;
- (iv) 750,000,000 Series C Preferred Shares at par value of US\$0.00002 each;
- (v) 1,000,000,000 Series D Preferred Shares at par value of US\$0.00002 each.

On that same date, ordinary shares held by Mr. Zuo Hui and Mr. Shan Yigang were reduced to 933,289,250 Class B Ordinary Shares and 52,649,160 Class A Ordinary Shares, respectively, and other ordinary shares were all re-designated as Class A Ordinary Shares. The Company issued another 289,034,485 Class A Ordinary Shares to other ordinary shareholders as part of the Reorganization to swap their equity interests in Beijing Lianjia and Yiju Taihe with the shareholding interests in the Company.

On June 17, 2019, the Company repurchased 8,806,005 Class A Ordinary Shares held by Golden Fortitude Enterprises Limited, which was controlled by a director of the Company, at a consideration of US\$33.5 million (RMB231 million). The difference between the repurchase price and fair value of the ordinary shares at the time of the repurchase amounting to US\$6.7 million (RMB46 million) was recorded as compensation expenses. The repurchased ordinary shares were recorded as treasury shares at the fair value of ordinary shares. On November 29, 2019, the treasury shares were reissued as Class A Ordinary Shares to one investor at a consideration of US\$36.8 million (RMB259 million). The reissuance gain was recorded as additional paid-in capital.

On November 29, 2019, 112,215,315 Class A Ordinary Shares of the Company held by certain directors and employees of the Group were transferred to two investors, at a total consideration of US\$469.1 million (RMB3,298 million). The Company did not receive any proceeds from this transaction. The Company considered that such transfer, in substance, was the same as a repurchase and cancellation of the ordinary shares and simultaneously an issuance of the ordinary shares. Therefore the difference between the purchase price and fair value of US\$46.0 million (RMB323.2 million), was recorded as share based compensation expenses.

On November 29, 2019, certain senior management members of the Company exercised their vested stock options to acquire 95,193,795 Class A Ordinary Shares of the Company.

On November 29, 2019, the Company authorized 750,000,000 Series D+ Preferred Shares at par value of US\$0.00002 each, and reduced the authorized number of Class A Ordinary Shares to 20,500,000,000 shares.

On April 10, 2020, the Group entered into share purchase agreements with selling shareholders of Zhonghuan, pursuant to which the Group agreed to issue 22,315,135 Class A Ordinary Shares to the selling shareholders of Zhonghuan to settle the mandatorily redeemable non-controlling interests as a part of consideration for acquisition of Zhonghuan. The shares were issued on April 13, 2020.

On April 16 and 17, 2020, the Company issued 336,915 Class A Ordinary Shares to two employees, who were former minority shareholders of certain of the Company's subsidiaries, to settle the RMB9.0 million payable to these employees in connection with the Group's acquisition of their non-controlling interests in November 2018, which approximates the fair value of the shares issued.

During the year ended December 31, 2020, the Company issued 60,852,775 Class A Ordinary Shares to employee trust controlled by the Company upon early exercise of options, of which 35,673,269 shares have been exercised by employees during the year ended December 31, 2021.

In August 2020, the Company completed its IPO on the New York Stock Exchange ("NYSE"). In the offering, 106,000,000 ADSs, representing 318,000,000 Class A Ordinary Shares, were issued and sold to the public at a price of US\$20.00 per ADS. In addition, the Company issued and sold an additional 15,900,000 ADSs, upon the underwriters' exercise of their option to purchase additional ADSs in full, representing 47,700,000 Class A Ordinary Shares. The Company received total net proceeds of approximately US\$2,358.8 million after deducting US\$79.2 million of underwriter commissions and relevant offering expenses. Upon the completion of the IPO, all of the 1,510,766,620 preferred shares held by the Company's shareholders were converted into an equal number of the Class A ordinary shares.

In November 2020, the Company completed a follow-on public offering on the NYSE. In the offering, 35,400,000 ADSs, representing 106,200,000 Class A Ordinary Shares, were issued and sold to the public at a price of US\$58.00 per ADS. In addition, the Company issues and sold additional 5,310,000 ADSs, upon the underwriters' exercise of the option to purchase additional ADSs in full, representing 15,930,000 Class A Ordinary Shares. The Company received total net proceeds of approximately US\$2,322.6 million after deducting US\$38.5 million of underwriter commissions and relevant offering expenses.

During the year ended December 31, 2021, the Company issued 38,944,380 Class A Ordinary Shares to the depositary bank for future exercise of employees' share options, of which 21,403,701 shares have been exercised by employees during the year ended December 31, 2021.

Holders of Class A Ordinary Shares and Class B Ordinary Shares have the same rights except for conversion and voting rights. Each Class A Ordinary Share is entitled to one vote, and each Class B Ordinary Share is entitled to ten votes. The Class B Ordinary Shares shall only be held by the Founder, the Immediate Family Members, any trust for the benefit of the Founder and/or any of the Immediate Family Members, and any corporation, partnership or any other entity ultimately controlled by the Founder and/or any of the Immediate Family Members (together, the "Founder Affiliates"). Each Class B Ordinary Share is convertible into one Class A Ordinary Share at any time at the option of the holder thereof. Upon any sale, transfer, assignment or disposition of any Class B Ordinary Share by a Shareholder to any person who is not the Founder or a Founder Affiliate, or upon a change of control of the ultimate beneficial ownership of any Class B Ordinary Share to any Person who is not the Founder or a Founder Affiliate, such Class B Ordinary Share shall be automatically and immediately converted into one Class A Ordinary Share. If at any time the Founder and the Founder Affiliates collectively own less than 5% of the total number of the issued and outstanding Class B Ordinary Shares of the Company upon the completion of the initial public offering, all of the issued and outstanding Class B Ordinary Shares shall be automatically converted into the same number of Class A Ordinary Shares.

On November 8, 2021, an extraordinary general meeting of shareholders of the Company was held. The Memorandum and Articles of Association was amended that the Class B ordinary shares shall only be held by the Founder and Mr. Yongdong Peng and Mr. Yigang Shan ("Co-founders"), and the Immediate Family Members, any trust for the benefit of the Co-Founder and/or any of the Immediate Family Members, and any corporation, partnership or any other entity ultimately controlled by the Co-Founder and/or any of the Immediate Family Members (together, the "Co-Founder Affiliates"). And the shareholders approved that 110,116,275 Class A ordinary shares that were held by Ever Orient International Limited and beneficially owned by Mr. PENG Yongdong, chairman and chief executive officer of the Company, and 47,777,775 Class A ordinary shares that were held by Clover Rich Limited and beneficially owned by Mr. SHAN Yigang, an executive director of the Company, were re-designated and re-classified as Class B Ordinary Shares on a 1:1 basis, such Class B Ordinary Shares to rank *pari passu* in all respects with all other existing Class B Ordinary Shares in the authorized share capital of the Company, and that the rights, preferences, privileges and restrictions attaching to such re-designated shares shall be varied accordingly (the "Share Re-designation"). Immediately prior to the resolutions above become effective, Propitious Global Holdings Limited converted 157,894,050 of its Class B ordinary shares into Class A ordinary shares on a 1:1 basis. Propitious Global Holdings Limited, the Company's principal shareholder, is ultimately controlled by Z&Z Trust, the beneficiaries of which are the immediate family members of Mr. ZUO Hui, who has passed away in May 2021.

As of December 31, 2019, 2020 and 2021, after giving effect to the share subdivision and on an as if basis, the Company had issued and outstanding Class A Ordinary Shares of 584,865,410 and 2,606,114,080, 2,663,191,050, Class B Ordinary Shares of 885,301,280, 885,301,280 and 885,301,280, respectively.

22. PREFERRED SHARES

The following table summarizes the issuances of convertible redeemable preferred shares:

Name	Issuance date	Issuance price per share US\$	Number of shares
Series B Preferred Shares	February to December 2016	2.48	402,891,265
Series C Preferred Shares	May to October 2017 and October 2018	3.13	477,780,220
Series D Preferred Shares	December 2018 to April 2019, August and November 2019	3.80	430,835,530
Series D+ Preferred Shares	November to December 2019	4.56	310,879,155

The major rights, preferences and privileges of the preferred shares were as follows:

(a) Dividends rights

Each Preferred Share had the right to receive non-cumulative dividends, *pari passu* with ordinary shares, on an as-converted basis, when, as and if declared by the Board.

(b) Conversion rights***Optional Conversion:***

Unless converted earlier pursuant to Automatic Conversion as described below, any preferred share had, at the option of the holder thereof, be converted at any time after the date of issuance of such shares, without the payment of any additional consideration (provided that, if any preferred share was not fully paid in accordance with the terms of issue thereof prior to such conversion, the ordinary share(s) so converted remained subject to the payment requirements in accordance with the terms of issue of the preferred share), into fully-paid and non-assessable Class A Ordinary Shares based on the Conversion Price.

Automatic Conversion:

Each preferred share was automatically converted, based on the Conversion Price, without the payment of any additional consideration, into fully-paid and non-assessable Class A Ordinary Shares upon the consummation of a Qualified Initial Public Offering ("Qualified IPO") as defined in the Memorandum and Articles of Association.

The initial conversion ratio of preferred shares to ordinary shares was 1:1, subject to adjustments in the event of (i) share subdivisions, combinations or consolidations of equity securities, share dividends and similar events, or (ii) issuance or deemed issuance of new securities for a consideration per ordinary share received by the Company (net of any selling concessions, discounts or commissions) less than the conversion price with respect to any preferred share in effect immediately prior to such issue or deemed issue.

(c) Redemption rights

Upon the occurrence of any Redemption Event as described below, the Company, at the written request of any holder of the preferred shares, was to redeem all or any of the issued and outstanding preferred shares held and as elected by such holder of the preferred shares, out of funds legally available therefor, at the price per share equal to the aggregate of (x) the applicable Original Issue Price as set forth in the Investor Rights Agreement and (y) an amount that gives such shareholder a simple non-compounded interest of eight percent (8%) per annum on the applicable Original Issue Price, calculated from the applicable Original Issue Date as set forth in the Investor Rights Agreement up until the date of receipt by such shareholder of the full redemption amount thereof.

Before December 28, 2018, for Series B and C Preferred Shares, “Redemption Event” meant the occurrence of any of the followings events: (i) the Company fails to complete a Qualified IPO within five (5) years following the issuance date of Series B and C Preferred Shares; or (ii) a majority of the Key Persons as set forth in the Investor Rights Agreement have ceased to be employed by any Group Company. On December 28, 2018, the Redemption Event was modified and for all preferred shares. “Redemption Event” meant the occurrence of either of the followings events: (i) the Company fails to complete a Qualified IPO by December 28, 2023; or (ii) a majority of the Key Persons as set forth in the Investor Rights Agreement have ceased to be employed by any Group Company.

(d) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, or any Deemed Liquidation Event, distributions to the Shareholders shall be made in the following manner, after satisfaction of all creditors’ claims and claims that may be mandated by law:

Holders of preferred shares of later series had preference to the distribution of assets or funds over holders of preferred shares of earlier series and holders of ordinary shares. The amount of the preference was the greater of (x) the aggregate of (i) the respective applicable Original Issue Price, (ii) any dividends declared and unpaid with respect to respective applicable Preferred Share, and (iii) an amount that would give such holder of respective applicable preferred shares a simple non-compounded interest of five percent (5%) per annum on the respective applicable Original Issue Price, calculated from the respective applicable Original Issue Date up until the date of receipt by the holder of the full liquidation preference amount thereof, and (y) the amount such respective applicable preferred shares would have received, with respect to each respective applicable Preferred Share, had that respective applicable preferred share been converted into ordinary shares immediately prior to the consummation of the liquidation event.

Deemed Liquidation Event included: (i) any transaction or series of transactions, whether by merger, consolidation, amalgamation, sale or issuance of equity, scheme of arrangement or otherwise, which resulted in a change in control of the Company; (ii) a disposition of all or substantially all of the assets of the Group as a whole; (iii) any termination or amendment of any VIE Contractual Agreements for any reason resulting in the Company losing control over any VIEs, or the financial results of any VIE incapable of being consolidated into the financial results of the Company; or (iv) a sale or exclusive licensing of all or substantially all of the intellectual property of the Group as a whole.

(e) Voting rights

Each preferred share was entitled to such number of vote(s) equal to the number of ordinary shares to which such preferred share is then convertible. The holders of preferred shares and the holders of ordinary shares voted together on an as-converted basis and not as a separate class.

The Company's preferred shares activities for the years ended December 31, 2019, 2020 and 2021 are summarized as below:

	Series B Shares		Series C Shares		Series D Shares		Series D+ Shares		Total	
	Number of shares	RMB	Number of shares	RMB	Number of shares	RMB	Number of shares	RMB	Number of shares	RMB
						<i>(in thousands, except for shares)</i>				
Balance as of January 1, 2019	298,483,760	6,039,616	470,568,175	11,288,505	204,342,105	5,334,188	-	-	973,394,040	22,662,309
Issuance of Series D Preferred Shares, net of issuance cost	-	-	-	-	226,493,425	5,909,282	310,879,155	9,934,776	537,372,580	15,844,058
Accretion on convertible redeemable preferred shares to redemption value	-	366,440	-	829,746	-	587,753	-	82,589	-	1,866,528
Balance as of December 31, 2019	298,483,760	6,406,056	470,568,175	12,118,251	430,835,530	11,831,223	310,879,155	10,017,365	1,510,766,620	40,372,895
Balance as of January 1, 2020	298,483,760	6,406,056	470,568,175	12,118,251	430,835,530	11,831,223	310,879,155	10,017,365	1,510,766,620	40,372,895
Accretion on convertible redeemable preferred shares to redemption value	-	242,270	-	554,415	-	519,201	-	439,342	-	1,755,228
Automatic conversion of preferred shares into ordinary shares upon IPO	(298,483,760)	(6,648,326)	(470,568,175)	(12,672,666)	(430,835,530)	(12,350,424)	(310,879,155)	(10,456,707)	(1,510,766,620)	(42,128,123)
Balance as of December 31, 2020	-	-	-	-	-	-	-	-	-	-

All of the preferred shares were converted to Class A Ordinary Shares upon the completion of the Company's IPO in August 2020.

The key transaction of Preferred Shares

Prior to the Reorganization and the incorporation of the Company, the Group's business was carried out under Beijing Lianjia and Yiju Taihe. Preferred shares were issued by Beijing Lianjia and Yiju Taihe in the form of equity interests with preference and redemption rights, and were recorded in the "Mezzanine equity" at the respective periods. In connection with the Reorganization discussed in Note 1, in December 2018, the Company issued 298,483,760 series B Preferred Shares and 470,568,175 Series C Preferred Shares in exchange for the Series B and Series C preferred shareholders' interests in Beijing Lianjia and Yiju Taihe as above mentioned, respectively. Thereafter, the Series B and Series C preferred shareholders' equity interests were legally converted into Series B and Series C Preferred Shares of the Company.

In December 2018, the Company issued 204,342,105 Series D Preferred Shares to certain investors with a total cash and in-kind consideration amounted to US\$776.5 million (RMB5,330 million).

From January to August 2019, the Company issued 121,230,265 Series D Preferred Shares to certain investors with total cash consideration amounted to US\$461 million (RMB3,108 million).

In November 2019, the Company issued 105,263,160 series D Preferred Shares to certain investors with total cash consideration amounted to US\$400 million (RMB2,801 million).

From November to December 2019, the Company issued 310,879,155 Series D+ Preferred Shares to certain investors with total cash consideration amounted to US\$1,418 million (RMB9,935 million).

The Series B, Series C, Series D and Series D+ Preferred Shares are collectively referred to as the "Preferred Shares". All series of Preferred Shares have the same par value of US\$0.00002 per share.

Accounting for Preferred Shares

Prior to the IPO, the Company classified the preferred shares in the mezzanine equity of the consolidated balance sheets as they were contingently redeemable at the options of the holders. The Company recorded accretion on the preferred shares, where applicable, to the redemption value from the issuance dates to the earliest redemption dates. The accretion calculated using the effective interest method, was recorded against retained earnings, or in the absence of retained earnings, by charging against additional paid-in capital. Once additional paid-in capital had been exhausted, additional charges were recorded by increasing the accumulated deficit. The accretion of preferred shares was RMB1,866.5 million and RMB1,755.2 million for the years ended December 31, 2019 and 2020, respectively. Each issuance of the preferred shares was recognized at the respective issue price at the date of issuance net of issuance costs. The issuance costs for preferred shares was nil for the years presented.

The Company determined that the embedded conversion features and the redemption features did not require bifurcation as they either were clearly and closely related to the preferred shares or did not meet the definition of a derivative.

The Company determined that there was no beneficial conversion feature attributable to any of the preferred shares because the initial effective conversion price of these preferred shares were higher than the fair value of the Company's ordinary shares determined by the Company with the assistance from an independent valuation firm.

Modification of Preferred Shares

The Company assessed whether an amendment to the terms of its Preferred Shares was an extinguishment or a modification using the fair value model. When Preferred Shares were extinguished, the difference between the fair value of the consideration was transferred to the convertible preferred shareholders and the carrying amount of the convertible preferred shares (net of issuance costs) were treated as deemed dividends to preferred shareholders. The Company considered that a significant change in fair value after the change of the terms to be substantive and thus triggered extinguishment. A change in fair value, which was not significant immediately after the change of the terms was considered non-substantive and thus subject to modification accounting. When the Preferred Shares were modified, the Company evaluated whether there was a transfer of value between ordinary shareholders and preferred shareholders as a result of the modification and

therefore, would be recorded as a reduction of, or increase to, accumulated deficit as a deemed dividend. When value was transferred from preferred shareholders to ordinary shareholders, the value was recorded as an increase to accumulated deficit while charges against additional paid-in capital.

On August 17, 2020, the Company's IPO was completed and all preferred shares were automatically converted into ordinary shares.

23. FAIR VALUE MEASUREMENT

The following table sets forth the financial instruments, measured at fair value, by level within the fair value hierarchy on recurring basis as of December 31, 2019, 2020 and 2021:

	Fair value measurement at reporting date using			
	Quoted prices		Significant	Significant
	in active		other	other
	markets for		observable	unobservable
	identical		inputs	inputs
December 31,	assets		(Level 2)	(Level 3)
2019	(Level 1)		RMB	RMB
RMB	RMB			
	(in thousands)			
Assets				
Bank time deposits (maturing within 3 months) (i)	1,328,231	–	1,328,231	–
Long-term time deposits (ii)	215,000	–	215,000	–
Restricted cash, current	7,380,341	–	7,380,341	–
Non-current restricted cash	230,903	–	230,903	–
Short-term investments	1,844,595	–	1,844,595	–
Contingently returnable consideration in relation to an acquisition (iii)	53,349	–	–	53,349
Long-term investments accounted for at fair values (ii)				
Listed equity securities	93,377	93,377	–	–
Unlisted equity securities	208,955	–	–	208,955
Wealth management products	1,246,430	–	1,246,430	–
Loan receivables under fair value option	29,834	–	–	29,834
	<u>12,631,015</u>	<u>93,377</u>	<u>12,245,500</u>	<u>292,138</u>
Total	<u>12,631,015</u>	<u>93,377</u>	<u>12,245,500</u>	<u>292,138</u>
Liabilities				
Mandatorily redeemable non-controlling interests in relation to an acquisition (iv)	780,937	–	–	780,937
Contingent consideration in relation to an acquisition (iii)	88,138	–	–	88,138
Derivative instruments (v)	9,691	–	9,691	–
	<u>878,766</u>	<u>–</u>	<u>9,691</u>	<u>869,075</u>
Total	<u>878,766</u>	<u>–</u>	<u>9,691</u>	<u>869,075</u>

	December 31, 2020 RMB	Fair value measurement at reporting date using Quoted prices		
		in active markets for identical assets (Level 1) RMB (in thousands)	Significant other observable inputs (Level 2) RMB	Significant other unobservable inputs (Level 3) RMB
Assets				
Bank time deposits (maturing within 3 months) (i)	4,302,310	—	4,302,310	—
Long-term time deposits (ii)	224,752	—	224,752	—
Restricted cash, current	8,567,496	—	8,567,496	—
Non-current restricted cash	—	—	—	—
Short-term investments	15,626,624	—	15,626,624	—
Derivative instruments (v)	61,697	—	61,697	—
Long-term investments accounted for at fair values (ii)				
Listed equity securities	103,621	103,621	—	—
Unlisted equity securities	238,294	—	—	238,294
Wealth management products	1,677,415	—	1,019,865	657,550
Loan receivables under fair value option	41,519	—	—	41,519
Total	30,843,728	103,621	29,802,744	937,363

	December 31, 2021 RMB	Fair value measurement at reporting date using Quoted prices		
		in active markets for identical assets (Level 1) RMB (in thousands)	Significant other observable inputs (Level 2) RMB	Significant other unobservable inputs (Level 3) RMB
Assets				
Bank time deposits (maturing within 3 months) (i)	592,752	—	592,752	—
Long-term time deposits (ii)	946,096	—	946,096	—
Restricted cash, current	6,286,105	—	6,286,105	—
Short-term investments	29,270,635	—	26,980,989	2,289,646
Derivative instruments (v)	132,026	—	132,026	—
Long-term investments accounted for at fair values (ii)				
Listed equity securities	153,779	153,779	—	—
Unlisted equity securities	246,007	—	—	246,007
Wealth management products	6,012,346	—	2,742,645	3,269,701
Loan receivables under fair value option	68,190	—	—	68,190
Available-for-sale debt investments	7,813,655	—	7,813,655	—
Long-term held-to-maturity debt securities (ii)	134,120	—	134,120	—
Total	51,655,711	153,779	45,628,388	5,873,544

- (i) Included in cash and cash equivalents on the Company's consolidated balance sheets;
- (ii) Included in long-term investments on the Company's consolidated balance sheets;
- (iii) Included in other non-current assets and other non-current liabilities on the Company's consolidated balance sheets; please refer to Note 24 for more details;
- (iv) Included in accrued expenses and other current liabilities on the Company's consolidated balance sheets;
- (v) Included in other non-current liabilities and short-term investments on the Company's consolidated balance sheets.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. Following is a description of the valuation techniques that the Group uses to measure the fair value of assets that the Group reports in its consolidated balance sheets at fair value on a recurring basis.

Bank time deposits and restricted cash. Bank time deposits and restricted cash are valued based on the prevailing interest rates in the market, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 2.

Short-term investments. Short-term investment represents interest-bearing deposit placed with financial institution, which is restricted to withdrawal and use. For investment issued by commercial bank with a variable interest rate, the Group uses the expected return provided by the bank to estimate its fair value. As there are no quoted prices in active markets for the investment at the reporting date, the Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurements. For financial products issued by asset management company, whose fair values determined based on the expected cash flows and discounted by using the unobservable expected return, the Group classifies the valuation techniques that use these inputs as Level 3.

Loan receivables accounted for under the fair value option. The fair value of the loan receivables was estimated by using valuation models such as the binomial model with unobservable inputs including risk-free interest rate and expected volatility (Level 3).

Listed equity securities. The Group values its listed equity securities using quoted prices for the underlying securities in active markets, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 1.

Unlisted equity securities. The fair value of the investee is estimated by applying the discounted cash flow approach and the guideline public company approach. For discounted cash flow approach, major factors considered include historical financial results and assumptions including future growth rates, an estimate of weighted average cost of capital, effective tax rates. The guideline public company approach relies on publicly available market data of comparable companies and uses comparative valuation multiples of the investee's revenue. The Group classifies the valuation techniques that use these inputs as Level 3.

Wealth management products. Wealth management products are financial products issued by commercial bank or asset management company. For investment issued by commercial bank with a variable interest rate, the Group uses alternative pricing sources and models utilizing market observable inputs to estimate the fair value, and the Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurement. For financial product issued by asset management company, whose fair value is determined based on the expected cash flows and discounted by using the unobservable expected return, the Group classifies the valuation techniques that use these inputs as Level 3.

Available-for-sale debt investments. Available-for-sale debt investments are debt instruments or preferred shares issued by banks and other financial institutions that are redeemable at the issuer's option, which are measured at fair value. Available-for-sale debt investments that are redeemable at the issuer's option have no contractual maturity date. The Group classifies the valuation techniques that use these inputs as Level 2 fair value measurement.

Long-term held-to-maturity debt. Long-term held-to-maturity debt securities were mainly debt instruments issued by private companies with maturities of greater than one year and for which the Group has the positive intent and ability to hold those securities to maturity. The Group accounts for the held-to-maturity debt securities at amortized cost less allowance for credit losses. The Group determines the fair value of the debt securities using quoted prices in less active markets, and accordingly the Group categorizes the unsecured senior notes as Level 2 in the fair value hierarchy.

Mandatorily redeemable non-controlling interests in relation to an acquisition. The mandatorily redeemable non-controlling interests will be settled by a variable number of ordinary shares newly issued by the Group and is classified as liabilities; the liabilities were settled in April 2020 (Note 24). The valuation of this liability is performed based on the fair value of the Group's equity value estimated by applying the discounted cash flow approach, and with unobservable inputs including the probability of each scenario to determine the number of shares to be issued, and accordingly the Group classifies the valuation techniques that use these inputs as Level 3.

The following table presents quantitative information about the significant unobservable inputs as of December 31, 2019:

Unobservable Input	As of December 31, 2019
Discount rates	18.0%
Volatility	54.0%
Discount for lack of marketability	10.0%

Contingent Consideration. The valuation of contingent consideration is performed using an expected cash flow method with unobservable inputs including the probability to achieve the contingencies, which is assessed by the Group, in connection with the contingent consideration arrangements. Accordingly the Group classifies the valuation techniques that use these inputs as Level 3.

Derivative instruments. Derivative instruments are mainly financial products issued by commercial bank linked to the forward exchange rate. Fair value is provided by the commercial bank using alternative pricing sources and models utilizing market observable inputs, and accordingly the Group classifies the valuation techniques that use these inputs as Level 2.

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a change in those significant unobservable inputs to a different amount might result in a significantly higher or lower fair value measurement at the reporting date.

The followings are other financial instruments not measured at fair value in the consolidated balance sheets, but for which the fair value is estimated for disclosure purposes.

Short-term receivables and payables. Accounts receivable, financing receivables and prepayments and other current assets are financial assets with carrying values that approximate fair value due to their short-term nature. Accounts payable, accrued expenses and other current liabilities and contract liabilities are financial liabilities with carrying values that approximate fair value due to their short-term nature. The Group classifies the valuation techniques that use these inputs as Level 2 fair value measurement.

Short-term borrowings and long-term borrowings. Interest rates under the borrowing agreements with the lending parties were determined based on the prevailing interest rates in the market. The carrying value of short-term borrowings and long-term borrowings approximates to fair value. The Group classifies the valuation techniques that use these inputs as Level 2 fair value measurement.

Non-current receivables and payables. Non-current assets including financing receivables and rental deposits are financial assets with carrying value that approximate fair value due to the impact of discounting is immaterial. Non-current funding debt and other non-current liabilities are financial liabilities with carrying value that approximate fair value due to the impact of discounting is immaterial.

Assets Measured at Fair Value on a Non-Recurring Basis

Investments without readily determinable fair value. For those investments without readily determinable fair value, the Group measures them at fair value when observable price changes are identified or impairment charge were recognized. The fair values of the Group's privately held investments as disclosed are determined based on the discounted cash flow model using the discount curve of market interest rates or based on the similar transaction price in the market directly. The Group classifies the valuation techniques on those investments that use similar identifiable transaction prices as Level 2 of fair value measurements.

The Group also measures equity investments without readily determinable fair values at fair value on a non-recurring basis when an impairment charge is to be recognized. As of December 31, 2019, 2020 and 2021 certain investments were measured using significant unobservable inputs (Level 3) and written down from their respective carrying values to fair values, considering the stage of development, the business plan, the financial condition, the sufficiency of funding and the operating performance of the investee companies, with impairment charges incurred and recorded in earnings for the years then ended. The fair value of the privately held investments is valued based on the discounted cash flow model with unobservable inputs including the discount curve of market interest rates, or valued based on market approach with unobservable inputs including selection of comparable companies and multiples and estimated discount for lack of marketability. Impairment recorded for equity method investments for the years ended December 31, 2019, 2020 and 2021 was RMB1.5 million, RMB26.7 million and RMB2.9 million, respectively. Impairment recorded for investments without readily determinable fair value for the years ended December 31, 2019, 2020 and 2021 was nil, RMB9.0 million and RMB183.8 million, respectively.

Non-financial assets. The Group's non-financial assets, such as intangible assets, goodwill and property and equipment, would be measured at fair value only if they were determined to be impaired.

The Group reviews the long-lived assets and certain identifiable intangible assets other than goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Impairment loss for those assets were recognized based on the impairment test using discounted cash flow method. The impairment recognized on the acquired intangible assets and long-lived assets based on management's assessment amount to nil, RMB213.4 million and RMB14.3 million, for the years ended December 31, 2019, 2020 and 2021, respectively.

The Group has a policy to perform goodwill impairment testing at the reporting unit level on December 31 annually, and between annual tests whenever a triggering event occurs. When performing the quantitative impairment test at reporting unit level, the Group considers a number of factors including but not limited to expected future cash flows, growth rates, discount rates, and comparable multiples from publicly traded companies in the industry. The impairment recognized on goodwill based on management's assessment amount to nil, RMB22.7 million and RMB732.4 million for the years ended December 31, 2019, 2020 and 2021, respectively. The fair value of reporting units was determined using Level 3 inputs.

24. BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method of accounting, which requires the acquisition cost be allocated to the assets and liabilities of the Group acquired, including separately identifiable intangible assets, based on their estimated fair values. The Group made estimates and judgments in determining the fair value of acquired assets and liabilities, with the assistance of an independent valuation firm and management's experience with similar assets and liabilities. In performing the purchase price allocation, the Group considered the analyses of historical financial performance and estimates of future performance of these companies acquired. Other than these acquisitions mentioned, other acquisition is immaterial for the years ended December 31, 2019, 2020 and 2021.

Acquisition of Zhonghuan

On July 12, 2019, the Group acquired 62% of the ordinary shares (the "Phase I Transaction") issued by Zhonghuan, a real estate agency company in central China. Pursuant to the acquisition agreement, the Group was obligated to purchase, and the selling shareholders were also obligated to sell the remaining 38% ordinary shares (the "Phase II Transaction") of Zhonghuan after certain administrative procedures. The acquisition of Phase I and Phase II Shares was considered bundled transactions negotiated and entered into together as a package. Total consideration for the acquisition of Phase I shares consisted of RMB931.0 million in cash, and acquisition of Phase II shares consisted of RMB194.0 million in cash and an obligation to issue Class A Ordinary Shares to the selling shareholders

of Zhonghuan with value equal to RMB716.4 million and the per share price used to calculate the number of shares was i) the Series D+ Preferred Shares issuance price if the Company has initiated Series D+ Preferred Shares financing before the end of December 31, 2019, or ii) otherwise, the Series D Preferred Share issuance price which was US\$3.8. Therefore, the obligation to issue variable number of shares with a value equal to a fixed amount is considered a mandatorily redeemable non-controlling interest and classified as a liability measured at fair value, and changes in fair value were reflected in earnings. As of December 31, 2019, the Series D+ Preferred Shares financing was completed, thus the number of shares to be issued was determined based on a per share price of US\$4.56 and the Company issued 22,315,135 Class A Ordinary Shares to the selling shareholders of Zhonghuan.

The acquisition had been accounted for as a business combination and the results of operations of Zhonghuan and its subsidiaries from the acquisition date have been included in the Group's consolidated financial statements from August 1, 2019. The Group estimated the fair value of acquired assets and liabilities with the assistance of an independent valuation firm.

Consideration for Zhonghuan was allocated on the acquisition date based on the fair value of the assets acquired and the liabilities assumed as follows:

	Amounts RMB <i>(in thousands)</i>
Net assets acquired (i)	114,849
Identifiable intangible assets (ii)	
License	316,800
Trademark and domain name	28,600
Software	41,700
Goodwill (iii)	1,343,556
Non-controlling interests (iv)	(124,807)
Deferred tax liabilities	(80,505)
Total	1,640,193

	Amounts RMB <i>(in thousands)</i>
Total purchase price is comprised of:	
Cash consideration	930,999
Fair value of mandatorily redeemable non-controlling interest including cash of RMB193,983 and fair value of the obligation to issue ordinary shares of RMB482,671	676,653
Fair value of contingent consideration including contingently returnable consideration from seller of (RMB17,349) and contingent consideration payable to seller of RMB49,890 (v)	32,541
Total	1,640,193

- (i) Net assets acquired primarily included cash, cash equivalents of RMB163 million as of the date of acquisition.
- (ii) Acquired amortizable intangible assets had estimated amortization periods not exceeding 7 years and a weighted-average amortization period of 3.7 years.
- (iii) The excess of purchase price over net tangible assets and identifiable intangible assets acquired were recorded as goodwill. Goodwill primarily represents the expected synergies from combining the Zhonghuan's resources and experiences in real estate industry in central PRC with the Group's current business. The goodwill is not expected to be deductible for tax purposes.

- (iv) Non-controlling interests were the interests allocated to the minority shareholders of subsidiaries of Zhonghuan. Fair value of the non-controlling interests was estimated with reference to the purchase price per share as of the acquisition date, adjusted for a discount for control premium.
- (v) The Group has a right to receive back a certain number of issued shares or certain amount cash from the seller according to the Earn-Out arrangement. Based on the premise that the Earn-Out arrangement is met, the Group has the obligation to pay contingent consideration when certain conditions occur. The contingently returnable consideration from seller and the contingent compensation to seller are measured at fair value through earnings with the assistance of an independent valuation firm. The amounts were RMB17 million and RMB50 million as of the acquisition date, and are recorded in other non-current assets and other non-current liabilities, respectively.

All the cash consideration for acquisition of Phase I Shares has been settled as of December 31, 2019. In April 2020, the Group paid the remaining cash consideration and issued 22,315,135 Class A Ordinary Shares to the selling shareholders of Zhonghuan to settle the mandatorily redeemable non-controlling interest. No subsequent purchase price adjustment has been made. The acquisitions above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

25. SEGMENT INFORMATION

(a) Description of segments

The Group's organizational structure is based on a number of factors that the CODM uses to evaluate, view and run its business operations which include, but are not limited to, customer base, homogeneity of services and technology. The Group's operating segments are based on this organizational structure and information reviewed by the Group's CODM to evaluate the operating segment results.

Prior to the Reorganization, the Group had one reportable segment. Concurrent with the Reorganization, effective from 2019, the Group changed its internal organizational structure and separated its businesses into three segments, which were existing home transaction services, new home transaction services and emerging and other services, in light of the significant growth in new home transaction services business and emerging and other services business. Later in the first quarter of 2020, the Group further updated the financial measures provided to the CODM. This change in segment reporting aligns with the manner in which the Group's CODM currently receives and uses financial information to allocate resources and evaluate the performance of reporting segments. This change in segment presentation does not affect consolidated balance sheets, consolidated statements of comprehensive income (loss) or consolidated statements of cash flows. The Group retrospectively revised prior period segment information, to conform to current period presentation.

The Group now operates its businesses in three segments: existing home transaction services, new home transaction services and emerging and other services. The following summary describes the operations in each of the Group's reportable segment:

- (1) Existing home transaction services: The existing home transaction segment provides services in existing home market include i) agency services to sales or leases of existing homes, either through acting as the principal agent or a participating agent in collaboration with the principal agents; ii) platform and franchise services to brokerage firms on Beike platform who provide agency services in existing home market; iii) Other transaction services, such as transaction closing service through the Group's transaction center.
- (2) New home transaction services: The new home transaction business segment provides new home transaction services in new home market. New home transaction services refer to agency services provided to real estate developers to facilitate sales of new properties developed by the real estate developers to property buyers. The Group signs the new home transaction services contracts with the sales companies of the developers and then mobilizes all agents registered with the platform to fulfil such contracts.
- (3) Emerging and other services: Emerging and other services include financial service business and other newly developed businesses.

Commission and compensation include compensation to agents and sales professionals who are the Group's employees or contractors and split commission to brokerage firms who signs channel sale agency service agreements with the Group. Commission and compensation in existing home market are mainly to those who are the Group's employees or contractors. Commissions and compensation in new home market are mainly to brokerage firms who sign channel sale agency service agreements with the Group.

(b) Segments data

The following tables present summary information by segment:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Net revenues:			
Existing home transaction services	24,568,508	30,564,584	31,947,953
New home transaction services	20,273,860	37,937,886	46,472,378
Emerging and other services	1,172,538	1,978,508	2,332,108
Total	46,014,906	70,480,978	80,752,439
Commission and compensation:			
Existing home transaction services	(15,014,264)	(18,065,451)	(20,123,501)
New home transaction services	(15,355,160)	(29,787,961)	(37,525,240)
Emerging and other services	(229,401)	(317,756)	(484,462)
Total	(30,598,825)	(48,171,168)	(58,133,203)
Contribution:			
Existing home transaction services	9,554,244	12,499,133	11,824,452
New home transaction services	4,918,700	8,149,925	8,947,138
Emerging and other services	943,137	1,660,752	1,847,646
Total	15,416,081	22,309,810	22,619,236

As substantially all of the Group's long-lived assets are located in the PRC and substantially all of the Group's revenue of reportable segments are derived from China based on the geographical locations where services and products are provided to customers, no geographical information is presented.

26. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is the amount of net income (loss) attributable to each share of ordinary shares outstanding during the reporting period. Diluted net income (loss) per share is the amount of net income (loss) attributable to each share of ordinary shares outstanding during the reporting period adjusted to include the effect of potentially dilutive ordinary shares. 1,098,514,498 and 932,877,749 preferred shares on a weighted average basis were excluded from the computation of diluted net income (loss) per share for the years ended December 31, 2019 and 2020 because of their anti-dilutive effect. The obligation to issue ordinary shares in relation to the acquisition of Zhonghuan which was 10,515,625 shares on a weighted average basis were excluded from the calculation of diluted net income (loss) per share for the year ended December 31, 2019, due to the anti-dilutive effect. 41,217,159 non-vested share options and 31,140 non-vested RSUs on a weighted average basis were excluded from the calculation of diluted net loss per share for the year ended December 31, 2021 because of their anti-dilutive effect.

The following table sets forth the computation of basic and diluted net income (loss) per share for the years and periods indicated:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>(RMB in thousands, except for share and per share data)</i>		
<u>Numerator:</u>			
Net income (loss) attributable to KE Holdings Inc.	(2,183,546)	2,777,592	(524,129)
Accretion on Series B Preferred Shares to redemption value	(366,440)	(242,270)	—
Accretion on Series C Preferred Shares to redemption value	(829,746)	(554,415)	—
Accretion on Series D Preferred Shares to redemption value	(587,753)	(519,201)	—
Accretion on Series D+ Preferred Shares to redemption value	(82,589)	(439,342)	—
Income allocation to participating preferred shares	—	(301,898)	—
	<u> </u>	<u> </u>	<u> </u>
Net income (loss) attributable to KE Holdings Inc.'s ordinary shareholders	<u>(4,050,074)</u>	<u>720,466</u>	<u>(524,129)</u>
<u>Denominator:</u>			
Denominator for basic net income (loss) per share-weighted average ordinary shares outstanding	1,378,235,522	2,226,264,859	3,549,121,628
Dilutive effect of the obligation to issue ordinary shares in relation to the acquisition of Zhonghuan	—	6,375,753	—
Adjustments for dilutive share options	—	34,690,279	—
Denominator for diluted net income (loss) per share-weighted average ordinary shares outstanding	1,378,235,522	2,267,330,891	3,549,121,628
Net income (loss) per share attributable to ordinary shareholders:			
– Basic	(2.94)	0.32	(0.15)
– Diluted	(2.94)	0.32	(0.15)

27. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

During the years ended December 31, 2019, 2020 and 2021, other than disclosed elsewhere, the Group had the following material related party transactions.

Related Party	Relationship with the Group
Ziroom Inc. and its subsidiaries ("Ziroom")	A group which management or operating policies significantly influenced by a director of the Company
Yuanjing Mingde (Beijing) Holding Group Co., Ltd. ("Yuanjing Mingde")	A group which management or operating policies significantly influenced by a director of the Company
Vanlian (Beijing) Decoration Co., Ltd. ("Vanlian")	An affiliate company of the Group
IFM Investments Limited ("IFM")	An affiliate company of the Group
Shengdu Home Renovation Co., Ltd. ("Shengdu")	An affiliate company of the Group
Mr. Zuo Hui	Founder of the Group
Brokerage firms	Firms that the Group has significant influence in
Tencent	Principal owner of the Group

Tencent has been considered as related party of the Group from July 22, 2020. Shengdu has been considered as related party of the Group from December 10, 2021.

- (i) The Group entered into the following transactions with related parties:

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Revenues from related parties			
Agency services, online marketing services and home renovation services provided to Vanlian	3,523	14,706	174,511
Online marketing services provided to Ziroom	19,269	72,309	104,888
Agency services provided to Ziroom	281,769	55,447	53,150
Platform services provided to IFM	6,942	41,704	69,717
Agency services and other services provided to Shengdu	—	—	7,565
Agency services provided to Yuanjing Mingde	11,365	35,154	4,491
Technical services provided to Tencent	—	—	1,608
Commission support services provided to brokerage firms	58,194	201,385	423,448
Platform and franchise services provided to brokerage firms	4,541	1,870	8,512
Total	385,603	422,575	847,890

Agency services refer to services to facilitate home sales or leases. A certain percentage of commission was recognised upon the completion of contracts between referred customers and the related parties stated above.

Online marketing services mainly refer to the technical support, marketing and promotion services provided to the above related parties to promote their own services and products.

Platform services refer to the fees the Group charged for using the Group's ACN and SaaS system. Franchise services refer to the fees the Group charges for using the Group's Deyou brand.

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Services provided by related parties			
Online marketing and technical services from Tencent	–	38,943	193,866
Rental and property management services from Yuanjing Mingde	850	8,753	30,609
Referral services from IFM	2,776	8,656	10,672
Services from Ziroom	482	1,025	7,942
Referral services from brokerage firms	101,312	426,233	831,591
Others	2,970	16,343	1,322
Total	108,390	499,953	1,076,002

Online marketing services mainly refer to the cloud, marketing and promotion services provided by Tencent.

Rental services mainly include the office rental from Yuanjing Mingde, which was charged based on fair market price.

Referral services provided by related parties mainly refer to customer referrals from related parties.

Services from Ziroom including referral, cleaning, maintenance, sales and marketing services provided by Ziroom.

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Other income			
Interest income from loans provided to IFM	3,993	2,289	2,209
Interest income from loans provided to Yuanjing Mingde	215,158	92,013	–
Interest income from loans provided to Ziroom	7,825	–	–
Interest income from loans provided to executive directors	–	1,800	–
Interest income from loans provided to others	–	1,949	1,450
Total	226,976	98,051	3,659

- (ii) On May 31, 2021, the Group invested in 29.16% of the equity interests of Yuanjing Mingchuang with certain preference rights with a total cash consideration of RMB700 million. Yuanjing Mingchuang is a subsidiary of Yuanjing Mingde. For the detail, please refer to Note 11.
- (iii) As of December 31, 2019, 2020 and 2021, the Group had the following lease balances and transactions with related parties:

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Operating Leases			
Store leases from Yuanjing Mingde	–	–	136,164
Administrative office leases from Ziroom	–	48	51
Administrative office leases from Yuanjing Mingde	–	94,130	–
Total operating lease assets	<u>–</u>	<u>94,178</u>	<u>136,215</u>
Operating lease liabilities, current from Yuanjing Mingde	–	9,619	8,213
Operating lease liabilities, current from Ziroom	–	49	51
Operating lease liabilities, non-current from Yuanjing Mingde	–	84,080	125,075
Total operating lease liabilities	<u>–</u>	<u>93,748</u>	<u>133,339</u>
	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Operating lease cost from related parties			
Operating lease cost from Yuanjing Mingde	–	1,529	18,358
Operating lease cost from Ziroom	–	49	100
Operating lease cost from brokerage firms	–	–	49
Total	<u>–</u>	<u>1,578</u>	<u>18,507</u>

(iv) As of December 31, 2019, 2020 and 2021, the Group had the following balances with related parties:

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Amounts due from and prepayments to related parties			
Ziroom	609,742	335,521	349,375
Vanlian	6,289	21,618	209,087
IFM	5,277	6,505	7,799
Yuanjing Mingde	140,614	16,433	7,471
Shengdu	—	—	6,431
Tencent (a)	—	35,078	175
Brokerage firms	5,574	11,060	10,485
Executive directors	93,338	—	—
Others	66,472	58,134	519
Total	927,306	484,349	591,342
Amounts due to related parties			
Vanlian	100	879	143,804
Tencent	—	—	35,269
Ziroom	123,149	20,615	30,872
IFM	46,280	15,111	22,893
Yuanjing Mingde	5,384	2,822	8,569
Shengdu	—	—	1,498
Mr. Zuo Hui	1,094	—	—
Brokerage firms	86,867	214,335	339,911
Others	785	493	1,262
Total	263,659	254,255	584,078

(a) As of December 31, 2020, amounts due from and prepayments to Tencent mainly consists of prepayment for advertising resources, marketing and cloud services amounting to RMB11.1 million and RMB24.0 million withheld by Tencent in relation to reissuance of treasury shares in 2019, which was received in 2021.

As of December 31, 2021, all amounts due from and prepayments to related parties and amounts due to related parties were trade in nature.

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Loan receivables from related parties			
Short-term loans to IFM	20,000	20,000	20,000
Short-term loans to Yuanjing Mingde (b)	1,900,000	—	—
Short-term loans to executive directors	4,500	—	—
Short-term loans to others (c)	4,576	13,019	22,788
Long-term loans to others	—	3,359	—
Total	1,929,076	36,378	42,788

- (b) In November 2018, the Group entered into a six-month RMB1.9 billion loan agreement with Yuanjing Mingde at a fixed borrowing rate of 10%. The agreement has been renewed with July 15, 2020 as the new maturity date and the borrowing rate has increased to 12%. In July 2020, Yuanjing Mingde repaid the remaining RMB58.3 million interest of the loan.
- (c) The balance of loans to others included the loans provided to entities that the Group invested and has significant influence in for operating of business of these entities, net of allowance for credit losses. In the year ended December 31, 2020, the Group provided RMB2.0 million and RMB9.0 million of loan to two entities it invested which operate home renovation business, at a fixed annual borrowing rate of 12% and 10%, respectively. At the end of 2020, the management assessed the expected credit losses of the loans to related parties and provided full allowance for the loans to and interests from these two invested entities, considering the operating difficulties and liquidity issues they encountered. The carrying value of investments amounting to RMB19.9 million was also fully impaired. As of December 31, 2021, all loan receivables from related parties were non-trade in nature.

In relation to the loans provided to the related parties stated above, the Group charged the related parties based on fair market interest rate, and cash flows resulted from the loans were presented within investing activities in the consolidated statements of cash flows.

28. COMMITMENTS AND CONTINGENCIES

	As of December 31, 2021 RMB (in thousands)
Investment commitments (i)	3,632,981
Operating leases commitments (ii)	948,471
Purchase of property and equipment	8,267
Purchase of services	1,368
Total	4,591,087

	Amounts RMB (in thousands)
2022	3,938,502
2023	269,224
2024	211,280
2025	115,179
Thereafter	56,902
Total	4,591,087

- (i) Investment commitments obligations primarily relate to capital contributions obligation under certain arrangements, the payment is due in one year. The commitment balance includes the consideration for the investment in Shengdu (Note 33).
- (ii) Operating leases commitments represent the Group's obligations for leasing premises.

Funding Debt Obligations

The expected repayment amounts of the funding debt obligations are as follows:

	Less than 1 year RMB	1-2 years RMB	2-3 years RMB	More than 3 years RMB	Total RMB
	(in thousands)				
Funding debt obligations					
Consolidated trusts	194,200	–	–	–	194,200
Interest payments	3,175	–	–	–	3,175
Total funding debt obligations	<u>197,375</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>197,375</u>

29. STATUTORY RESERVES AND RESTRICTED NET ASSETS

Pursuant to laws applicable to entities incorporated in the PRC, the Group's subsidiaries in the PRC must make appropriations from after-tax profit to non-distributable reserve funds. These reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires an annual appropriation of 10% of after tax profit (as determined under accounting principles generally accepted in the PRC at each year-end) until the accumulative amount of such reserve fund reaches 50% of a company's registered capital, the other fund appropriations are at the subsidiaries' discretion. These reserve funds can only be used for specific purposes of enterprise expansion and staff bonus and welfare and are not distributable as cash dividends. During the years ended December 31, 2019, 2020 and 2021, appropriations to the statutory reserve have been made by the Group, which was RMB79.1 million, RMB139.1 million and RMB91.1 million, respectively.

In addition, due to restrictions on the distribution of share capital from the Group's PRC subsidiaries and also as a result of these entities' unreserved accumulated losses, total restrictions placed on the distribution of the Group's PRC subsidiaries' net assets was RMB20.3 billion as of December 31, 2021.

Cash transfers from the Company's PRC subsidiaries to their parent companies outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may temporarily restrict the ability of the PRC subsidiaries and consolidated affiliated entities to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations.

The Company performed a test on the restricted net assets of consolidated subsidiaries in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that it was applicable for the Company to disclose the financial statements for the parent company.

For the purpose of presenting parent only financial information, the Company records its investments in its subsidiaries under the equity method of accounting. Such investments are presented on the separate condensed balance sheets of the Company as "Investment in subsidiaries and VIEs" and the income (loss) of the subsidiaries is presented as "share of income (loss) of subsidiaries and VIEs." Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted.

The Company became parent company of the Group upon the completion of the Reorganization on December 28, 2018. The following disclosures present the financial positions of the parent company as of December 31, 2019, December 31, 2020 and December 31, 2021, the operation results for the years ended December 31, 2019, 2020 and 2021, and the statements of cash flows for the years ended December 31, 2019, 2020 and 2021. The Company did not have significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2019, 2020 and 2021.

Condensed balance sheets of the parent company

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	<i>(in thousands, except for share and per share data)</i>		
ASSETS			
Current assets:			
Cash and cash equivalents	12,525,274	3,261,585	55,235
Short-term investments	–	3,903,368	81,906
Amounts due from related parties	–	34,414	–
Amounts due from subsidiaries and VIEs	69,763	2,618,824	1,997,867
Prepayments, receivables and other assets	25,679	20,468	55,320
Non-current assets:			
Investment in subsidiaries and VIEs	16,630,877	57,035,601	62,289,064
Long-term investments, net	–	–	2,527,253
Intangible assets, net	2,075,420	–	–
Other non-current assets	145,806	–	–
TOTAL ASSETS	31,472,819	66,874,260	67,006,645
LIABILITIES			
Current liabilities			
Accrued expenses and other current liabilities	24,430	108,813	32,669
TOTAL LIABILITIES	24,430	108,813	32,669
MEZZANINE EQUITY			
Series B convertible redeemable preferred shares (US\$0.00002 par value; 750,000,000 shares authorized, 298,483,760 issued and outstanding with redemption value of RMB6,406,056 as of December 31, 2019; nil authorized, issued and outstanding as of December 31, 2020 and 2021)	6,406,056	–	–
Series C convertible redeemable preferred shares (US\$0.00002 par value; 750,000,000 shares authorized, 470,568,175 issued and outstanding with redemption value of RMB12,118,251 as of December 31, 2019; nil authorized, issued and outstanding as of December 31, 2020 and 2021)	12,118,251	–	–
Series D convertible redeemable preferred shares (US\$0.00002 par value; 1,000,000,000 shares authorized, 430,835,530 issued and outstanding with redemption value of RMB11,831,223 as of December 31, 2019; nil authorized, issued and outstanding as of December 31, 2020 and 2021)	11,831,223	–	–
Series D+ convertible redeemable preferred shares (US\$0.00002 par value; 750,000,000 shares authorized, 310,879,155 issued and outstanding with redemption value of RMB10,017,365 as of December 31, 2019; nil authorized, issued and outstanding as of December 31, 2020 and 2021)	10,017,365	–	–
TOTAL MEZZANINE EQUITY	40,372,895	–	–

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
<i>(in thousands, except for share and per share data)</i>			
SHAREHOLDERS' EQUITY (DEFICIT)			
Ordinary Shares (US\$0.00002 par value; 25,000,000,000 ordinary shares authorized, comprising of 23,614,698,720 Class A ordinary shares, 885,301,280 Class B ordinary shares and 500,000,000 shares each of such classes to be designated, 584,865,410, 2,666,966,855 and 2,705,911,235 Class A ordinary shares issued and outstanding as of December 31, 2019, 2020 and 2021; 885,301,280 Class B ordinary shares issued and outstanding as of December 31, 2019, 2020 and 2021)	202	482	489
Additional paid-in capital	2,533,889	77,433,882	78,972,169
Accumulated other comprehensive income (loss)	63,308	(1,834,087)	(2,639,723)
Accumulated deficit	(11,521,905)	(8,834,830)	(9,358,959)
Total shareholders' equity (deficit)	(8,924,506)	66,765,447	66,973,976
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY (DEFICIT)	31,472,819	66,874,260	67,006,645

Condensed statements of comprehensive income (loss)

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Sales and marketing expenses	(500,040)	(96,023)	(10,227)
General and administrative expenses	(18,981)	(28,640)	(82,109)
Research and development expenses	(65,927)	(79,023)	(57)
Interest income, net	36,063	40,611	3,035
Share of income (loss) of subsidiaries and VIEs	(1,588,194)	2,062,889	(748,580)
Fair value changes through earnings on investments, net	–	144,361	183,991
Foreign currency exchange loss	(46,467)	(33,395)	(3,968)
Other income, net	–	766,812	133,786
Income (loss) before income tax expense	(2,183,546)	2,777,592	(524,129)
Income tax expense	–	–	–
Net income (loss)	(2,183,546)	2,777,592	(524,129)
Accretion on convertible redeemable preferred shares to redemption value	(1,866,528)	(1,755,228)	–
Income allocation to participating preferred shares	–	(301,898)	–
Net income (loss) attributable to KE Holdings Inc.'s ordinary shareholders	(4,050,074)	720,466	(524,129)
Net income (loss)	(2,183,546)	2,777,592	(524,129)
Other comprehensive income (loss)			
Currency translation adjustments	63,442	(1,897,395)	(841,214)
Unrealized gains on available-for-sale investments, net of reclassification	–	–	35,578
Total comprehensive income (loss)	(2,120,104)	880,197	(1,329,765)
Accretion on convertible redeemable preferred shares to redemption value	(1,866,528)	(1,755,228)	–
Income allocation to participating preferred shares	–	(301,898)	–
Total comprehensive loss attributable to KE Holdings Inc.'s ordinary shareholders	(3,986,632)	(1,176,929)	(1,329,765)

Condensed statements of cash flows

	For the Year Ended December 31,		
	2019 RMB	2020 RMB	2021 RMB
	(in thousands)		
Net cash provided by (used in) operating activities	9,224	(72,175)	(10,302)
Net cash used in investing activities	(15,719,863)	(42,674,498)	(3,183,233)
Net cash provided by financing activities	25,763,789	34,151,607	7
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(43,253)	(668,623)	(12,822)
Net increase (decrease) in cash, cash equivalents and restricted cash	10,009,897	(9,263,689)	(3,206,350)
Cash, cash equivalents and restricted cash at beginning of the year	2,515,377	12,525,274	3,261,585
Cash, cash equivalents and restricted cash at end of the year	12,525,274	3,261,585	55,235

30. DIVIDENDS

No dividend was declared by the Company during the years ended December 31, 2019, 2020 and 2021.

31. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	For the Year Ended December 31,		
	2019 RMB	2020 RMB	2021 RMB
	(in thousands)		
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	10,553	8,586	5,857
Performance related bonuses	18,076	21,384	17,767
Share-based compensation expenses (Note 20)	2,306,839	245,318	430
Pension scheme contributions	305	234	215
Total	2,335,773	275,522	24,269

During the Track Record Period, certain directors were granted share options in respect of their services to the Group, under the share option plans of the Company, further details of which are set out in Note 20. The share-based compensation expenses were recognized in the consolidated statements of comprehensive income (loss) during the Track Record Period.

The remuneration paid to directors during the Track Record Period was as follows:

For the year ended December 31, 2019

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based compensation expenses (Note 20)	Pension scheme contributions	Total remuneration
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			<i>(in thousands)</i>			
PENG Yongdong (Note (a))	–	1,740	5,000	1,513,863	71	1,520,674
XU Wangang (Note (b))	–	1,320	5,500	792,976	57	799,853
KONG Ling Xin (Note (c))	–	2,383	3,000	–	13	5,396
XU Tao (Note (d))	–	1,562	3,076	–	69	4,707
SHAN Yigang (Note (e))	–	1,140	1,500	–	50	2,690
SHAO Fei (Note (f))	–	1,493	–	–	45	1,538
ZUO Hui (Note (g))	–	915	–	–	–	915
TAO Hongbing (Note (h))	–	–	–	–	–	–
CHEN Xun (Note (i))	–	–	–	–	–	–
ZHANG Mingguai (Note (j))	–	–	–	–	–	–
SUN Hongbin (Note (k))	–	–	–	–	–	–
LIU Xiao (Note (l))	–	–	–	–	–	–
LI Zhaohui (Note (m))	–	–	–	–	–	–
HUANG Liming (Note (n))	–	–	–	–	–	–
BAO Fan (Note (o))	–	–	–	–	–	–
	–	10,553	18,076	2,306,839	305	2,335,773

For the year ended December 31, 2020

	Fees RMB	Salaries, allowances and benefits in kind RMB	Performance related bonuses RMB (in thousands)	Share-based compensation expenses (Note 20) RMB	Pension scheme contributions RMB	Total remuneration RMB
PENG Yongdong (Note (a))	—	1,520	8,699	—	68	10,287
ZUO Hui (Note (g))	—	1,010	2,100	—	—	3,110
SHAN Yigang (Note (e))	—	1,020	1,000	—	41	2,061
KONG Ling Xin (Note (c))	—	1,949	2,000	245,318	22	249,289
XU Wangang (Note (b))	—	680	4,478	—	44	5,202
XU Tao (Note (d))	—	800	3,107	—	43	3,950
SHAO Fei (Note (f))	—	1,153	—	—	16	1,169
BAO Fan (Note (o))	—	228	—	—	—	228
CHEN Xiaohong (Note (p))	—	226	—	—	—	226
SUN Hongbin (Note (k))	—	—	—	—	—	—
LIU Xiao (Note (l))	—	—	—	—	—	—
CHEN Xun (Note (i))	—	—	—	—	—	—
GAO Xi (Note (q))	—	—	—	—	—	—
LI Zhaohui (Note (m))	—	—	—	—	—	—
HUANG Liming (Note (n))	—	—	—	—	—	—
TAO Hongbing (Note (h))	—	—	—	—	—	—
	—	8,586	21,384	245,318	234	275,522

For the Year Ended December 31, 2021

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based compensation expenses (Note 20)	Pension scheme contributions	Total remuneration
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			<i>(in thousands)</i>			
PENG Yongdong (Note (a))	–	1,500	6,900	–	78	8,478
SHAN Yigang (Note (e))	–	1,200	5,600	–	53	6,853
XU Wangang (Note (b))	–	811	3,600	–	61	4,472
XU Tao (Note (d))	–	420	1,667	–	23	2,110
ZUO Hui (Note (g))	–	500	–	–	–	500
CHEN Xiaohong (Note (p))	–	750	–	430	–	1,180
LI Zhaohui (Note (m))	–	–	–	–	–	–
BAO Fan (Note (o))	–	125	–	–	–	125
ZHU Hansong (Note (r))	–	187	–	–	–	187
CHEN Yu (Note (s))	–	364	–	–	–	364
	<u>–</u>	<u>5,857</u>	<u>17,767</u>	<u>430</u>	<u>215</u>	<u>24,269</u>

- (a) PENG Yongdong is the co-founder, chairman, executive director and chief executive officer of the Company. Mr Yongdong Peng was appointed as the director since December 2018.
- (b) XU Wangang is the executive director and chief operating officer of the Company. Mr. Wangang Xu was appointed as the executive director since May 2021 and also served as a director from December 2018 to August 2020.
- (c) KONG Ling Xin was appointed as the director of the Company in December 2018 and resigned from its position as a director in August 2020.
- (d) XU Tao is executive director and chief financial officer of the Company. Mr. Tao Xu was appointed as the executive director since August 2021 and also served as a director from December 2018 to August 2020.
- (e) SHAN Yigang is the co-founder and executive director of the Company and was appointed as the director since July 2018.
- (f) SHAO Fei was appointed as the director of the Company in December 2018 and resigned from its position as a director in April 2020.
- (g) ZUO Hui was the founder and has served as the chairman of the board of directors from July 2018 to May 2021.
- (h) TAO Hongbing was appointed as the director of the Company in December 2018 and resigned from its position as a director in August 2020.
- (i) CHEN Xun was appointed as the director of the Company in November 2019 and resigned from its position as a director in April 2020.

- (j) ZHANG Minggui was appointed as the director of the Company in December 2018 and resigned from its position as a director in November 2019.
- (k) SUN Hongbin was appointed as the director of the Company in December 2018 and resigned from its position as a director in April 2020.
- (l) LIU Xiao was appointed as the director of the Company in December 2018 and resigned from its position as a director in April 2020.
- (m) LI Zhaozhui has served as the director since December 2018.
- (n) HUANG Liming was appointed as the director of the Company in December 2018 and resigned from its position as a director in August 2020.
- (o) BAO Fan was appointed as the director of the Company in December 2018, was re-designated as the independent director in August 2020, and resigned from his position in March 2021.
- (p) CHEN Xiaohong has served as the independent director since August 2020.
- (q) GAO Xi has served as the director of the Company in April 2020 and resigned from its position as a director in August 2020.
- (r) ZHU Hansong has served as the independent director since August 2021.
- (s) CHEN Yu has served as the independent director since March 2021 and resigned from its position in March 2022.

32. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended December 31, 2019, 2020 and 2021, included the following number of directors and non-directors.

	For the year ended December 31,		
	2019	2020	2021
Directors	3	–	–
Non-directors (a)	2	5	5
	<u>5</u>	<u>5</u>	<u>5</u>

- (a) For the year ended December 31, 2020, the non-directors included KONG Ling Xin and SHAO Fei, who served as Director during part of the period and served as Non-director at the rest of period.

Details of the remuneration for the years ended December 31, 2019, 2020 and 2021, of the five highest paid employees who are non-directors (the “Non-director Individuals”) as follows:

	For the year ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Salaries, allowances and benefits in kind	2,926	8,655	10,034
Performance related bonuses	5,536	5,460	11,047
Share-based compensation expenses	216,266	601,080	284,649
Pension scheme contributions	67	162	255
	<u> </u>	<u> </u>	<u> </u>
Total	224,795	615,357	305,985

The number of Non-director Individuals whose remuneration fell within the following bands is as follows:

	For the year ended December 31,		
	2019	2020	2021
HK\$5,500,001 to HK\$6,000,000	1	–	–
HK\$22,000,001 to HK\$22,500,000	–	–	1
HK\$35,000,001 to HK\$35,500,000	–	1	–
HK\$52,500,001 to HK\$53,000,000	–	–	1
HK\$63,500,001 to HK\$64,000,000	–	1	–
HK\$64,000,001 to HK\$64,500,000	–	1	–
HK\$70,500,001 to HK\$71,000,000	–	–	1
HK\$81,500,001 to HK\$82,000,000	–	–	1
HK\$141,000,001 to HK\$141,500,000	–	–	1
HK\$246,500,001 to HK\$247,000,000	–	1	–
HK\$249,500,001 to HK\$250,000,000	1	–	–
HK\$282,500,001 to HK\$283,000,000	–	1	–
Total	2	5	5

During the Track Record Period, the Non-director Individuals were granted share options in respect of their services to the Group, under the share option plans of the Company, further details of which are set out in Note 20. The share-based compensation expenses were recognized in the consolidated statements of comprehensive income (loss) during the Track Record Period.

No remuneration was paid by the Group to any directors, the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended December 31, 2019, 2020 and 2021.

33. SUBSEQUENT EVENTS

The Group has evaluated subsequent events through the date the consolidated financial statements are issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements other than as discussed below.

Pursuant to the definitive agreement signed on July 4, 2021 among the Group, Shengdu and Shengdu's existing shareholders, the Group agreed to acquire 49% equity interest in Shengdu for a total consideration capped at RMB3,920 million with cash and 51% equity interest in Shengdu for a total consideration at RMB4,080 million with restricted shares, from Shengdu's existing shareholders. The restricted shares would be settled at an issuance price based on the weighted average closing prices of the Company's ADSs for 30 consecutive trading days before the closing of the Shengdu Acquisition. Such equity interests shall be restricted from the transfer, sale, pledge or any other form of disposal within a certain period of time and will be released upon certain conditions.

In January 2022, the Group has acquired 43% of Shengdu's equity interest, with capped consideration in cash amount to RMB3,440 million, among which RMB2,820 million had been paid in January. The Group paid the remaining cash consideration of RMB980 million on April 14, 2022. The cash consideration of RMB3,920 million has been fully settled.

Due to the valuation adjustment of China based companies in March 2022, the management of the Group renegotiated the consideration with Shengdu. On March 31, 2022, the management of the Group, Shengdu and Shengdu's existing shareholders agreed to enter into an amended share purchase agreement, in which the Group would acquire Shengdu's remaining 51% equity interest by issuing 44,315,854 restricted Class A Ordinary Shares to the selling shareholders of Shengdu as the consideration. The restrictions on the issued shares are the same as the original agreement. On April 11, 2022, the Group signed the amended agreement with Shengdu and its existing shareholders.

The Group further issued 44,315,854 Class A Ordinary Shares to the Shengdu's existing shareholders and acquired Shengdu's 51% equity interest on April 20, 2022. As a result, the 100% equity interest of Shengdu was acquired by the Group.

The Company does not expect that the amendment will have a material financial impact to its financial statements. The acquisition date fair value of the 44,315,854 restricted Class A Ordinary Shares to be issued to the selling shareholders of Shengdu will be recognized as share-based compensation expenses in the restriction period of three years.

34. RECONCILIATION BETWEEN U.S. GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Historical Financial Information are prepared in accordance with U.S. GAAP, which differ in certain respects from International Financial Reporting Standards ("IFRS"). The effects of material differences between the Historical Financial Information of the Group prepared under U.S. GAAP and IFRS are as follows:

Consolidated statements of comprehensive income (loss) data

	For the year ended December 31, 2019						
	Amounts as reported under U.S. GAAP	IFRS adjustments					Amounts as reported under IFRS
		Preferred Shares (note (i))	Provision for credit losses (note (ii))	Lease accounting (note (iii))	Share-based compensation (note (iv))	Issuance costs in relation to the IPO (note (v))	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
				(in thousands)			
Cost of revenues	(34,746,862)	–	(53,198)	201,211	(4,274)	–	(34,603,123)
Sales and marketing expenses	(3,105,899)	–	–	–	–	–	(3,105,899)
General and administrative expenses	(8,376,531)	–	–	21,735	(143,977)	–	(8,498,773)
Research and development expenses	(1,571,154)	–	–	–	(82,090)	–	(1,653,244)
Interest income, net	230,339	–	–	(198,717)	–	–	31,622
Fair value changes of convertible redeemable preferred shares	–	(4,931,024)	–	–	–	–	(4,931,024)
Income (loss) before income tax benefit (expense)	(1,275,764)	(4,931,024)	(53,198)	24,229	(230,341)	–	(6,466,098)
Income tax benefit (expense)	(904,363)	–	3,606	(5,455)	–	–	(906,212)
Net income (loss)	(2,180,127)	(4,931,024)	(49,592)	18,774	(230,341)	–	(7,372,310)
Net income (loss) attributable to KE Holdings Inc.	(2,183,546)	(4,931,024)	(49,592)	18,774	(230,341)	–	(7,375,729)
Accretion on convertible redeemable preferred shares to redemption value	(1,866,528)	1,866,528	–	–	–	–	–
Net income (loss) attributable to KE Holdings Inc.'s ordinary shareholders	(4,050,074)	(3,064,496)	(49,592)	18,774	(230,341)	–	(7,375,729)
Other comprehensive income (loss)							
Currency translation adjustments	63,442	(441,038)	–	–	–	–	(377,596)
Convertible redeemable preferred shares' fair value change due to own credit risk	–	(57,257)	–	–	–	–	(57,257)

APPENDIX I

ACCOUNTANT'S REPORT

	For the year ended December 31, 2020						
	Amounts as reported under U.S. GAAP		IFRS adjustments				Amounts as reported under IFRS
		Preferred Shares (note (i))	Provision for credit losses (note (ii))	Lease accounting (note (iii))	Share-based compensation (note (iv))	Issuance costs in relation to the IPO (note (v))	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
				(in thousands)			
Cost of revenues	(53,621,121)	–	(4,067)	183,796	(45,535)	–	(53,486,927)
Sales and marketing expenses	(3,715,278)	–	–	–	3,647	–	(3,711,631)
General and administrative expenses	(7,588,809)	–	–	47,143	73,737	(45,338)	(7,513,267)
Research and development expenses	(2,477,911)	–	–	–	164,814	–	(2,313,097)
Interest income, net	163,600	–	–	(230,658)	–	–	(67,058)
Fair value changes of convertible redeemable preferred shares	–	(25,292,015)	–	–	–	–	(25,292,015)
Income (loss) before income tax benefit (expense)	4,387,119	(25,292,015)	(4,067)	281	196,663	(45,338)	(20,757,357)
Income tax benefit (expense)	(1,608,796)	–	(3,297)	10,560	–	–	(1,601,533)
Net income (loss)	2,778,323	(25,292,015)	(7,364)	10,841	196,663	(45,338)	(22,358,890)
Net income (loss) attributable to KE Holdings Inc.	2,777,592	(25,292,015)	(7,364)	10,841	196,663	(45,338)	(22,359,621)
Accretion on convertible redeemable preferred shares to redemption value	(1,755,228)	1,755,228	–	–	–	–	–
Income allocation to participating preferred shares	(301,898)	301,898	–	–	–	–	–
Net income (loss) attributable to KE Holdings Inc.'s ordinary shareholders	720,466	(23,234,889)	(7,364)	10,841	196,663	(45,338)	(22,359,621)
Other comprehensive income (loss)							
Currency translation adjustments	(1,897,395)	682,382	–	–	–	–	(1,215,013)
Convertible redeemable preferred shares' fair value change due to own credit risk	–	(173,963)	–	–	–	–	(173,963)

	For the year ended December 31, 2021						
	Amounts as reported under U.S. GAAP	IFRS adjustments					Amounts as reported under IFRS
		Preferred Shares (note (i))	Provision for credit losses (note (ii))	Lease accounting (note (iii))	Share-based compensation (note (iv))	Issuance costs in relation to the IPO (note (v))	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
				(in thousands)			
Cost of revenues	(64,933,024)	–	(11,374)	237,130	3,738	–	(64,703,530)
Sales and marketing expenses	(4,309,116)	–	–	2,163	(10,025)	–	(4,316,978)
General and administrative expenses	(8,924,470)	–	–	42,766	(131,868)	(24,810)	(9,038,382)
Research and development expenses	(3,193,988)	–	–	–	(187,299)	–	(3,381,287)
Interest income, net	354,567	–	–	(304,938)	–	–	49,629
Income (loss) before income tax benefit (expense)	1,140,726	–	(11,374)	(22,879)	(325,454)	(24,810)	756,209
Income tax benefit (expense)	(1,665,492)	–	1,640	3,980	–	–	(1,659,872)
Net income (loss)	(524,766)	–	(9,734)	(18,899)	(325,454)	(24,810)	(903,663)
Net income (loss) attributable to KE Holdings Inc.	(524,129)	–	(9,734)	(18,899)	(325,454)	(24,810)	(903,026)
Net income (loss) attributable to KE Holdings Inc.'s ordinary shareholders	(524,129)	–	(9,734)	(18,899)	(325,454)	(24,810)	(903,026)

Consolidated balance sheets data

As of December 31, 2019							
	Amounts as reported under U.S. GAAP	IFRS adjustments					Amounts as reported under IFRS
		Preferred Shares (note (i))	Provision for credit losses (note (ii))	Lease accounting (note (iii))	Share-based compensation (note (iv))	Issuance costs in relation to the IPO (note (v))	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
				(in thousands)			
Short-term financing receivables, net of allowance for credit losses	2,125,621	–	(38,775)	–	–	–	2,086,846
Prepayments, receivables and other assets	5,292,996	–	(14,423)	–	–	–	5,278,573
Right-of-use assets	5,625,015	–	–	(162,744)	–	–	5,462,271
Other non-current assets	725,550	–	3,606	17,035	–	–	746,191
Total assets	67,265,312	–	(49,592)	(145,709)	–	–	67,070,011
Accrued expenses and other current liabilities	3,002,841	–	–	–	–	–	3,002,841
Convertible redeemable preferred shares	–	45,143,903	–	–	–	–	45,143,903
Total liabilities	35,729,720	45,143,903	–	–	–	–	80,873,623
Mezzanine equity	40,372,895	(40,372,895)	–	–	–	–	–
Additional paid-in capital	2,533,889	257,098	–	–	365,634	–	3,156,621
Accumulated other comprehensive income (loss)	63,308	(924,589)	–	–	–	–	(861,281)
Accumulated deficit	(11,775,637)	(4,103,517)	(49,592)	(145,709)	(365,634)	–	(16,440,089)
Total shareholders' equity (deficit)	(8,837,303)	(4,771,008)	(49,592)	(145,709)	–	–	(13,803,612)

As of December 31, 2020							
Amounts as reported under U.S. GAAP	IFRS adjustments					Amounts as reported under IFRS	
	Preferred Shares (note (i))	Provision for credit losses (note (ii))	Lease accounting (note (iii))	Share-based compensation (note (iv))	Issuance costs in relation to the IPO (note (v))		
RMB	RMB	RMB	RMB	RMB	RMB	RMB	
			(in thousands)				
Short-term financing receivables, net of allowance for credit losses	3,931,641	–	4,870	–	–	–	3,936,511
Prepayments, receivables and other assets	4,677,378	–	–	–	–	–	4,677,378
Right-of-use assets	6,821,100	–	–	(162,463)	–	–	6,658,637
Other non-current assets	994,394	–	(9,564)	27,595	–	–	1,012,425
Total assets	104,295,536	–	(4,694)	(134,868)	–	–	104,155,974
Accrued expenses and other current liabilities	2,950,078	–	(38,255)	–	–	–	2,911,823
Total liabilities	37,503,020	–	(38,255)	–	–	–	37,464,765
Mezzanine equity	–	–	–	–	–	–	–
Additional paid-in capital	77,433,882	29,811,702	–	–	168,971	45,338	107,459,893
Accumulated other comprehensive income (loss)	(1,834,087)	241,343	–	–	–	–	(1,592,744)
Accumulated deficit	(9,227,664)	(30,053,045)	33,561	(134,868)	(168,971)	(45,338)	(39,596,325)
Total shareholders' equity (deficit)	66,792,516	–	33,561	(134,868)	–	–	66,691,209

As of December 31, 2021

	Amounts as reported under U.S. GAAP	IFRS adjustments					Amounts as reported under IFRS
		Preferred Shares (note (i))	Provision for credit losses (note (ii))	Lease accounting (note (iii))	Share-based compensation (note (iv))	Issuance costs in relation to the IPO (note (v))	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
				(in thousands)			
Short-term financing receivables, net of allowance for credit losses	702,452	—	55	—	—	—	702,507
Prepayments, receivables and other assets	3,129,950	—	—	—	—	(24,810)	3,105,140
Right-of-use assets	7,244,211	—	—	(185,342)	—	—	7,058,869
Other non-current assets	1,181,421	—	(7,924)	31,575	—	—	1,205,072
Total assets	100,318,865	—	(7,869)	(153,767)	—	(24,810)	100,132,419
Accrued expenses and other current liabilities	3,451,197	—	(31,696)	—	—	—	3,419,501
Total liabilities	33,263,372	—	(31,696)	—	—	—	33,231,676
Mezzanine equity	—	—	—	—	—	—	—
Additional paid-in capital	78,972,169	29,811,702	—	—	494,425	45,338	109,323,634
Accumulated other comprehensive income (loss)	(2,639,723)	241,343	—	—	—	—	(2,398,380)
Accumulated deficit	(9,842,846)	(30,053,045)	23,827	(153,767)	(494,425)	(70,148)	(40,590,404)
Total shareholders' equity (deficit)	67,055,493	—	23,827	(153,767)	—	(24,810)	66,900,743

Notes:

(i) Preferred shares

Under U.S. GAAP, the Company classified the Preferred Shares as mezzanine equity in the consolidated balance sheets because they were redeemable at the holders' option upon the occurrence of certain deemed liquidation events and certain events outside of the Company's control. The Preferred Shares are recorded initially at fair value, net of issuance costs. The Company recognized accretion to the respective redemption value of the Preferred Shares over the period starting from issuance date to the earliest redemption date.

Under IFRS, certain redemption triggering events of the Preferred Shares are outside of the Company's control. In addition, the holders of the Preferred Shares are entitled to convert the Preferred Shares into a variable number of the Company's ordinary shares upon occurrence of certain events. Accordingly, the Preferred Shares are regarded as a hybrid instruments consisting of a host debt instrument and a conversion option as a derivative. The Company designated the entire Preferred Shares as financial liabilities at fair value through profit or loss such that the Preferred Shares are initially recognized at fair value, while changes in the fair value due to own credit risk of Preferred Shares shall be presented in other comprehensive income separately.

(ii) Provision for credit losses

- 1) Under U.S. GAAP, the Group has adopted ASC Topic 326 starting from January 1, 2020. For instruments in the scope of the general CECL model, lifetime expected credit losses are recorded upon initial recognition of the instrument as an allowance for loan losses. Under IFRS, the Group has adopted IFRS 9 starting from January 1, 2018. Upon initial recognition, only the portion of lifetime expected credit loss ("ECL") that results from default events that are possible within 12 months after the reporting date is recorded ("stage 1"). Lifetime expected credit losses are subsequently recorded only if there is a significant increase in the credit risk of the asset ("stage 2"). Once there is objective evidence of impairment ("stage 3"), lifetime ECL continues to be recognized, but interest revenue is calculated on the net carrying amount (that is, amortized cost net of the credit allowance). Accordingly, the reconciliation includes a difference in the credit losses for financing receivables to reflect the effect of IFRS 9 in the year ended December 31, 2019, and the difference between IFRS 9 and ASC 326 in the years ended December 31, 2020 and 2021.
- 2) Under U.S. GAAP, for guarantees that are within the scope of ASC 326-20, the expected credit losses are measured and accounted for without regard to the initial fair value of the guarantee. Therefore, as described in ASC 460, the Group should record both a guarantee obligation and an allowance for credit losses (calculated using the CECL impairment model) for financial guarantees in the scope of ASC 326. Under IFRS, according to IFRS 9, after initial recognition, the Group subsequently measures the financial guarantees at the higher of (1) the amount of the loss allowance and (2) the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15. Accordingly, the reconciliation includes a difference in financial guarantee to reduce the liabilities recorded.

(iii) Lease accounting

Under U.S. GAAP, for operating leases, the amortization of the right-of-use assets and interest expense related to the lease liabilities are recorded together as lease expense to produce a straight-line recognition effect in the income statement. Operating lease expense is recorded in a single financial statement line item on a straight-line basis over the lease term, there is no amount recorded as interest expense, and the "interest" amount is used to accrete the lease liability and to amortize the right-of-use asset.

Under IFRS, lessees account for all leases like finance leases in ASC 842. The right-of-use asset is amortized to amortization expense on a straight-line basis, while the interest expense is recorded in connection with the lease liabilities on the basis that the lease liabilities are measured at amortized cost. Amortization and interest expense are required to be presented in separate line items by the lessee.

(iv) Share-based compensation***1) Awards with performance targets met after the service period***

Under U.S. GAAP, a performance target that may be met after the requisite service period is complete, such as the fulfilment of a qualified successful IPO, is a performance vesting condition. The fair value of the award should not incorporate the probability of a performance condition vesting, but rather should be recognized only if the performance condition is probable of being achieved. The cumulative share-based compensation expenses for the share options that have satisfied the service condition were recorded in August 2020. Under IFRS, a performance target that may be met after the requisite service period is a non-vesting condition and is reflected in the measurement of the grant date fair value of an award, and share-based compensation expenses for the share options were recognized during the requisite service period based on the service conditions. Thus, share-based compensation expenses were recorded earlier under IFRS than under U.S. GAAP.

2) Attribution – awards with graded-vesting features

For the options and RSUs granted to employees with service condition only, the share-based compensation expenses were recognized over the vesting period using straight-line method under U.S. GAAP. While under IFRS, the graded vesting method must be applied.

3) *Accounting for forfeitures of share-based awards*

Under U.S. GAAP, companies make an entity-wide accounting policy election to account for award forfeitures as they occur or by estimating expected forfeitures as compensation cost is recognized, and the Group has chosen to account for forfeitures when they occur. Under IFRS, a similar policy election won't be allowed, forfeitures must be estimated.

(v) *Issuance costs in relation to the IPO*

Under U.S. GAAP, specific incremental issuance costs directly attributable to a proposed or actual offering of securities may be deferred and charged against the gross proceeds of the offering, shown in equity as a deduction from the proceeds.

Under IFRS, such issuance costs apply different criteria for capitalization when the listing involves both existing shares and a concurrent issuance of new shares of the Company in the capital market, and were allocated proportionately between the existing and new shares. As a result, the Group recorded issuance costs associated with the listing of existing shares in the profit or loss.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2021. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2021.

**IV FINANCIAL INFORMATION OF SHENGDU HOME RENOVATION CO., LTD.
FOR THE TRACK RECORD PERIOD**

CONSOLIDATED BALANCE SHEETS

(All amounts in thousands, unless otherwise noted)

		As of December 31,		
	Note	2019	2020	2021
		RMB	RMB	RMB
ASSETS				
Current assets:				
Cash and cash equivalents		131,469	121,290	323,521
Short-term investments	ii	810,108	1,270,239	1,225,340
Accounts receivable, net of allowance for credit losses of RMB992, RMB4,133 and RMB6,078 as of December 31, 2019, 2020 and 2021, respectively	iv	15,756	21,970	39,573
Contract assets, net of allowance for credit losses of RMB2,228, RMB7,148 and RMB20,807 as of December 31, 2019, 2020 and 2021, respectively	iv	42,320	131,392	139,820
Inventories		20,673	34,406	50,149
Prepayments, receivables and other assets		104,496	94,014	170,005
Total current assets		<u>1,124,822</u>	<u>1,673,311</u>	<u>1,948,408</u>
Non-current assets:				
Property, plant and equipment, net	v	57,898	111,448	309,192
Right-of-use assets	vi	267,847	289,428	402,720
Long-term investments, net		22,975	34,877	42,217
Intangible assets, net		4,776	3,398	1,271
Deferred income tax assets	x	–	2,466	8,105
Total non-current assets		<u>353,496</u>	<u>441,617</u>	<u>763,505</u>
TOTAL ASSETS		<u><u>1,478,318</u></u>	<u><u>2,114,928</u></u>	<u><u>2,711,913</u></u>

	<i>Note</i>	As of December 31,		
		2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
LIABILITIES				
Current liabilities				
Accounts payable	<i>vii</i>	287,309	455,339	565,031
Employee compensation and welfare payable		238,539	309,597	428,318
Income taxes payable		38,561	65,372	26,259
Lease liabilities current portion	<i>vi</i>	48,298	56,477	77,745
Contract liabilities		549,300	736,512	991,922
Accrued expenses and other current liabilities		135,647	170,518	231,215
Total current liabilities		1,297,654	1,793,815	2,320,490
Non-current liabilities				
Deferred tax liabilities		540	–	–
Lease liabilities non-current portion	<i>vi</i>	198,794	187,650	276,285
Total non-current liabilities		199,334	187,650	276,285
TOTAL LIABILITIES		1,496,988	1,981,465	2,596,775
MEZZANINE EQUITY				
Convertible redeemable preferred equity interest	<i>xii</i>	–	–	480,000
SHAREHOLDERS' EQUITY (DEFICIT)				
Shengdu shareholders' equity (deficit):				
Paid-in capital		33,025	33,025	30,175
Additional paid-in capital		266,201	423,986	37,949
Statutory reserves		17	109	109
Accumulated deficit		(317,639)	(323,159)	(433,095)
Total Shengdu shareholders' equity (deficit)		(18,396)	133,961	(364,862)
Non-controlling interests		(274)	(498)	–
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		(18,670)	133,463	(364,862)
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY (DEFICIT)		1,478,318	2,114,928	2,711,913

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(All amounts in thousands, unless otherwise noted)

		For the Year Ended December 31,		
	<i>Note</i>	2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net revenues:				
Home Renovation	<i>iii</i>	2,656,246	2,894,562	3,870,222
Other	<i>iii</i>	184,080	405,264	402,637
Total net revenues		<u>2,840,326</u>	<u>3,299,826</u>	<u>4,272,859</u>
Cost of revenues:				
Home Renovation		(1,776,456)	(1,934,450)	(2,657,274)
Others		<u>(128,751)</u>	<u>(295,695)</u>	<u>(309,168)</u>
Total cost of revenues		<u>(1,905,207)</u>	<u>(2,230,145)</u>	<u>(2,966,442)</u>
Gross profit		<u>935,119</u>	<u>1,069,681</u>	<u>1,306,417</u>
Operating expenses:				
Sales and marketing expenses		(581,662)	(631,174)	(953,895)
General and administrative expenses		(438,828)	(418,608)	(500,175)
Research and development expenses		<u>(3,413)</u>	<u>(5,089)</u>	<u>(8,426)</u>
Total operating expenses		<u>(1,023,903)</u>	<u>(1,054,871)</u>	<u>(1,462,496)</u>
Income (loss) from operations		<u>(88,784)</u>	<u>14,810</u>	<u>(156,079)</u>
Other income, net	<i>ix</i>	<u>41,120</u>	<u>39,860</u>	<u>53,434</u>
Income (loss) before income tax expense		(47,664)	54,670	(102,645)
Income tax expense	<i>x</i>	<u>(39,465)</u>	<u>(59,242)</u>	<u>(7,253)</u>
Net loss		(87,129)	(4,572)	(109,898)
Net loss (income) attributable to non-controlling interests shareholders		<u>(736)</u>	<u>224</u>	<u>(38)</u>
Net loss attributable to Shengdu		(87,865)	(4,348)	(109,936)
Share-based compensation expenses included in:				
General and administrative expenses	<i>viii</i>	140,140	157,785	90,963

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(All amounts in thousands, unless otherwise noted)

	Attributable to owners of Shengdu						
	Paid-in	Additional				Non-	Total
	capital	Paid-in	Statutory	Accumulated		controlling	Equity
	RMB	Capital	Reserves	Deficit	Total	Interests	(Deficit)
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance at January 1, 2019	30,000	126,061	–	(229,757)	(73,696)	(579)	(74,275)
Net income (loss)	–	–	–	(87,865)	(87,865)	736	(87,129)
Capital contributed by owner	3,025	–	–	–	3,025	–	3,025
Share based compensation (Note viii)	–	140,140	–	–	140,140	–	140,140
Appropriation to statutory reserves	–	–	17	(17)	–	–	–
Disposal of a subsidiary	–	–	–	–	–	(431)	(431)
Balance at December 31, 2019	33,025	266,201	17	(317,639)	(18,396)	(274)	(18,670)
Change in accounting standard (Note iv)	–	–	–	(1,080)	(1,080)	–	(1,080)
Balance at January 1, 2020	33,025	266,201	17	(318,719)	(19,476)	(274)	(19,750)
Net loss	–	–	–	(4,348)	(4,348)	(224)	(4,572)
Share-based compensation (Note viii)	–	157,785	–	–	157,785	–	157,785
Appropriation to statutory reserves	–	–	92	(92)	–	–	–
Balance at December 31, 2020	33,025	423,986	109	(323,159)	133,961	(498)	133,463
Net income (loss)	–	–	–	(109,936)	(109,936)	38	(109,898)
Capital contributed by owner	150	–	–	–	150	–	150
Share-based compensation (Note viii)	–	90,963	–	–	90,963	–	90,963
Re-designation of ordinary equity interest to preferred equity interest (Note xii)	(3,000)	(477,000)	–	–	(480,000)	–	(480,000)
Disposal of a subsidiary	–	–	–	–	–	460	460
Balance at December 31, 2021	30,175	37,949	109	(433,095)	(364,862)	–	(364,862)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts in thousands, unless otherwise noted)

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Cash flows from operating activities:			
Net loss	(87,129)	(4,572)	(109,898)
Depreciation of property and equipment	40,807	36,396	31,584
Amortization of intangible assets	2,140	2,561	2,382
Net impairment losses on financial assets	1,963	10,156	18,081
Share of results of equity investees	(864)	(395)	1,960
Deferred tax expense (benefits)	1,686	(3,006)	(5,639)
Gain on short-term investments	(36,058)	(30,776)	(49,209)
Share-based compensation expenses	140,140	157,785	90,963
Changes in assets and liabilities:			
Accounts receivable	(10,374)	(14,703)	(19,553)
Inventories	1,728	(13,733)	(15,743)
Contract assets	(13,961)	(89,072)	(22,087)
Prepayments, receivables and other assets	24,094	(20,265)	(78,462)
Right-of-use assets	21,974	8,341	(113,292)
Accounts payable	(2,577)	130,788	82,871
Employee compensation and welfare payable	46,406	71,058	118,721
Contract liabilities	(4,255)	187,212	255,410
Lease liabilities	(24,293)	(2,964)	109,902
Accrued expenses and other current liabilities	48,887	34,872	60,697
Income taxes payable	25,316	26,811	(39,113)
Net cash provided by operating activities	<u>175,630</u>	<u>486,494</u>	<u>319,575</u>
Cash flows from investing activities:			
Purchases of short-term investments	(3,597,430)	(3,826,830)	(4,392,596)
Maturities of short-term investments	3,394,774	3,397,474	4,487,555
Purchases of property, equipment, and intangible assets	(29,552)	(57,245)	(202,929)
Proceeds from disposal of property and equipment	100	1,434	166
Purchases of long-term investments	–	(22,935)	(9,800)
Proceeds from disposal of long-term investments	5,200	11,429	500
Net cash used in investing activities	<u>(226,908)</u>	<u>(496,673)</u>	<u>(117,104)</u>

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Cash flows from financing activities:			
Capital contributed by owner	3,025	—	150
Capital return to the non-controlling interests in subsidiaries	(431)	—	(390)
Net cash provided by (used in) financing activities	<u>2,594</u>	<u>—</u>	<u>(240)</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	<u>(48,684)</u>	<u>(10,179)</u>	<u>202,231</u>
Cash, cash equivalents and restricted cash at the beginning of the year			
Including:			
Cash and cash equivalents at the beginning of the year	180,153	131,469	121,290
Cash, cash equivalents and restricted cash at the end of the year			
Including:			
Cash and cash equivalents at the end of the year	131,469	121,290	323,521
Supplemental disclosures:			
Cash paid for income taxes	(19,349)	(35,077)	(52,005)
Non-cash investing and financing activities			
Changes in accounts payable related to property and equipment addition	—	37,242	26,821

i. Organization

(a) General information of Shengdu

Shengdu Home Renovation Co., Ltd. and its subsidiaries (collectively, “Shengdu”) was registered at No. 589 Shixiang Road, Gongshu District, Hangzhou City, Zhejiang Province. Shengdu mainly provides the home renovation service in East China with a service network covering seven provinces and municipalities.

On July 4, 2021, KE Holdings Inc., together with a wholly-owned Hong Kong subsidiary, have entered into a definitive agreement with Shengdu and its existing shareholders, pursuant to which KE Holdings Inc. agreed to acquire 100% equity interests in Shengdu from all of its existing shareholders, for a total consideration capped at RMB8,000 million consisting of cash and equity, subject to a staggered acquisition arrangement and customary closing conditions, including regulatory approvals.

In December 2021, Shengdu Co., Ltd. was incorporated in the Cayman Islands as the holding company. During 2021, Shengdu Co., Ltd. established a series of intermediary holding entities which directly hold the 94% equity interest in Shengdu. No business or operations are conducted in Shengdu Co., Ltd. and other intermediate holding companies. Pursuant to the definitive agreement, the Company would acquire 6% of Shengdu’s equity interests and 100% of Shengdu Co., Ltd.’s equity interests to obtain 100% equity interests in Shengdu from all of its existing shareholders. The Company has purchased 6% of Shengdu’s equity interests for the year ended December 31, 2021.

ii. Short-term Investments

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Short-term investments:			
Wealth management products	810,108	1,270,239	1,225,340

Shengdu’s wealth management products are issued by multiple financial institutions, which are mainly money market funds and structural deposits containing a variable interest rate. To estimate the fair value of short-term investments, Shengdu uses alternative pricing sources and models utilizing market observable inputs. Shengdu classifies the valuation techniques that use these inputs as Level 2 of fair value measurement. The weighted average interest rates for the wealth management products are 5.23%, 3.30% and 4.44% for the years ended December 31, 2019, 2020 and 2021. Shengdu elects to measure the investment in wealth management products at fair value with the fair value changes recorded in other income, net in the consolidated statements of comprehensive income (loss).

iii. Revenue

Shengdu applied ASC 606 – “Revenue from Contracts with Customers” for all periods presented. According to ASC 606, revenues from contracts with customers are recognized when control of the promised goods or services is transferred to Shengdu’s customers in an amount that reflects the consideration Shengdu expects to be entitled to in exchange for those goods or services, after considering reductions by estimates for refund allowances, price concession, discount and Value Added Tax (“VAT”).

The following tables present Shengdu’s revenues disaggregated by revenue sources:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Home Renovation (a)	2,656,246	2,894,562	3,870,222
Others (b)	184,080	405,264	402,637
Total	2,840,326	3,299,826	4,272,859

(a) Home Renovation

Shengdu provides the full home renovation service to the individual customers. Shengdu follows accounting principles for recognizing revenue upon the transfer of control of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Shengdu recognizes revenues over time as performance obligations are satisfied. Shengdu measures its progress to completion using an input measure of total costs incurred divided by total costs expected to be incurred. The home renovation contracts are generally accounted for as a single unit of account (a single performance obligation) and are not segmented between types of services on a single project.

(b) Others

Shengdu generates revenue from other services such as non-residential renovation services, and sales of the furniture and home appliances. The non-residential renovation services revenue is recognized over time as performance obligations are satisfied; the revenue from sales the furniture and home appliances is recognized at the point when the goods are delivered to customers.

Contract liabilities

Shengdu's timing of revenue recognition may not be consistent with its rights to bill and collect cash from its clients. Those rights are generally dependent upon advance billing terms, milestone billings based on the completion of certain phases of work or when services are performed. Contract liabilities represent cash collected as of the balance sheet date, as allowed under the terms of a contract, but not yet recognized as contract revenue pursuant to Shengdu's revenue recognition policy. The contract liabilities are recognized mainly related to home renovation. Shengdu expects to recognize a significant majority of this balance as revenue over the next 12 months, and the remainder thereafter.

iv. Accounts receivable and contract assets, net

The accounts receivable and contract assets are mainly related to Shengdu's non-residential renovation. The timing of Shengdu billing the customers is generally dependent upon milestone billings based on the completion of certain phases of work or when services are performed. Shengdu's accounts receivable represents amounts billed to clients that have yet to be collected and represent an unconditional right to cash from its clients. Contract assets represent the amount of contract revenue recognized but not yet billed pursuant to contract terms.

Accounts receivable and contract assets, net consists of the following:

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Accounts receivable – gross	16,748	26,103	45,651
Allowance for credit losses	(992)	(4,133)	(6,078)
Accounts receivable, net	15,756	21,970	39,573
	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Contract assets – gross	44,548	138,540	160,627
Allowance for credit losses	(2,228)	(7,148)	(20,807)
Contract assets, net	42,320	131,392	139,820

Prior to January 1, 2020, Shengdu maintains an allowance for doubtful accounts to reserve for uncollectible amounts. The allowance for doubtful accounts is estimated based upon Shengdu's assessment of various factors including historical experience, the age of the accounts receivable and contract assets balances, current economic conditions and other factors that may affect the customers' ability to pay. Starting from January 1, 2020, Shengdu adopted ASU 2016-13 and establishes a reserve to reflect the net amount expected to be collected. The allowance is management's estimate of expected credit losses after considering historical collection activity, the nature of the receivable, the current business environment and forecasts that may affect the customers' ability to pay. Management estimated the allowance by segmenting accounts receivable and contract assets based on certain credit risk characteristics and determining an expected loss rate for each segmentation based on historical loss experience adjusted for judgments about the effects of relevant observable data including current and future economic conditions.

The movements in the allowance for credit losses of accounts receivable were as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Balance at the beginning of the year	(624)	(992)	(4,133)
Change in accounting standard	–	(1,622)	–
Additions	(368)	(1,519)	(1,945)
Write-offs	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
Balance at the end of the year	<u>(992)</u>	<u>(4,133)</u>	<u>(6,078)</u>

Shengdu usually allows a credit period within 90 days to its customers. Ageing analysis of accounts receivable based on the date of delivery of service to customers is as follows:

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
– Up to 3 months	14,351	21,130	23,682
– 3 months to 1 year	434	3,111	17,386
– over 1 year	<u>1,963</u>	<u>1,862</u>	<u>4,583</u>
Accounts receivable	16,748	26,103	45,651
Less: credit loss allowance	<u>(992)</u>	<u>(4,133)</u>	<u>(6,078)</u>
Accounts receivable, net	<u>15,756</u>	<u>21,970</u>	<u>39,573</u>

v. Property, plant and equipment, net

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	<i>(in thousands)</i>		
Furniture and office equipment	23,977	23,496	30,040
Vehicles	4,800	5,442	8,284
Leasehold improvement	113,466	129,078	176,987
Construction in progress	496	71,666	243,115
Total	142,739	229,682	458,426
Less: accumulated depreciation	(84,841)	(118,234)	(149,234)
Net book value	<u>57,898</u>	<u>111,448</u>	<u>309,192</u>

Depreciation expenses recognized for the years ended December 31, 2019, 2020 and 2021 amounted to RMB40.8 million, RMB36.4 million and RMB31.6 million, respectively.

vi. Leases

Effective January 1, 2019, Shengdu adopted the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, “Leases(Topic 842)” (“ASC 842”), along with several additional clarification ASU’s issued during 2018, collectively “new lease standard,” using a modified retrospective transition approach with the cumulative effect recognized through equity.

The adoption of ASC 842 resulted in recognition of right-of-use assets of RMB290 million, current operating lease liabilities of RMB48 million and non-current operating lease liabilities of RMB223 million upon the adoption date. There was no cumulative effect on retained earnings.

Shengdu has operating leases mainly for sales offices in China. The recognition of whether a contract arrangement contains a lease is made by evaluating whether the arrangement conveys the right to use an identified asset and whether Shengdu obtains substantially all the economic benefits from and has the ability to direct the use of the asset.

Operating lease assets and liabilities are included in the items of “Right-of-use assets, Lease liabilities current portion, Lease liabilities non-current portion” on the consolidated balance sheets.

The components of lease cost for the years ended December 31, 2019, 2020 and 2021 were listed as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Operating lease cost	68,400	71,481	94,993

Supplemental cash flows information related to leases was as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows payment from operating leases	64,533	70,402	92,017
Right-of-use assets obtained in exchange for lease liabilities:			
Right-of-use assets obtained in exchange for new operating lease liabilities	32,888	50,360	190,725

Supplemental balance sheet information related to leases was as follows:

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Assets:			
Operating lease assets	267,847	289,428	402,720
Liabilities:			
Operating lease liabilities, current	48,298	56,477	77,745
Operating lease liabilities, non-current	198,794	187,650	276,285

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Weighted-average remaining lease term (in years)			
Operating leases	5.52	4.90	5.27
Weighted-average discount rate			
Operating leases	5.04%	4.43%	4.60%

Maturities of lease liabilities were as follows:

	As of December 31, 2021 RMB (in thousands)
2022	93,965
2023	81,911
2024	77,109
2025	65,516
2026	32,701
Thereafter	51,507
Total undiscounted lease payments	402,709
Less: imputed interest	(48,679)
Total lease liabilities	<u>354,030</u>

Shengdu's lease agreement generally do not contain an option for Shengdu to renew a lease for a term agreed by Shengdu. Shengdu's lease agreement generally do not contain any residual value guarantees or material restrictive covenants. Payments under the lease arrangements are primarily fixed.

vii. Accounts payable

	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Payable for material	141,910	260,494	318,415
Payable for labor	140,950	189,016	233,948
Others	4,449	5,829	12,668
Total	<u>287,309</u>	<u>455,339</u>	<u>565,031</u>

An ageing analysis of the trade payable as at December 31, 2019, December 31, 2020, and December 31, 2021, based on the invoice date, is as follow:

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Within 3 months	258,853	411,583	518,290
Between 3 months and 1 year	18,034	22,728	27,492
More than 1 year	10,422	21,028	19,249
Total	287,309	455,339	565,031

viii. Share-based compensation

Compensation expenses recognized for share-based awards granted by Shengdu were as follows:

	For the year ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
General and administrative expenses	140,140	157,785	90,963

There was no income tax benefit recognized in the consolidated statements of comprehensive income (loss) for share-based compensation expenses and Shengdu did not capitalize any of the share-based compensation expenses as part of the cost of any assets in the years ended December 31, 2019, 2020 and 2021.

On December 1, 2017, Shengdu adopted an equity-settled share-based compensation plan with the purpose of providing incentives and rewards to its employees. The share options granted under the Plan are generally scheduled to be vested over continuous service period of 1.5 to 3.5 years with performance conditions. All the share options will be vested on July 30, 2021 and exercisable of 20 days from the vesting date based on the agreements signed with the employees. One share option represents the right to purchase one unit of registered capital.

On July 30, 2021, all the 16,656,709 of share options were vested and exercised.

The following table summaries activities of Shengdu's share:

	Number of options outstanding	Weighted average exercise price <i>RMB</i>	Weighted average remaining contractual life <i>In Years</i>	Aggregate intrinsic value <i>RMB (in thousands)</i>
Outstanding as of				
December 31, 2018	16,216,372	1.00	2.58	914,928
Granted	440,337	1.00		
Exercised	—	—		
Forfeited	—	—		
Outstanding as of				
December 31, 2019	<u>16,656,709</u>	1.00	1.58	1,045,375
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Outstanding as of				
December 31, 2020	<u>16,656,709</u>	1.00	0.58	1,282,233
Granted	—	—		
Exercised	(16,656,709)	1.00		
Forfeited	—	—		
Outstanding as of				
December 31, 2021	<u>—</u>	—	—	—
Vested and exercisable as of				
December 31, 2019	—	—	—	—
Vested and exercisable as of				
December 31, 2020	—	—	—	—
Vested and exercisable as of				
December 31, 2021	—	—	—	—

The weighted-average grant date fair value for options granted under the plan during the year ended December 31, 2019, was RMB61.80, computed using the binomial option pricing model. During the Track Record Period, only one batch of options were granted.

The fair value of the options granted under the plan for the year ended December 31, 2019 was estimated on the date of each grant using the binomial option pricing model with the assumptions (or ranges thereof) in the following table:

	For the year ended December 31, 2019
Exercise price (RMB)	1.00
Fair value of paid-in capital (RMB)	62.76
Expected volatility	36.9%
Expected term (in years)	1.7
Expected dividend yield	0%
Risk-free interest rate	2.4%

Risk-free interest rate is estimated based on the yield curve of China Government Bond as of the option valuation date. The expected volatility at the grant date and each option valuation date is estimated based on annualized standard deviation of daily stock price return of comparable companies with a time horizon close to the expected expiry of the term of the options. Shengdu does not anticipate any dividend payments in the foreseeable future. Expected term is the contract life of the options.

As of December 31, 2021, there was no unrecognized compensation expense related to the share options granted to Shengdu's employees.

ix. Other income, net

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Investment income, net	36,058	30,776	49,209
Others	5,062	9,084	4,225
Total	<u>41,120</u>	<u>39,860</u>	<u>53,434</u>

x. Taxation

All Shengdu operations are in Mainland China. Income tax provision of Shengdu in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years and periods, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the Track Record Period.

The components of income tax expenses for the years ended December 31, 2019, 2020 and 2021, are as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Current income tax expense	37,779	61,888	12,892
Deferred tax expense (benefit)	<u>1,686</u>	<u>(2,646)</u>	<u>(5,639)</u>
Total income tax expense	<u>39,465</u>	<u>59,242</u>	<u>7,253</u>

Reconciliations of the income tax expenses computed by applying the PRC statutory income tax rate of 25% to Shengdu's income tax expenses of the years presented are as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Income (loss) before income tax benefit (expense)	<u>(47,664)</u>	<u>54,670</u>	<u>(102,645)</u>
Income tax expenses computed at the PRC statutory income tax rate of 25%	(11,916)	13,666	(25,661)
Non-deductible expenses	<u>51,381</u>	<u>45,576</u>	<u>32,914</u>
Income tax expenses	<u>39,465</u>	<u>59,242</u>	<u>7,253</u>

xi. Fair value measurement

The following table sets forth the financial instruments, measured at fair value, by level within the fair value hierarchy on recurring basis as of December 31, 2019, 2020 and 2021:

		Fair value measurement at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
December 31, 2019				
RMB		RMB	RMB	RMB
		(in thousands)		
Assets				
Wealth management products		810,108	–	810,108

		Fair value measurement at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
December 31, 2020				
RMB		RMB	RMB	RMB
		(in thousands)		
Assets				
Wealth management products		1,270,239	–	1,270,239

		Fair value measurement at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
December 31, 2021				
RMB		RMB	RMB	RMB
		(in thousands)		
Assets				
Wealth management products				
	1,225,340	—	1,225,340	—

Wealth management products. Wealth management products are financial products issued by commercial bank or asset management company and the fair value is provided by the commercial bank and the asset management company using alternative pricing sources and models utilizing market observable inputs, and accordingly Shengdu classifies the valuation techniques that use these inputs as Level 2.

xii. Preferred equity interest

In December 2021, the Company has purchased 6% of Shengdu's equity interests with preference rights from Shengdu's existing shareholders and the consideration is RMB480 million in cash, among which RMB120 million had been paid in December 2021. For the details, please refer to Note (i). The preferred equity interest was recorded in the "Mezzanine Equity" as of December 31, 2021.

The major rights, preferences and privileges of the preferred equity interest were as follows:

(a) Dividends rights

The preferred equity interest had the right to receive non-cumulative dividends, *pari passu* with ordinary equity interest, on an as-converted basis, when, as and if declared by Shengdu.

(b) Conversion rights

The preferred equity interest will convert to ordinary equity interest when the preferences rights are terminated.

(c) Redemption rights

Upon the occurrence of certain redemption events that infringe the Company's interest, Shengdu, at the written request of the Company, was to redeem all or any of the issued and outstanding preferred equity interest held and as elected by the Company, out of funds legally available therefor, at the price per share equal to the aggregate of (x) the applicable original issue price, (y) the brand support expenses and subsidies paid by the Company, and (z) an amount that gives the Company a simple non-compounded interest of eight percent (8%) per annum on the applicable original issue price and the brand support expenses and subsidies, calculated from the applicable original issue date up until the date of receipt by the Company of the full redemption amount thereof.

(d) Liquidation preferences

In the event of any liquidation, dissolution or winding up of Shengdu, or any Deemed Liquidation Event, distributions to the Shareholders shall be made in the following manner, after satisfaction of all creditors' claims and claims that may be mandated by law:

The amount of the preference was the greater of (x) the aggregate of (i) the respective applicable original issue price, (ii) any dividends declared and unpaid with respect to respective applicable preferred equity interest, and (iii) an amount that would give such holder of respective applicable preferred equity interest a simple non-compounded interest of five percent (5%) per annum on the respective applicable original issue price, calculated from the respective applicable original issue date up until the date of receipt by the holder of the full liquidation preference amount thereof, and (y) the amount such respective applicable preferred equity interest would have received, had that respective applicable preferred equity interest been converted into ordinary equity interest immediately prior to the consummation of the liquidation event.

Deemed Liquidation Event included: (i) any transaction or series of transactions, whether by merger, consolidation, amalgamation, sale or issuance of equity, scheme of arrangement or otherwise, which resulted in a change in control of Shengdu; (ii) a disposition of all or substantially all of the assets of Shengdu as a whole; or (iii) a sale or exclusive licensing of all or substantially all of the intellectual property of Shengdu as a whole, provided, however, any transactions as contemplated by the definitive agreement with the Company shall not constitute a Deemed Liquidation Event.

(e) Voting rights

The preferred equity interest was entitled to such number of vote(s) equal to the number of ordinary equity interest to which such preferred equity interest is then convertible. The holders of preferred equity interest and the holders of ordinary equity interest voted together on an as-converted basis and not as a separate class.

Shengdu's preferred equity interest activities for the year ended December 31, 2021 is summarized as below:

	<i>RMB</i>
Balance as of January 1, 2021	–
Re-designation of ordinary equity interest to preferred equity interest	480,000
	<hr/>
Balance as of December 31, 2021	480,000
	<hr/> <hr/>

xiii. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

During the years ended December 31, 2019, 2020 and 2021, Shengdu didn't have any material related party transactions.

xiv. Commitments and contingencies

Shengdu did not have significant commitments and contingent liabilities as of December 31, 2019, 2020 and 2021.

xv. Reconciliation between U.S. GAAP and International Financial Reporting Standards

The Historical Financial Information are prepared in accordance with U.S. GAAP, which differ in certain respects from International Financial Reporting Standards ("IFRS"). The effects of differences between the Historical Financial Information of Shengdu prepared under U.S. GAAP and IFRS are not material.

The information sets out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of KE Holdings Inc. (the "Company") and its subsidiaries (collectively, the "Group") and Shengdu Home Renovation Co., Ltd. and its subsidiaries (collectively, "Shengdu"), (together with the Group, hereinafter referred to as the "Enlarged Group") which has been prepared on the basis of the notes set out below, for the purpose of illustrating the effect of acquisition by the Group of 100% equity interests in Shengdu (the "Target Acquisition") as if it had taken place on December 31, 2021. The unaudited pro forma consolidated statement of assets and liabilities has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Target Acquisition been completed on December 31, 2021 or any future dates. The unaudited pro forma financial information had been prepared using the accounting policies consistent with those of the Group as set out in the accountant's report of the Group set out in Appendix I to the document.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group

	Pro forma adjustments				
	The Group as at December 31, 2021 RMB'000 Note (1)	Shengdu as at December 31, 2021 RMB'000 Note (2)	Other adjustments RMB'000 Note (3)	Elimination adjustments RMB'000 Note (4)	The Enlarged Group as at December 31, 2021 RMB'000
ASSETS					
Current assets:					
Cash and cash equivalents	20,446,104	323,521	(3,800,000)	–	16,969,625
Restricted cash	6,286,105	–	–	–	6,286,105
Short-term investments	29,402,661	1,225,340	–	–	30,628,001
Short-term financing receivables, net of allowance for credit losses	702,452	–	–	–	702,452
Accounts receivable, net of allowance for credit losses	9,324,952	39,573	–	–	9,364,525
Amounts due from and prepayments to related parties	591,342	–	–	(6,431)	584,911
Loan receivables from related parties	42,788	–	–	–	42,788
Contract assets	–	139,820	–	–	139,820
Inventories	–	50,149	–	–	50,149
Prepayments, receivables and other assets	3,129,950	170,005	–	(1,498)	3,298,457
Total current assets	69,926,354	1,948,408	(3,800,000)	(7,929)	68,066,833
Non-current assets:					
Property and equipment, net	1,971,707	309,192	–	–	2,280,899
Right-of-use assets	7,244,211	402,720	–	–	7,646,931
Long-term financing receivables, net of allowance for credit losses	10,039	–	–	–	10,039
Long-term investments, net	17,038,171	42,217	(480,000)	–	16,600,388
Intangible assets, net	1,141,273	1,271	1,062,000	–	2,204,544
Goodwill	1,805,689	–	2,951,702	–	4,757,391
Other non-current assets	1,181,421	8,105	–	–	1,189,526
Total non-current assets	30,392,511	763,505	3,533,702	–	34,689,718
TOTAL ASSETS	100,318,865	2,711,913	(266,298)	(7,929)	102,756,551

	Pro forma adjustments				
	The Group as at December 31, 2021 RMB'000 Note (1)	Shengdu as at December 31, 2021 RMB'000 Note (2)	Other adjustments RMB'000 Note (3)	Elimination adjustments RMB'000 Note (4)	The Enlarged Group as at December 31, 2021 RMB'000
LIABILITIES					
Current liabilities					
Accounts payable	6,008,765	565,031	–	–	6,573,796
Amounts due to related parties	584,078	–	–	(1,498)	582,580
Employee compensation and welfare payable	9,834,247	428,318	–	–	10,262,565
Customer deposits payable	4,181,337	–	–	–	4,181,337
Income taxes payable	567,589	26,259	–	–	593,848
Short-term borrowings	260,000	–	–	–	260,000
Lease liabilities current portion	2,752,795	77,745	–	–	2,830,540
Short-term funding debts	194,200	–	–	–	194,200
Contract liabilities	1,101,929	991,922	–	–	2,093,851
Accrued expenses and other current liabilities	3,451,197	231,215	(360,000)	(6,431)	3,315,981
Total current liabilities	28,936,137	2,320,490	(360,000)	(7,929)	30,888,698
Non-current liabilities					
Deferred tax liabilities	22,920	–	265,500	–	288,420
Lease liabilities non-current portion	4,302,934	276,285	–	–	4,579,219
Other non-current liabilities	1,381	–	–	–	1,381
Total non-current liabilities	4,327,235	276,285	265,500	–	4,869,020
TOTAL LIABILITIES	33,263,372	2,596,775	(94,500)	(7,929)	35,757,718
NET ASSETS	67,055,493	115,138	(171,798)	–	66,998,833

Notes:

1. The balances were extracted from the consolidated balance sheet of the Group as at December 31, 2021, as set out in Appendix I to this document.
2. The balances were extracted from the consolidated balance sheet of Shengdu as at December 31, 2021, as set out in section IV of Appendix I to this document.

3. Upon the completion of the Target Acquisition, Shengdu became an indirectly held wholly-owned subsidiary of the Company. The identifiable assets of Shengdu are accounted for by the Group at their fair values in accordance with Accounting Standards Codification (“ASC”) 805 – “Business Combination”.

For the purpose of preparing this unaudited pro forma financial information, the Directors have estimated the fair values of the identifiable assets and liabilities of Shengdu as at December 31, 2021 based on the draft valuation report prepared by an independent valuer (the “Valuation Report”) in respect of the purchase price allocation of the Target Acquisition assuming the Target Acquisition was occurred at December 31, 2021. Except for the Trademarks which shall be amortized within estimated useful life of 10 years, according to the expected use of the Trademarks, and the relevant legal and regulatory provisions, the Directors consider that the fair values of the identifiable assets and liabilities of Shengdu as at December 31, 2021 approximate their respective carrying amounts.

The fair value adjustments have been calculated as follows:

	Shengdu <i>RMB'000</i>
Carrying amount of identifiable net assets acquired	115,138
Identifiable intangible assets:	
– Trademarks	1,062,000
Deferred tax liabilities arising from the fair value adjustments	(265,500)
Goodwill arising from the Target Acquisition	2,951,702
Total fair values of identifiable net assets acquired (<i>note i</i>)	3,863,340
Total consideration (<i>note ii</i>)	3,863,340
Including: Cash (<i>note iii</i>)	3,920,000
Forward liability	(56,660)

Note i: Since the fair value of assets and liabilities of Shengdu as at the date of completion of the Target Acquisition may be substantially different from their respective fair values used in the preparation of the unaudited pro forma statement of assets and liabilities of the Enlarged Group presented above, the final amounts of the identifiable net assets and goodwill arising from the Target Acquisition, if any, to be recognised in connection with the Target Acquisition may be different from the estimated amount as presented above and the differences may be significant.

Note ii: According to the original acquisition agreement signed on July 4, 2021 and the amended acquisition agreement signed on April 11, 2022, total consideration for the acquisition is capped at RMB3,920 million in cash and 44,315,854 restricted Class A ordinary shares, subject to a staggered acquisition arrangement and customary closing conditions, including regulatory approvals. The restricted shares shall be restricted within a 3-year service period, and are accounted for as post-combination compensation cost and are thus not included in the purchase price.

Note iii: The Group has purchased 6% of Shengdu’s equity interests in December 2021 with consideration amount to RMB480 million in cash, among which RMB120 million had been paid in December 2021.

4. The adjustment represents the elimination of intercompany balances.
5. Apart from the adjustments in respect of the Target Acquisition, no adjustment has been made to reflect any trading results or other transactions of the Group and Shengdu entered into subsequent to December 31, 2021, which are considered as immaterial to the Group.
6. For the purpose of the Unaudited Pro Forma Financial Information, the management has made an assessment on whether there is any impairment in respect of the goodwill arising from the Target Acquisition with reference to ASC 350 – “Intangibles – Goodwill and Other”.

For the purpose of impairment assessment, goodwill arising from the Target Acquisition is allocated to reporting units (“RU”) under Shengdu. The recoverable amount of the business operated by Shengdu has been assessed by an independent valuer and determined based on fair value calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by management.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as December 31, 2021.

	Shengdu
Revenue 2022 (% annual growth rate)	21%
Revenue 2023 (% annual growth rate)	17%
Revenue 2024 (% annual growth rate)	13%
Revenue 2025 (% annual growth rate)	9%
Revenue 2026 (% annual growth rate)	8%
Gross margin (% of revenue)	33%
Long-term growth rate	2.6%
Post-tax discount rate	14%

Assuming the valuation adjustment of China based companies in March 2022 and the amended acquisition agreement signed in April 2022 had taken place on December 31, 2021, the recoverable amount of RMB5,248 million of Shengdu calculated based on fair value exceeded its carrying value of RMB3,863 million by RMB1,385 million.

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the fair value calculation that would remove the remaining headroom as at December 31, 2021:

	Shengdu <i>RMB'000</i>
Headroom as at December 31, 2021	1,385,400
Forecasted revenue	-28%
Discount rate	+10%

The directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of each RU to exceed its fair value.

By reference to the recoverable amount assessed by the independent valuer as at December 31, 2021, the directors of the Company determined that there is no impairment in the value of goodwill.

B. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Listing on the consolidated net tangible assets of the Group attributable to the shareholders of the Company as at December 31, 2021 as if the Listing had taken place on that date.

This unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Listing been completed as at December 31, 2021 or at any future dates.

Audited consolidated net tangible assets of the Group attributable to shareholders of the Company as at December 31, 2021 <i>(Note 1)</i> <i>RMB'000</i>	Estimated listing expense <i>(Note 2)</i> <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company <i>(Note 3, 4, 5)</i> <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company <i>(Note 3, 4, 5)</i> <i>RMB</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company <i>(Note 3, 4, 6)</i> <i>RMB</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company <i>(Note 3, 4, 6)</i> <i>HK\$</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company <i>(Note 3, 4, 6)</i> <i>HK\$</i>
Based on 3,548,492,330 Shares in issue immediately prior to the Listing						
64,027,014	(89,355)	63,937,659	18.02	54.05	22.05	66.16

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to shareholders of the Company as at December 31, 2021 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the consolidated net assets of the Group attributable to shareholders of the Company as at December 31, 2021 of approximately RMB66,973,976,000 with an adjustment for intangible assets and goodwill attributable to shareholders of the Company as at December 31, 2021 of approximately RMB1,141,273,000 and RMB1,805,689,000 respectively.
- (2) In relation to the Listing, the Company expects to incur listing expenses in an aggregate amount of approximately RMB89.4 million which mainly include professional fees to the Joint Sponsors, legal advisers, the legal advisers to the Joint Sponsors and the Reporting Accountant.

- (3) The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 3,548,492,330 Shares were in issue immediately prior to the Listing (for the purpose of this unaudited pro forma financial information excluding i) the 125,692,439 Class A Ordinary Shares to be issued pursuant to the 2022 Share Incentive Plan, ii) 42,720,185 Class A Ordinary Shares as of December 31, 2021 and 31,999,998 Class A Ordinary Shares issued in April 2022, which are issued and reserved for future issuance upon the exercising or vesting of awards granted and/or to be granted under the share incentive plans, and iii) the 44,315,854 restricted Class A Ordinary Shares issued as the equity consideration for the Target Acquisition in April 2022), assuming that the Listing had been completed on December 31, 2021 but does not take into account any Shares may be issued pursuant to the share incentive plans, or any Shares which may be issued or repurchased by the Company.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2021.
- (5) The unaudited pro forma adjusted net tangible assets per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that one ADS represents three Shares.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.0 to RMB0.8170. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
- (7) The unaudited pro forma adjusted net tangible assets do not take into account the acquisition of Shengdu by the Group subsequent to December 31, 2021. Had such acquisition been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be as follows:

Audited consolidated net tangible assets of the Enlarged Group attributable to shareholders of the Company as at December 31, 2021 (Note i) RMB'000	Estimated listing expense (Note ii) RMB'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company (Note iii) RMB'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company per Share (Note iii) RMB	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company per ADS RMB	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company per Share (Note iii) HK\$	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company per ADS HK\$
Based on 3,548,492,330 Shares in issue immediately prior to the Listing						
59,955,381	(89,355)	59,866,026	16.87	50.61	20.65	61.95

Notes:

- (i) The audited pro forma net tangible assets of the Enlarged Group attributable to shareholders of the Company as at December 31, 2021 are based on the unaudited pro forma consolidated net assets of the Enlarged Group attributable to the shareholders of the Company (including shareholders' equity and mezzanine equity) as at December 31, 2021 of approximately RMB66,917,316,000, after deduction of the pro forma intangible assets attributable to the shareholders of the Company and pro forma goodwill amounting to approximately RMB2,204,544,000 and RMB4,757,391,000 respectively.
- (ii) In relation to the Listing, the Company expects to incur listing expenses in an aggregate amount of approximately RMB89.4 million which mainly include professional fees to the Joint Sponsors, legal advisers, the legal advisers to the Joint Sponsors and the Reporting Accountant.

- (iii) The unaudited pro forma net tangible assets of the Enlarged Group attributable to shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 3,548,492,330 Shares were in issue immediately prior to the Listing (for the purpose of this unaudited pro forma financial information excluding i) the 125,692,439 Class A Ordinary Shares to be issued pursuant to the 2022 Share Incentive Plan, ii) 42,720,185 Class A Ordinary Shares as of December 31, 2021 and 31,999,998 Class A Ordinary Shares issued in April 2022, which are issued and reserved for future issuance upon the exercising or vesting of awards granted and/or to be granted under the share incentive plans, and iii) the 44,315,854 restricted Class A Ordinary Shares issued as the equity consideration for the Target Acquisition in April 2022) assuming that the Listing had been completed on December 31, 2021 but does not take into account any Shares which may be issued pursuant to the share incentive plans, or any Shares which may be issued or repurchased by the Company.

C. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**To the Directors of KE Holdings Inc.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of KE Holdings Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Group and Shengdu Home Renovation Co., Ltd. and its subsidiaries (together, "Shengdu") (the Group and Shengdu are collectively referred to as the "Enlarged Group") as at December 31, 2021, the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at December 31, 2021, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-8 of the Company's listing document dated May 5, 2022 (the "Listing Document"), in connection with the proposed listing of the shares of the Company (the "Listing"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-8 of the Listing Document.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of (i) the acquisition of Shengdu on the Group's financial position as at December 31, 2021 as if the acquisition had taken place at December 31, 2021 and (ii) the Listing on the Group's financial position as at December 31, 2021 as if the Listing had taken place at December 31, 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the year ended December 31, 2021, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a listing document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the acquisition of Shengdu at December 31, 2021 or the Listing at December 31, 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, May 5, 2022

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Cayman Companies Act.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 6, 2018 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- 1.1 The Memorandum provides, *inter alia*, that the liability of Shareholders is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by the Cayman Companies Act and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on November 8, 2021. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of Class A ordinary shares and Class B ordinary shares, and Shares of such class or classes (however designated) as the Board of Directors may determine in accordance with the Articles.

(b) Variation of rights of existing shares or classes of shares

Whenever the capital of the Company is divided into different classes the rights attached to any such class may, subject to any rights or restrictions for the time being attached to any class, only be materially adversely varied with the consent in writing of the holders of two-thirds of the issued Shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the Shares of that class by the holders of two-thirds of the issued Shares of that class. To every such separate meeting all the provisions of the Articles relating to general meetings of the Company or to the proceedings thereat shall, *mutatis mutandis*, apply, except that the necessary quorum shall

be one or more persons holding or representing by proxy at least one-third in nominal or par value amount of the issued Shares of the relevant class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those Shareholders who are present shall form a quorum) and that, subject to any rights or restrictions for the time being attached to the Shares of that class, every Shareholder of the class shall on a poll have one vote for each Share of the class held by him.

The rights attached to, or otherwise conferred upon the holders of the Shares of any class issued with preferred or other rights shall not be deemed to be materially adversely varied by, *inter alia*, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any Shares of any class by the Company. The rights attached to, or otherwise conferred upon the holders of the Shares of any class shall not be deemed to be materially adversely varied by the creation or issue of Shares with preferred or other rights including, without limitation, the creation of Shares with enhanced or weighted voting rights.

(c) *Alteration of capital*

The Company may, by an ordinary resolution of the Shareholders: (a) increase its share capital by new Shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into Shares of a larger amount than its existing Shares; (c) subdivide its Shares, or any of them into Shares of an amount smaller than that fixed by the Memorandum, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in the case of the Share from which the reduced Share is derived; and (d) cancel any Shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

(d) *Transfer of shares*

Subject to the Cayman Companies Act and the requirements of the NYSE, the instrument of transfer of any Shares shall be in writing and in any usual or common form or such other form as the Directors may, in their absolute discretion, approve and be executed by or on behalf of the transferor and if in respect of a nil or partly paid up share, or if so required by the Directors, shall also be executed on behalf of the transferee and shall be accompanied by the certificate (if any) of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The transferor shall be deemed to remain a Shareholder until the name of the transferee is entered in the register of members of the Company in respect of the relevant Share.

The Directors may in their absolute discretion decline to register any transfer of Shares which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any Share unless a fee of such maximum sum as the NYSE may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Shares, and is lodged with Company accompanied by the certificate for the Shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer. It may also decline to register a transfer of Shares to more than four joint holders.

The registration of transfers may, on ten (10) calendar days' notice being given by advertisement in such one or more newspapers, by electronic means or by any other means in accordance with the NYSE listing standards, be suspended and the register of members closed at such times and for such periods as the Directors may, in their absolute discretion, from time to time determine, provided always that such registration of transfer shall not be suspended nor the register of members closed for more than thirty (30) calendar days in any calendar year.

(e) Power of the Company to purchase its own shares

Subject to the Cayman Companies Act and the Memorandum, the Company may purchase its own shares, including any redeemable shares, on such terms and in such manner and terms as have been approved by the Board or by the Shareholders by ordinary resolution, or are otherwise authorised by the Articles and make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Cayman Companies Act, including out of capital.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

Subject to the terms of the allotment, the Board may, from time to time, make such calls as it thinks fit upon the Shareholders in respect of any monies unpaid on the Shares held by them respectively and each Shareholder shall (subject to receiving at least fourteen (14) calendar days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on such Shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed. A call may be made payable either in one sum or by installments. If a sum called in respect of a Share is not paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the same at

a rate of eight (8) per cent per annum from the day appointed for payment thereof to the time of actual payment, but the Board shall be at liberty to waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any Shareholder willing to advance the same or any part of the money uncalled and unpaid upon any partly paid Shares held by him, and upon all or any of the moneys so advanced the Company may pay interest at such rate (if any) not exceeding without the sanction of an ordinary resolution, eight (8) per cent per annum as may be agreed upon between the Shareholder paying the sum in advance and the Directors.

If a Shareholder fails to pay any call or installment of a call in respect of partly paid Shares on the day appointed for payment, the Board may, at any time and for so long as any part of the call or installment remains unpaid, serve a notice on the Shareholder requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued. The notice shall name a further day (not earlier than the expiration of fourteen (14) calendar days from the date of the notice) on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the Shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect.

A person whose Shares have been forfeited shall cease to be a Shareholder in respect of the forfeited Shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the Shares forfeited, but his liability shall cease if and when the Company receives payment in full of the amount unpaid on the Shares forfeited.

2.2 Directors

(a) Appointment and removal

Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than three (3) but no more than nine (9) Directors, the exact number of Directors to be determined from time to time by the Board of Directors.

Subject to the NYSE listing standards applicable to the composition of the Board and the qualifications of Directors, the Board shall include (i) at least two (2) Executive Directors, if there are no more than five (5) Directors on the Board of Directors, (ii) at least three (3) Executive Directors, if there are more than five (5) Directors but no more than seven (7) Directors on the Board of Directors and (iii) at least four (4) Executive Directors, if there are more than seven (7) Directors but no more than nine (9) Directors

on the Board of Directors. Such Executive Directors shall be nominated by the Baihui Partnership for so long as the Partnership Condition (as defined in the Articles) is satisfied. Upon the delivery by the Baihui Partnership of a written notice (duly executed by the general partner of the Baihui Partnership on behalf of the Baihui Partnership) to the Company, the Board shall cause the Executive Director candidate(s) nominated by the Baihui Partnership to be appointed by the Board. In the event that any such Executive Director candidate is not appointed by the Board or the Executive Director nominated by the Baihui Partnership is removed, the Baihui Partnership shall have the right to appoint a different person to serve as an interim Executive Director until the next general meeting of the Company. Such appointment of the interim Executive Director to the Board shall become effective immediately upon the delivery by the Baihui Partnership of a written notice (duly executed by the general partner of the Baihui Partnership on behalf of the Partnership) to the Company, without the requirement for any further resolution, vote or approval by the Shareholders or the Board. For the avoidance of doubt, if at any time the total number of Executive Directors on the Board nominated by the Baihui Partnership is less than two (2), three (3) or four (4) as applicable pursuant to the above because any Executive Director previously elected has ceased to be an Executive Director or has been removed from the Board, it shall not be deemed as a violation of the Articles. Upon the failure to satisfy the Partnership Condition, the right of the Baihui Partnership to nominate Executive Directors shall be suspended, and the Executive Directors shall be elected or appointed by ordinary resolution or, in the event that the directors are elected or appointed to fill a casual vacancy on the Board or as an addition to the existing Board, by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting.

At any time or from time to time and subject to the provisions of the Articles, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the Shareholders in general meeting.

A Director is not required to hold any Shares in the Company by way of qualification.

Subject to the provisions of the Articles, a Director may be removed by an ordinary resolution of the Company, save that for so long as the Partnership Condition is satisfied, the Executive Directors nominated or appointed by the Baihui Partnership are subject to removal, with or without cause, only by the Baihui Partnership subject to the provisions of the Articles of Association, notwithstanding anything in the Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under such agreement) and the Company may by ordinary resolution or an affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting appoint another in his place.

The office of a Director shall be vacated if he:

- (i) resigns his office by notice in writing to the Company;
- (ii) dies;
- (iii) is found to be or becomes of unsound mind;
- (iv) becomes bankrupt or makes any arrangement or composition with his creditors;
- (v) without special leave of absence from the Board, is absent from four (4) consecutive meetings of the Board, and the Board resolves that his office is vacated; or
- (vi) is removed from office pursuant to the Articles.

The Directors may by resolution, appoint any natural person or corporation, whether or not a Director to hold such office in the Company as the Directors may think necessary for the administration of the Company, including but not limited to, chief executive officer, one or more other executive officers, president, one or more vice-presidents, treasurer, assistant treasurer, manager or controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. The Directors may delegate any of their powers to committees consisting of such members or members of their body as they think fit; any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Directors.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any Shares or class of shares, any Share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as may be determined by an ordinary resolution or by the Directors. Any Share may be issued on terms that, either at the option of the Company or the holder of the share, it is liable to be redeemed.

Subject to the provisions of the Articles, the Board may issue warrants to subscribe for any class of Shares or other securities of the Company on such terms as it may from time to time determine.

The Directors may refuse to accept any application for Shares, and may accept any application in whole or in part, for any reason or for no reason.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such resolution had not been passed.

(d) Borrowing powers

The Board may from time to time at their discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof, to issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as may from time to time be determined by the Board or by ordinary resolution. The Directors shall also be entitled to be paid for their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from any Board meetings, committee meetings or general meetings or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Directors from time to time, or a combination partly of one such method and partly the other.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

Any Director may act by himself or through his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorize a Director or officer or his firm to act as auditor of the Company.

No Director or intended Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director, notwithstanding his interest, may be counted in

the quorum present at any meeting of the Directors whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.

A Director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract or transaction which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made or transaction so consummated. Subject to the NYSE listing standards and disqualification by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or transaction or proposed contract or transaction notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or transaction or proposed contract or transaction shall come before the meeting for consideration.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the dispatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Shareholders

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by not less than two-thirds (or, in respect of any resolution relating to a Special Partnership Matter (as defined in the Articles), or in any way having the effect of affecting a Special Partnership Matter, including, without limitation, any amendment to the provisions of the Articles or Memorandum of Association which relates to a Special Partnership Matter, 95%) of the votes cast by such Shareholders as, being entitled so to do, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting of which notice specifying the intention to propose

the resolution as a special resolution has been duly given or approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments, if more than one, is executed.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting of the Company held in accordance with the Articles or approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares, on a show of hands every Shareholder present at the meeting shall, at a general meeting of the Company, each have one (1) vote and on a poll every Shareholder present at the meeting shall have one (1) vote for each Class A ordinary share and ten (10) votes for each Class B ordinary share of which he is the holder.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman of the meeting or any Shareholder present, and unless a poll is so demanded, a declaration by the chairman of the meeting that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.

Should a recognised clearing house or its nominee(s) be a Shareholder, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of Shareholders provided that, if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the recognised clearing house or its nominee(s) as if such person were an individual Shareholder including the right to vote individually on a show of hands.

(c) Annual general meetings

The Company may (but shall not be obliged to) in each calendar year hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as may be determined by the Directors.

(d) Notices of meetings and business to be conducted

At least ten (10) calendar days' notice shall be given for any general meeting. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the place of the meeting (for any meeting which is not a Virtual Meeting (as defined in the Articles)), the day and the hour of the meeting and the general nature of the business.

Except as otherwise provided in the Articles, any notice may be served by the Company or by the person entitled to give notice to any Shareholder either personally or by posting it by airmail or a recognised courier service in a prepaid letter addressed to such Shareholder at his address as appearing in the register of members of the Company, or by electronic mail to any electronic mail address such Shareholder may have specified in writing for the purpose of such service of notices, or by facsimile to any facsimile number such Shareholder may have specified in writing for the purpose of such service of notices, or by placing it on the Company's Website (as defined in the Articles) should the Directors deem it appropriate. In the case of joint holders of a Share, all notices shall be given to that one of the joint holders whose name stands first in the Register in respect of the joint holding, and the notice so given shall be sufficient notice to all the joint holders.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all the Shareholders (or their proxies) entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by one or more Shareholders who together hold the Shares which carry in aggregate not less than two-thirds (2/3) of all votes attaching to all issued and outstanding Shares of the Company entitled to attend and vote at the meeting.

All general meetings other than annual general meetings shall be called extraordinary general meetings.

(e) Quorum for meetings and separate class meetings

No business except for the appointment of a chairman for the meeting shall be transacted at any general meeting unless a quorum of the Shareholders is present when the meeting proceeds to business.

The quorum for a general meeting shall be one or more Shareholders holding Shares which carry in aggregate not less than one-half (1/2) of votes attaching to all Shares in issue and entitled to vote at such general meeting, present at the meeting.

(f) Proxies

Any Shareholder entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder and shall be entitled to exercise the same powers on behalf of a Shareholder who is an individual and for whom he acts as proxy as such Shareholder could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a Shareholder which is a corporation and for which he acts as proxy as such Shareholder could exercise if it were an individual Shareholder. On a poll or on a show of hands, votes may be given either personally (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve.

(g) Shareholders' requisition for meetings

Extraordinary general meetings may be convened by the chairman of the Board or a majority of the Board. The Directors shall also, upon the requisition in writing of one or more Shareholders holding Shares which carry in aggregate not less than one-third (1/3) of all votes attaching to all issued and outstanding Shares of the Company that as at the date of the deposit carry the right to vote at general meetings of the Company, convene a general meeting. Such requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If within twenty-one (21) calendar days from the date of deposit of the requisition, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) or any of them representing more than one-half (1/2) of total voting rights of all of them, may themselves convene a general meeting, but any meeting(s) so convened shall not be held after the expiration of three (3) calendar months after the expiration of the said twenty-one (21) calendar days.

2.6 Accounts and audit

The books of accounts of the Company shall be kept in such manner as may be determined from time to time by the Directors.

The Directors may from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Shareholders not being Directors, and no Shareholder (not being a Director) shall have any right to inspect any account or book or document of the Company except as conferred by law or authorised by the Directors or by ordinary resolution.

The auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment, and at any time during their term of office, upon request of the Directors or any general meeting of the Shareholders.

2.7 Dividends and other methods of distribution

The Company may by ordinary resolution declare dividends to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board.

Subject to any rights and restrictions for the time being attached to any Shares, all dividends shall be declared and paid according to the amounts paid up on the Shares, but if and for so long as nothing is paid up on any of the Shares, dividends may be declared and paid according to the par value of the Shares. No amount paid on a Share in advance of calls shall, while carrying interest, be treated for the purposes of this paragraph as paid on the Share.

The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the absolute discretion of the Directors, be applicable for meeting contingencies, or for equalizing dividends, or for any other purpose to which those funds may be properly applied, and pending such application may, in their absolute discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.

Any dividend payable in cash to the holder of Shares may be paid in any manner determined by the Directors. If paid by cheque it will be sent by mail addressed to the holder at his address in the register of members of the Company, or addressed to such person and at such address as the holder may direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such Shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company.

The Directors may determine that any dividend is paid wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company) and may settle all questions concerning such distribution. Without limiting the generality of the foregoing, the Directors may determine that cash payments shall be made to any Shareholders in lieu of specific assets and may vest any such specific assets in trustees as may seem expedient to the Directors.

All dividends unclaimed after a period of for six (6) calendar years from the date of declaration of such dividend may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend shall bear interest against the Company.

2.8 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority Shareholders in relation to fraud or oppression. However, certain remedies may be available to Shareholders under the Cayman Islands laws, as summarised in paragraph 3.6 of this Appendix.

2.9 Procedures on liquidation

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the Shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the surplus shall be distributed among such Shareholders in proportion to the par value of the Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise; and
- (b) if the Company is wound up and the assets available for distribution among the Shareholders as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Shareholders in proportion to the par value of the Shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the Shareholders in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, value any assets and determine how the division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Shareholders as the liquidator thinks fit, provided that no Shareholder shall be compelled to accept any asset upon which there is a liability.

3. CAYMAN COMPANIES ACT

The Company was incorporated in the Cayman Islands as an exempted company on July 6, 2018 subject to the Cayman Companies Act. Certain provisions of the Cayman Companies Act are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

- (c) any manner provided in section 37 of the Cayman Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of directors and officers

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated, the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision), which became effective on January 1, 2019, together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of the Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the section headed "Documents Available on Display" in Appendix V to this document. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP**Incorporation**

The Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on July 6, 2018. Our registered office address is located at the offices of Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbor Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. Accordingly, the Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III.

The Company has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on January 13, 2022 with the Registrar of Companies in Hong Kong. The Company's principal place of business in Hong Kong is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. Lau Yee Wa of 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong has been appointed as the authorised representative of the Company in Hong Kong for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As of the date of this document, the Company's head office was located at Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing 100086, the PRC.

Changes in the Share Capital of the Company

On July 6, 2018, the Company was incorporated as a limited liability company with authorized share capital of US\$50,000 divided into 500,000,000 ordinary shares of par value US\$0.0001 each. On July 6, 2018, the Company issued 437,695 ordinary shares to Propitious Global, 20,700 ordinary shares to Clover Rich Limited and five ordinary shares to Harneys Fiduciary (Cayman) Limited, which were transferred to Propitious Global. The following sets out the changes in the Company's issued share capital during the two years immediately preceding the date of this document.

In April 2020, we issued (i) 509,915 Class A ordinary shares to Shimeng Limited for an aggregate consideration of US\$2,325,213; (ii) 11,252,055 Class A ordinary shares to Shengpu Limited for an aggregate consideration of US\$51,309,379; (iii) 10,553,165 Class A ordinary shares to Minggui Limited for an aggregate consideration of US\$48,122,440; (iv) 187,175 Class A ordinary shares to Fu Rui Business Management (BVI) Limited for an aggregate consideration of US\$711,258; and (v) 149,740 Class A ordinary shares to Yuan Sheng Business Management (BVI) Limited for an aggregate consideration of US\$569,006.

On July 20, 2020, we issued 60,852,775 Class A ordinary shares to Shing Lee International Limited for our employees who exercised their vested stock options.

On July 22, 2020, we effected a 5-for-1 share subdivision, following which each of our issued and unissued ordinary shares and preferred shares was subdivided into five ordinary shares and preferred shares, respectively.

Immediately prior to the completion of our initial public offering on August 17, 2020 on the NYSE, all 1,510,766,620 preferred shares of the Company that were issued and outstanding at the time were converted into our Class A ordinary shares on a one-for-one basis.

In August 2020, we issued and sold an aggregate of 121,900,000 ADSs (representing 365,700,000 Class A ordinary shares) at a public offering price of US\$20.00 per ADS, in connection with our initial public offering in the United States and the underwriters' exercise of their option to purchase additional ADSs.

In November 2020, we issued and sold an aggregate of 40,710,000 ADSs (representing 122,130,000 Class A ordinary shares) at a public offering price of US\$58.00 per ADS, in connection with our U.S. Follow-on Offering and the underwriters' exercise of their option to purchase additional ADSs.

In April 2022, we issued 44,315,854 Class A ordinary shares to settle the equity consideration of Shengdu Acquisition.

On the date of this document, our issue of 71,824,250 Class A ordinary shares and 53,868,189 Class A ordinary shares to Mr. Peng and Mr. Shan, respectively, at par value of US\$0.00002 pursuant to the terms of the 2022 Share Incentive Plan, takes effect.

During the two years immediately preceding the date of this document, other than the issue of shares as set out above, the Company issued and allotted an aggregate of 70,944,378 Class A ordinary shares for issuance of ADSs upon the exercise or vesting of awards granted under the Share Incentive Plans.

Save as disclosed above, there has been no alternation in the issued share capital of the Company during the two years immediately preceding the date of this document. Unless the context indicates otherwise, all shares and per share amounts have been retroactively adjusted to reflect the 5-for-1 share subdivision effected in July 2020.

Changes in the Share Capital of Our Major Subsidiaries and Operating Entities

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, us a waiver from strict compliance with paragraph 26 of Part A of Appendix 1 to the Listing Rules in relation to the disclosure of information relating to the changes to the share capital of any member of our Group. See "Waivers – Waiver in Relation to the Disclosure Requirements with respect to Change in the Share Capital."

The following sets out the changes in the share capital of our major subsidiaries and operating entities that made a material contribution to our results of operation during the two years immediately preceding the date of this document. See “History, Development and Corporate Structure – Major Subsidiaries and Operating Entities.”

- The registered capital of Lianjia (Tianjin) Enterprise Management Co., Ltd. (鏈家(天津)企業管理有限公司), one of our wholly-owned subsidiaries, increased from RMB125,505,100 to RMB209,538,700 on October 19, 2020 by way of capital injection by Beike Tianjin, one of our wholly-owned subsidiaries.
- The registered capital of Beijing Zhongrongxin, a wholly-owned subsidiary of Yiju Taihe, increased (i) from RMB500,000,000 to RMB1,000,000,000 on July 22, 2020, and (ii) from RMB1,000,000,000 to RMB1,300,000,000 on March 8, 2022, by way of capital injection by Yiju Taihe, one of the VIEs, respectively.

Save as disclosed above, there has been no other alteration in the share capital of any of our major subsidiaries or operating entities within two years immediately preceding the date of this document.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

- (1) a sponsor agreement relating to the Listing dated May 5, 2022 entered into among the Company, Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited and Goldman Sachs (Asia) Securities Limited, relating to the engagement of the Joint Sponsors by the Company in connection with the Introduction;
- (2) an exclusive business cooperation agreement dated January 30, 2022 between Jinbei Tianjin and Tianjin Xiaowu, pursuant to which Jinbei Tianjin has the exclusive right to provide Tianjin Xiaowu with comprehensive technical support and consulting services;
- (3) an exclusive option agreement dated January 30, 2022 among Jinbei Tianjin, Tianjin Xiaowu and Mrs. Zuo, pursuant to which Jinbei Tianjin is irrevocably granted an exclusive option to purchase, or have its designated person to purchase, at its discretion, all or part of Mrs. Zuo’s equity interests in Tianjin Xiaowu;

- (4) an exclusive option agreement dated January 30, 2022 among Jinbei Tianjin, Tianjin Xiaowu and Shan Yigang, pursuant to which Jinbei Tianjin is irrevocably granted an exclusive option to purchase, or have its designated person to purchase, at its discretion, all or part of Shan Yigang's equity interests in Tianjin Xiaowu;
- (5) an equity pledge agreement dated January 30, 2022 among Jinbei Tianjin, Tianjin Xiaowu and Mrs. Zuo, pursuant to which Mrs. Zuo's equity interests in Tianjin Xiaowu are pledged to Jinbei Tianjin;
- (6) an equity pledge agreement dated January 30, 2022 among Jinbei Tianjin, Shan Yigang and Tianjin Xiaowu, pursuant to which Shan Yigang's equity interests in Tianjin Xiaowu are pledged to Jinbei Tianjin;
- (7) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Tianjin Xiaowu and Mrs. Zuo, pursuant to which Mrs. Zuo irrevocably undertakes to appoint Jinbei Tianjin or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Tianjin Xiaowu;
- (8) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Tianjin Xiaowu and Shan Yigang, pursuant to which Shan Yigang irrevocably undertakes to appoint Jinbei Tianjin or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Tianjin Xiaowu;
- (9) an exclusive business cooperation agreement dated January 30, 2022 between Beike Tianjin and Beijing Lianjia, pursuant to which Beike Tianjin has the exclusive right to provide Beijing Lianjia with comprehensive technical support and consulting services;
- (10) an exclusive option agreement dated January 30, 2022 among Beike Tianjin, Beijing Lianjia, Mrs. Zuo, Shan Yigang, Tianjin Yurui Information Consulting Partnership (Limited Partnership), Tianjin Yusi Business Consulting Partnership (Limited Partnership), Tianjin Yumin Information Consulting Partnership (Limited Partnership), Tianjin Dingcong Information Consulting Partnership (Limited Partnership), Tianjin Bojun Business Consulting Partnership (Limited Partnership), Dang Jie, Xu Wangang, Gao Jun, Shanghai Zhanben Investment Management Centre (Limited Partnership), Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership), Du Xin, Chen Rong and Ruan Guangjie, pursuant to which Beike Tianjin is irrevocably granted an exclusive option to purchase, or have its designated person to purchase, at its discretion, all or part of such registered shareholders' equity interests in Beijing Lianjia;

- (11) an equity pledge agreement dated January 30, 2022 among Beike Tianjin, Beijing Lianjia, Mrs. Zuo, Shan Yigang, Tianjin Yurui Information Consulting Partnership (Limited Partnership), Tianjin Yusi Business Consulting Partnership (Limited Partnership), Tianjin Yumin Information Consulting Partnership (Limited Partnership), Tianjin Dingcong Information Consulting Partnership (Limited Partnership), Tianjin Bojun Business Consulting Partnership (Limited Partnership), Dang Jie, Xu Wangang, Gao Jun, Shanghai Zhanben Investment Management Centre (Limited Partnership), Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership), Du Xin, Chen Rong and Ruan Guangjie, pursuant to which all of the respective equity interests of Beijing Lianjia are pledged to Beike Tianjin;
- (12) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Mrs. Zuo, pursuant to which Mrs. Zuo irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (13) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Shan Yigang, pursuant to which Shan Yigang irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (14) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Tianjin Yurui Information Consulting Partnership (Limited Partnership), pursuant to which Tianjin Yurui Information Consulting Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (15) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Tianjin Yusi Business Consulting Partnership (Limited Partnership), pursuant to which Tianjin Yusi Business Consulting Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (16) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Tianjin Yumin Information Consulting Partnership (Limited Partnership), pursuant to which Tianjin Yumin Information Consulting Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;

- (17) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Tianjin Dingcong Information Consulting Partnership (Limited Partnership), pursuant to which Tianjin Dingcong Information Consulting Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (18) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Tianjin Bojun Business Consulting Partnership (Limited Partnership), pursuant to which Tianjin Bojun Business Consulting Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (19) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Dang Jie, pursuant to which Dang Jie irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (20) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Xu Wangang, pursuant to which Xu Wangang irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (21) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Gao Jun, pursuant to which Gao Jun irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (22) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Shanghai Zhanben Investment Management Centre (Limited Partnership), pursuant to which Shanghai Zhanben Investment Management Centre (Limited Partnership) irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (23) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership), pursuant to which Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;

- (24) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Du Xin, pursuant to which Du Xin irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (25) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Chen Rong, pursuant to which Chen Rong irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (26) a power of attorney dated January 30, 2022 among Beike Tianjin, Beijing Lianjia and Ruan Guangjie, pursuant to which Ruan Guangjie irrevocably undertakes to appoint Beike Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Lianjia;
- (27) an exclusive business cooperation agreement dated January 30, 2022 between Beike Jinke and Yiju Taihe, pursuant to which Beike Jinke has the exclusive right to provide Yiju Taihe with comprehensive technical support and consulting services;
- (28) an exclusive option agreement dated January 30, 2022 among Beike Jinke, Yiju Taihe, Beijing Lianjia, Mrs. Zuo, Tianjin Gaotong Information Consulting Co., Ltd., Tianjin Juge Information Consulting Partnership (Limited Partnership), Tianjin Jingchuang Information Consulting Partnership (Limited Partnership), Tianjin Jingda Information Consulting Partnership (Limited Partnership), Tianjin Mingchen Business Consulting Partnership (Limited Partnership), Tianjin Jurui Information Consulting Partnership (Limited Partnership), Shan Yigang, Dang Jie, Xu Wangang, Gao Jun, Tianjin Chuangtian Business Consulting Partnership (Limited Partnership), Tianjin Fuxun Business Consulting Partnership (Limited Partnership), Du Xin, Chen Rong, and Ruan Guangjie, pursuant to which Beike Jinke is irrevocably granted an exclusive option to purchase, or have its designated person to purchase, at its discretion, all or part of such registered shareholders' equity interests in Yiju Taihe;
- (29) an equity pledge agreement dated January 30, 2022 entered into among Beike Jinke, Yiju Taihe, Beijing Lianjia, Mrs. Zuo, Tianjin Gaotong Information Consulting Co., Ltd., Tianjin Juge Information Consulting Partnership (Limited Partnership), Tianjin Jingchuang Information Consulting Partnership (Limited Partnership), Tianjin Jingda Information Consulting Partnership (Limited Partnership), Tianjin Mingchen Business Consulting Partnership (Limited Partnership), Tianjin Jurui Information Consulting Partnership (Limited Partnership), Shan Yigang, Dang Jie, Xu Wangang, Gao Jun, Tianjin Chuangtian Business Consulting Partnership (Limited Partnership), Tianjin Fuxun Business Consulting Partnership (Limited Partnership), Du Xin, Chen Rong, and Ruan Guangjie, pursuant to which all of the respective equity interests of Yiju Taihe are pledged to Beike Jinke;

- (30) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Beijing Lianjia, pursuant to which Beijing Lianjia irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (31) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Mrs. Zuo, pursuant to which Mrs. Zuo irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (32) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Tianjin Gaotong Information Consulting Co., Ltd., pursuant to which Tianjin Gaotong Information Consulting Co., Ltd. irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (33) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Tianjin Juge Information Consulting Partnership (Limited Partnership), pursuant to which Tianjin Juge Information Consulting Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (34) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Tianjin Jingchuang Information Consulting Partnership (Limited Partnership), pursuant to which Tianjin Jingchuang Information Consulting Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (35) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Tianjin Jingda Information Consulting Partnership (Limited Partnership), pursuant to which Tianjin Jingda Information Consulting Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (36) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Tianjin Mingchen Business Consulting Partnership (Limited Partnership), pursuant to which Tianjin Mingchen Business Consulting Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (37) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Tianjin Jurui Information Consulting Partnership (Limited Partnership), pursuant to which Tianjin Jurui Information Consulting Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;

- (38) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Shan Yigang, pursuant to which Shan Yigang irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (39) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Dang Jie, pursuant to which Dang Jie irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (40) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Xu Wangang, pursuant to which Xu Wangang irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (41) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Gao Jun, pursuant to which Gao Jun irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (42) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Tianjin Chuangtian Business Consulting Partnership (Limited Partnership), pursuant to which Tianjin Chuangtian Business Consulting Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (43) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Tianjin Fuxun Business Consulting Partnership (Limited Partnership), pursuant to which Tianjin Fuxun Business Consulting Partnership (Limited Partnership) irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (44) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Du Xin, pursuant to which Du Xin irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (45) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Chen Rong, pursuant to which Chen Rong irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;

- (46) a power of attorney dated January 30, 2022 among Beike Jinke, Yiju Taihe and Ruan Guangjie, pursuant to which Ruan Guangjie irrevocably undertakes to appoint Beike Jinke or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Yiju Taihe;
- (47) an exclusive business cooperation agreement dated January 30, 2022 between Jinbei Tianjin and Beijing Beihao, pursuant to which Jinbei Tianjin has the exclusive right to provide Beijing Beihao with comprehensive technical support and consulting services;
- (48) an exclusive option agreement dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao, Gu Feifan, Ruan Guangjie, Tao Hongbing, Gao Jun, Wei Zhenghui, Liu Enpeng, Feng Xia, Song Dongfeng, Li Guoping, Dang Jie, Wang Zhe, Cheng Wenlong, Ding Zongyang, Zhou Xiaolong, Chen Rong, Xu Wangang, Du Xin, Shao Fei, Liu Xiaoxiao, Zhang Xuefei, Feng Wencui, Zhang Jiandong, Ge Jun and Liu Wuyang, pursuant to which Jinbei Tianjin is irrevocably granted an exclusive option to purchase, or have its designated person to purchase, at its discretion, all or part of such registered shareholders' equity interests in Beijing Beihao;
- (49) an equity pledge agreement dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao, Gu Feifan, Ruan Guangjie, Tao Hongbing, Gao Jun, Wei Zhenghui, Liu Enpeng, Feng Xia, Song Dongfeng, Li Guoping, Dang Jie, Wang Zhe, Cheng Wenlong, Ding Zongyang, Zhou Xiaolong, Chen Rong, Xu Wangang, Du Xin, Shao Fei, Liu Xiaoxiao, Zhang Xuefei, Feng Wencui, Zhang Jiandong, Ge Jun and Liu Wuyang, pursuant to which all of the respective equity interests of Beijing Beihao are pledged to Jinbei Tianjin;
- (50) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Gu Feifan, pursuant to which Gu Feifan irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (51) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Ruan Guangjie, pursuant to which Ruan Guangjie irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (52) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Tao Hongbing, pursuant to which Tao Hongbing irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;

- (53) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Gao Jun, pursuant to which Gao Jun irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (54) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Wei Zhenghui, pursuant to which Wei Zhenghui irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (55) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Liu Enpeng, pursuant to which Liu Enpeng irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (56) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Feng Xia, pursuant to which Feng Xia irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (57) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Song Dongfeng, pursuant to which Song Dongfeng irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (58) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Li Guoping, pursuant to which Li Guoping irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (59) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Dang Jie, pursuant to which Dang Jie irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (60) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Wang Zhe, pursuant to which Wang Zhe irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (61) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Cheng Wenlong, pursuant to which Cheng Wenlong irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;

- (62) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Ding Zongyang, pursuant to which Ding Zongyang irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (63) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Zhou Xiaolong, pursuant to which Zhou Xiaolong irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (64) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Chen Rong, pursuant to which Chen Rong irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (65) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Xu Wangang, pursuant to which Xu Wangang irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (66) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Du Xin, pursuant to which Du Xin irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (67) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Shao Fei, pursuant to which Shao Fei irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (68) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Liu Xiaoxiao, pursuant to which Liu Xiaoxiao irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (69) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Zhang Xuefei, pursuant to which Zhang Xuefei irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (70) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Feng Wencui, pursuant to which Feng Wencui irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;

- (71) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Zhang Jiandong, pursuant to which Zhang Jiandong irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (72) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Ge Jun, pursuant to which Ge Jun irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (73) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beihao and Liu Wuyang, pursuant to which Liu Wuyang irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beihao;
- (74) an exclusive business cooperation agreement dated January 30, 2022 between Jinbei Tianjin and Beijing Beijia, pursuant to which Jinbei Tianjin has the exclusive right to provide Beijing Beijia with comprehensive technical support and consulting services;
- (75) an exclusive option agreement dated January 30, 2022 among Jinbei Tianjin, Beijing Beijia and Lin Junquan, Xu Tao, Peng Yongdong, Wang Yongqun, pursuant to which Jinbei Tianjin is irrevocably granted an exclusive option to purchase, or have its designated person to purchase, at its discretion, all or part of such registered shareholders' equity interests in Beijing Beijia;
- (76) an equity pledge agreement dated January 30, 2022 among Jinbei Tianjin, Beijing Beijia and Lin Junquan, Xu Tao, Peng Yongdong and Wang Yongqun, pursuant to which all of the respective equity interests of Beijing Beijia are pledged to Jinbei Tianjin;
- (77) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beijia and Lin Junquan, pursuant to which Lin Junquan irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beijia;
- (78) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beijia and Xu Tao, pursuant to which Xu Tao irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beijia;
- (79) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beijia and Peng Yongdong, pursuant to which Peng Yongdong irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beijia; and

- (80) a power of attorney dated January 30, 2022 among Jinbei Tianjin, Beijing Beijia and Wang Yongqun, pursuant to which Wang Yongqun irrevocably undertakes to appoint Jinbei Tianjin, or its designated persons as the attorney-in-fact to exercise all of the rights as a shareholder of Beijing Beijia.






Intellectual Property






As at the Latest Practicable Date, the following intellectual property rights are material or may be material to the Group's business:








Trademarks




As at the Latest Practicable Date, the Group had registered the following trademarks which are material or may be material to its business:



No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.	贝壳	35	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	25199365	December 27, 2028
2.	贝壳	36	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	7859829	October 13, 2023
3.	贝壳	45	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	25223665	February 6, 2030
4.	贝壳	37	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	7859835	March 27, 2032
5.		35	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	29548004	August 6, 2030
6.		36	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	29538667	July 27, 2030
7.	LIANJIA	36	Beike Technology Co., Ltd.	PRC	19978277A	July 27, 2027
8.		36	Beike Technology Co., Ltd.	PRC	9364198	May 6, 2032
9.	LIANJIA.链家	36	Beike Technology Co., Ltd.	PRC	17166330	August 6, 2026

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
10.	德佑	36	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	28649228A	January 20, 2029
11.		36	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	29013597A	November 6, 2029
12.	被窝	35	Beijing Meichen Information Consulting Co., Ltd.	PRC	14755209	July 6, 2025
13.	被窝	37	Beijing Meichen Information Consulting Co., Ltd.	PRC	42878669	August 27, 2030
14.	被窝	42	Beijing Meichen Information Consulting Co., Ltd.	PRC	42880285A	November 27, 2030
15.		37	Beijing Meichen Information Consulting Co., Ltd.	PRC	45001887	November 20, 2030
16.	如视	9	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	36884204	November 6, 2029
17.		9	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	30962961	March 6, 2030
18.		9	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	35990251	September 6, 2029
19.	 如视	9	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	30951219	February 6, 2030
20.	伽罗华	9	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	45527180	March 6, 2031
21.	GALOIS	9	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	45508799	December 13, 2030

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
22.	中環地产	36	Nanchang Zhonghuan Hulian Information Co., Ltd.	PRC	19435396	May 6, 2027
23.		36	Nanchang Zhonghuan Hulian Information Co., Ltd.	PRC	6756113	April 20, 2030
24.		36	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	33283159	February 6, 2031
25.	贝壳金服	36	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	27321703	August 13, 2030
26.		36	Beike Jinke Holdings (Beijing) Co., Ltd.	PRC	38826375	March 27, 2031
27.	小海	9	Beike Technology Co., Ltd.	PRC	10941357	August 27, 2023
28.	小海	42	Beike Technology Co., Ltd.	PRC	33734722	July 6, 2029
29.	贝壳搬家	39	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	32040194	August 13, 2030
30.		41	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	PRC	47411808	February 13, 2031
31.	贝暖	6	Beike Technology Co., Ltd.	PRC	59118031	March 6, 2032
32.	圣都家装	37	Shengdu	PRC	51253598	August 13, 2031
33.	圣都家装	42	Shengdu	PRC	51253166	October 6, 2031
34.	贝壳	36	Beike Investment Holdings Limited	United States	5679815	February 19, 2029
35.	贝壳	35, 36	Beike Investment Holdings Limited	Hong Kong	305237758	April 1, 2030
36.	贝壳	35, 36	Beike Investment Holdings Limited	Japan	6163210	July 19, 2029
37.	贝壳	36	Beike Investment Holdings Limited	Canada	TMA1,087,487	November 12, 2030
38.	 贝壳	36	Beike Investment Holdings Limited	United States	6337650	March 28, 2029

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
39.	 贝壳	9, 20, 35, 36, 37, 38, 39, 41, 42, 45	Beike Investment Holdings Limited	Hong Kong	304873591AA	March 27, 2029
40.	 贝壳	9, 35, 36	Beike Investment Holdings Limited	Japan	6247846	April 23, 2030
41.	 贝壳	9, 35, 36	Beike Investment Holdings Limited	Canada	TMA1,098,973	April 27, 2031
42.	 贝壳	9, 35, 36	Beike Investment Holdings Limited	Australia	1998914	March 27, 2029
43.	Beike	36	Beike Investment Holdings Limited	United States	6279855	March 1, 2031
44.	Beike	09, 20, 35, 36, 37, 38, 39, 41, 42, 43, 45	Beike Investment Holdings Limited	Hong Kong	304873618	March 27, 2029
45.	b e i k e	9, 35, 36	Beike Investment Holdings Limited	Japan	6264863	July 1, 2030
46.	Beike	9, 35, 36	Beike Investment Holdings Limited	Canada	TMA1,098,975	April 27, 2031
47.	Beike	9, 35, 36	Beijing Lianjia	Australia	1998913	March 27, 2029
48.	链家	36	Sharehome HK International Limited	United States	6376173	June 7, 2031
49.	链家	35, 36, 37, 39, 41, 42	Beijing Lianjia	Hong Kong	303473703	July 15, 2025
50.	链家	35, 36	Beijing Lianjia	Australia	1788609	August 9, 2026
51.	 链家海外 <small>LIANJIA OVERSEAS PROPERTY</small>	35, 36	Sharehome HK International Limited	Japan	6163211	July 18, 2029
52.	 链家海外 <small>LIANJIA OVERSEAS PROPERTY</small>	35, 36	Sharehome HK International Limited	Canada	TMA1,097,777	April 8, 2031
53.	 链家海外 <small>LIANJIA OVERSEAS PROPERTY</small>	35, 36	Beijing Lianjia	Australia	1937556	June 28, 2028

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
54.		36	Beijing Lianjia	United States	6522821	October 18, 2031
55.	LIANJIA	35, 36	Sharehome HK International Limited	United States	5543414	August 21, 2028
56.	LIANJIA	35, 36, 37, 39, 41, 42	Sharehome HK International Limited	Hong Kong	303473686	July 15, 2025
57.	LIANJIA	35, 36	Sharehome HK International Limited	Japan	5996956	November 17, 2027
58.	LIANJIA	35, 36, 39	Sharehome HK International Limited	Canada	TMA1,079,769	June 17, 2030
59.	LIANJIA	35, 36,	Beijing Lianjia	Australia	1788524	August 9, 2026
60.	REALSEE	09, 38, 41, 42	Beike Investment Holdings Limited	Japan	6307272	October 22, 2030
61.	REALSEE	09, 38, 41, 42	Beike Investment Holdings Limited	Australia	2089549	May 18, 2030
62.	REALSEE	09	Beike Investment Holdings Limited	Singapore	40202009783U	May 12, 2030
63.	REALSEE	42	Beike Investment Holdings Limited	Singapore	40202009786R	May 12, 2030
64.	如视	09, 36, 38, 41, 42	Beike Investment Holdings Limited	Japan	6155736	June 28, 2029
65.	如视	09, 36, 38, 41, 42	Beike Beijing	Australia	1937560	June 28, 2028
66.	如视	09, 35, 36, 38, 41, 42	Beike Investment Holdings Limited	Canada	TMA1,098,275	April 15, 2031
67.	如视	09	Beike Investment Holdings Limited	Singapore	40201812772P	June 29, 2028
68.	如视	42	Beike Investment Holdings Limited	Singapore	40201812776Q	June 29, 2028
69.		09, 38, 41, 42	Beike Investment Holdings Limited	Japan	6323334	December 1, 2030
70.		09, 38, 41, 42	Beike Investment Holdings Limited	Australia	2098030	June 22, 2030

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
71.		09	Beike Investment Holdings Limited	Singapore	40202012424Q	June 19, 2030
72.		42	Beike Investment Holdings Limited	Singapore	40202012423R	June 19, 2030
73.	GALLOIS	09	Beike Investment Holdings Limited	Japan	6387538	May 10, 2031
74.	GALOIS	09	Beike Investment Holdings Limited	Australia	2136018	June 22, 2031
75.	GALOIS	09	Beike Investment Holdings Limited	Singapore	40202023697X	November 11, 2027
76.	deyou 德佑	36	Beike Development (Hong Kong) Limited	United States	6274968	February 22, 2031
77.	deyou 德佑	09, 20, 35, 36, 37, 38, 39, 41, 42, 43, 45	Beike Development (Hong Kong) Limited	Hong Kong	304873636	March 27, 2029

As at the Latest Practicable Date, the Group had applied for registration of the following trademarks which are material or may be material to its business:

No.	Trademark	Class	Applicant	Place of Registration	Application Number	Application Date
1.	REALSEE	09, 38, 41, 42	Beike Investment Holdings Limited	Canada	2028915	May 19, 2020
2.		09, 38, 41, 42	Beike Investment Holdings Limited	Canada	2035632	June 23, 2020
3.	GALLOIS	09	Beike Investment Holdings Limited	Canada	2063831	November 13, 2020

Domain Names

As at the Latest Practicable Date, the Group had registered the following domain names which are material or may be material to its business:

No.	Domain Name	Registered Owner	Expiry Date
1.	ke.com	Tianjin Xiaowu	January 8, 2025
2.	bewoo.com	Tianjin Xiaowu	July 10, 2023
3.	lianjia.com	Beike Beijing	April 17, 2025
4.	deyoulife.com	Deyou (Tianjin) Real Estate Brokerage Service Co., Ltd.	December 25, 2025
5.	bkjk.com	Beike Beijing	October 7, 2023

Patents

As at the Latest Practicable Date, the Group had registered the following patents which are material or may be material to its business:

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Grant Date	Expiry Date
1.	Method, device and storage medium for generating panorama with depth information	Invention Patent	Beike Beijing	PRC	ZL201911133455.X	November 13, 2020	November 18, 2039
2.	Model display method and device in three-dimensional house model	Invention Patent	Beike Beijing	PRC	ZL201911144124.6	October 27, 2020	November 19, 2039
3.	Method, device and system for displaying three-dimensional models of house before and after decoration on same screen	Invention Patent	Beike Beijing	PRC	ZL201910451604.0	October 16, 2020	May 27, 2039
4.	Furniture placement scheme generation method, device and equipment and storage medium	Invention Patent	Beike Beijing	PRC	ZL201910637657.1	September 1, 2020	July 14, 2039

No.	Patent Name	Type	Patent Holder	Jurisdiction of	Patent Number	Grant Date	Expiry Date
				Registration			
5.	Method and device for automatically generating space size in three-dimensional house model	Invention Patent	Beike Beijing	PRC	ZL201810540683.8	August 11, 2020	May 29, 2038
6.	Image processing method, patent device, computer-readable storage medium and electronic equipment	Invention Patent	Beike Beijing	PRC	ZL201910636694.0	July 24, 2020	July 14, 2039
7.	Method and device for data acquisition and model generation of house	Invention Patent	Beike Beijing	PRC	ZL201810574715.6	July 7, 2020	June 5, 2038
8.	Method, server and the terminal for entering a functional room under house-explaining mode in virtual three-dimensional space	Invention Patent	Beike Beijing	PRC	ZL201810540326.1	June 16, 2020	May 29, 2038
9.	Method, device, apparatus and storage medium for generating layout modification scheme	Invention Patent	Beike Beijing	PRC	ZL201910637659.0	June 16, 2020	July 14, 2039
10.	Information pushing-method, device, computer readable storage medium and electronic equipment	Invention Patent	Beike Beijing	PRC	ZL201910637579.5	June 5, 2020	July 14, 2039
11.	Method, apparatus and electronic device for displaying information of items in the current space	Invention Patent	Beike Beijing	PRC	ZL201910570131.6	June 5, 2020	June 26, 2039

No.	Patent Name	Type	Patent Holder	Jurisdiction of	Patent Number	Grant Date	Expiry Date
				Registration			
12.	Recording method and device for house source introduction based on virtual three-dimensional space	Invention Patent	Beike Beijing	PRC	ZL201810540328.0	May 22, 2020	May 29, 2038
13.	Method and apparatus for marking and displaying spatial size in virtual three-dimensional house model	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	ZL201810540813.8	November 26, 2019	May 29, 2038
14.	Method and apparatus for filling holes in a virtual reality model	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	ZL201810575202.7	November 19, 2019	June 5, 2038
15.	Display system of two-dimensional layouts and implementation method	Invention Patent	Beijing Fangjianghu Technology Co., Ltd.	PRC	ZL201711278520.9	March 12, 2021	December 5, 2037
16.	Method and system for displaying panorama of a house in virtual three-dimensional space	Invention Patent	Beike Beijing	PRC	ZL201810539481.1	December 11, 2020	May 29, 2038
17.	Method and apparatus for showing three-dimensional orientation in three-dimensional house model	Invention Patent	Beike Beijing	PRC	ZL201810538115.4	August 11, 2020	May 29, 2038
18.	Three-dimensional space model skipping processing method and device	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	ZL201810539488.3	March 20, 2020	May 29, 2038
19.	Real-time voice processing method and device for virtual three-dimensional space	Invention Patent	Beike Beijing	PRC	ZL201810540814.2	February 9, 2021	May 29, 2038

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Grant Date	Expiry Date
20.	Laser radar three-dimensional scanning camera	Utility Model	Beike Technology Co., Ltd	PRC	ZL202021269287.5	April 6, 2021	June 30, 2030
21.	Method, apparatus and electronic device for questioning and answering by machine intelligence	Invention Patent	Beike Beijing	PRC	ZL201910358742.4	August 11, 2020	April 29, 2039
22.	Similar house type detection method, electronic equipment and storage medium	Invention Patent	Beike Beijing	PRC	ZL201910462861.4	June 11, 2021	May 29, 2039
23.	Voice-based data labeling method, device, medium and electronic equipment	Invention Patent	Beike Beijing	PRC	ZL201911100150.9	July 20, 2021	November 11, 2039
24.	Method, apparatus, medium, and electronic device for improving session quality	Invention Patent	Beike Beijing	PRC	ZL201911192314.5	July 16, 2021	November 27, 2039
25.	Method for obtaining house layout information, network model training method and device	Invention Patent	Beike Beijing	PRC	ZL202010107505.3	December 11, 2020	February 20, 2040
26.	Voice information generation method and device, electronic equipment and storage medium	Invention Patent	Beike Beijing	PRC	ZL201911328649.5	April 30, 2021	December 19, 2039
27.	Analysis method and system for house type data	Invention Patent	Beike Beijing	PRC	ZL202010167646.4	April 30, 2021	March 10, 2040
28.	Image retrieval method and device based on picture content and electronic equipment	Invention Patent	Beijing Fangjianghu Technology Co., Ltd.	PRC	ZL201811644374.1	April 20, 2021	December 29, 2038

No.	Patent Name	Type	Patent Holder	Jurisdiction of		Patent Number	Grant Date	Expiry Date
				Registration				
29.	House vector diagram splicing method and device and computer readable storage medium	Invention Patent	Beike Beijing	PRC		ZL202010881718.1	May 4, 2021	August 26, 2040
30.	Method and device for displaying residential housing based on intelligent terminal	Invention Patent	Beike Beijing	PRC		ZL201711026829.9	October 22, 2019	October 26, 2037
31.	Message-based house source fusion method	Invention Patent	Beike Beijing	PRC		ZL201910927834.X	November 6, 2020	September 26, 2039
32.	Method and apparatus for displaying virtual three-dimensional space of a house	Invention Patent	Beike Beijing	PRC		ZL201810540074.2	March 6, 2020	May 29, 2038
33.	Method and apparatus for generating real images of a house	Invention Patent	Beike Beijing	PRC		ZL201310181959.5	January 20, 2016	May 15, 2033
34.	Management method of terminal equipment operation authority, server and terminal equipment	Invention Patent	Beike Beijing	PRC		ZL201810545767.0	May 28, 2021	May 24, 2038
35.	Method and system for improving spatial sense of users in virtual three-dimensional space of a house	Invention Patent	Beike Beijing	PRC		ZL201810540040.3	March 10, 2020	May 29, 2038
36.	Method and apparatus for synchronously processing virtual three-dimensional space	Invention Patent	Beike Beijing	PRC		ZL201810539199.3	November 10, 2020	May 29, 2038
37.	Method and apparatus for synchronously processing virtual three-dimensional space	Invention Patent	Beike Beijing	PRC		ZL201810539994.2	May 8, 2020	May 29, 2038

No.	Patent Name	Type	Patent Holder	Jurisdiction of		Patent Number	Grant Date	Expiry Date
				Registration				
38.	Space representation method, apparatus and terminal	Invention Patent	Beike Beijing	PRC		ZL201710112689.0	March 24, 2020	February 27, 2037
39.	Point cloud registration method and device, computer readable storage medium and electronic equipment	Invention Patent	Beike Beijing	PRC		ZL202010848942.0	August 31, 2021	August 20, 2040
40.	Adjacent point segmentation method and device	Invention Patent	Beike Beijing	PRC		ZL202010929302.2	August 31, 2021	September 6, 2040
41.	Method, device and system for generating video	Invention Patent	Beike Beijing	PRC		ZL202011095507.1	September 14, 2021	October 13, 2040
42.	Optical center alignment detection method and device, storage medium and electronic equipment	Invention Patent	Beike Technology Co., Ltd.	PRC		ZL202110663882.X	August 17, 2021	June 15, 2041
43.	Method, system, apparatus, electronic device and storage medium for reproducing program vulnerability	Invention Patent	Beike Beijing	PRC		ZL202010374880.4	July 2, 2021	May 5, 2040
44.	Method, apparatus and device for assisting subject matters in transferring by computer	Invention Patent	Beike Beijing	PRC		ZL201911252206.2	August 6, 2021	December 8, 2039
45.	Method, device, medium and electronic equipment for realizing session	Invention Patent	Beike Beijing	PRC		ZL202010610048.X	August 17, 2021	June 29, 2040
46.	Model collaborative optimization method, device, medium and electronic equipment	Invention Patent	Beike Beijing	PRC		ZL202011024383.8	September 14, 2021	September 24, 2040

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Grant Date	Expiry Date
47.	Augmented reality method and device based on model alignment, storage medium and electronic equipment	Invention Patent	Beike Beijing	PRC	ZL202010987132.3	September 28, 2021	September 17, 2040
48.	Texture mapping method and device, computer-readable storage medium and electronic device	Invention Patent	Beike Beijing	PRC	ZL202010904473.X	October 22, 2021	August 31, 2040
49.	Interactive method, device and system based on three-dimensional model	Invention Patent	Beike Beijing	PRC	ZL202010698810.4	December 7, 2021	July 19, 2040
50.	Method and apparatus for presenting a virtual representation, computer device and storage medium	Invention Patent	Beike Beijing	PRC	ZL202110171986.9	November 23, 2021	February 4, 2041
51.	Pan-tilt and stabilizer	Utility Model	Beijing Fangjianghu Technology Co., Ltd.	PRC	ZL202121420205.7	December 21, 2021	June 23, 2031
52.	Clamping assembly and clamping device for clamping mobile device	Utility Model	Beijing Fangjianghu Technology Co., Ltd.	PRC	ZL202121888395.5	January 11, 2022	August 11, 2031
53.	Clamping assembly and clamping device for clamping mobile device	Utility Model	Beijing Fangjianghu Technology Co., Ltd.	PRC	ZL202121774099.2	January 14, 2022	July 29, 2031
54.	Image splicing method and device, panorama splicing method and device, storage medium and electronic equipment	Invention Patent	Beike Beijing	PRC	ZL202010231059.7	January 21, 2022	March 26, 2040

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Grant Date	Expiry Date
55.	Method for generating roaming path of virtual reality scene and storage medium	Invention Patent	Beike Technology Co., Ltd.	PRC	ZL202110933906.9	October 22, 2021	August 15, 2041
56.	Processing method and device for indoor scene reconstruction model	Invention Patent	Beike Technology Co., Ltd.	PRC	ZL202111029053.2	November 16, 2021	September 2, 2041
57.	Texture image processing method and device, electronic equipment and storage medium	Invention Patent	Beike Technology Co., Ltd.	PRC	ZL202111029105.6	November 23, 2021	September 2, 2041
58.	Interactive information prompting method	Invention Patent	Beike Beijing	PRC	ZL202110916240.6	November 5, 2021	August 10, 2041
59.	Method, apparatus and storage medium for texture mapping	Invention Patent	Beike Technology Co., Ltd.	PRC	ZL202111132218.9	December 7, 2021	September 26, 2041
60.	Visual angle conversion method and device, storage medium and electronic equipment	Invention Patent	Beike Technology Co., Ltd.	PRC	ZL202111007869.5	November 5, 2021	August 30, 2041
61.	Method and device for reconstructing three-dimensional space model and storage medium	Invention Patent	Beike Technology Co., Ltd.	PRC	ZL202111132270.4	December 21, 2021	September 26, 2041
62.	Training method and evaluation method of IM service evaluation model	Invention Patent	Beike Beijing	PRC	ZL202110781986.0	November 2, 2021	July 11, 2041
63.	Auto-routing method and device, storage medium, and electronic apparatus	Invention Patent	Beike Beijing	PRC	ZL202110437409.X	February 22, 2022	April 21, 2041

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Grant Date	Expiry Date
64.	Method, device, equipment and medium for acquiring three- dimensional scene image by using fisheye camera	Invention Patent	Beike Beijing	PRC	ZL202110438633.0	February 22, 2022	April 21, 2041
65.	Depth information acquisition method and device, electronic equipment and storage medium	Invention Patent	Beike Beijing	PRC	ZL202110438608.2	February 1, 2022	April 21, 2041
66.	Automatic screenshot method, device and equipment and storage medium	Invention Patent	Beike Technology Co., Ltd	PRC	ZL202011298994.1	March 29, 2022	November 17, 2040
67.	Method and device for generating panoramic image, electronic equipment and storage medium	Invention Patent	Beike Technology Co., Ltd	PRC	ZL202111302726.7	February 8, 2022	November 4, 2041
68.	Content display method and device in a three- dimensional house model	Invention Patent	Beike Technology Co., Ltd	PRC	ZL202111461075.6	February 25, 2022	December 2, 2041
69.	Vertical correction method and device for panorama, electronic equipment and storage medium	Invention Patent	Beike Technology Co., Ltd	PRC	ZL202111607069.7	March 15, 2022	December 26, 2041
70.	Method and device for acquiring occupancy grid map	Invention Patent	Beike Technology Co., Ltd	PRC	ZL202111635739.6	March 25, 2022	December 29, 2041
71.	Model display method and device in three- dimensional house model	Invention Patent	Beike Beijing	PRC	ZL202110092880.X	April 15, 2022	January 21, 2041
72.	Camera	Design Patent	Beike Technology Co., Ltd	Korea	KR3011476410002S	January 20, 2022	February 16, 2037

No.	Patent Name	Type	Patent Holder	Jurisdiction of		Patent Number	Grant Date	Expiry Date
				Registration				
73.	Data collection and model generation method for house	Invention Patent	Beike Beijing	Australia		AU2019281667B2	January 27, 2022	June 4, 2039
74.	Gimbal stabiliser	Design Patent	Beike Technology Co., Ltd	Australia		AU202116878S	January 21, 2022	November 7, 2031
75.	Systems and methods for navigating a user in a virtual reality model	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	United States		US10467810B1	November 5, 2019	May 23, 2039
76.	Systems and methods for enriching a virtual reality tour	Invention Patent	Beike Beijing	United States		US10984596B2	April 20, 2021	May 28, 2039
77.	Method and apparatus for marking and displaying spatial size in virtual three-dimensional house model	Invention Patent	Beike Beijing	United States		US10521971B2	December 31, 2019	May 29, 2039
78.	Systems and methods for filling holes in a virtual reality model	Invention Patent	Beike Beijing	United States		US10846926B2	November 24, 2020	May 29, 2039
79.	Method for data collection and model generation of house	Invention Patent	Beike Beijing	United States		US10872467B2	December 22, 2020	June 24, 2039
80.	Systems and methods for navigating a user in a virtual reality model	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	United States		US10553027B1	February 4, 2020	September 23, 2039
81.	Method and apparatus for marking and displaying spatial size in a virtual three-dimensional house model	Invention Patent	Beike Beijing	Japan		JP6798094B2	November 24, 2020	May 14, 2039
82.	Systems and methods for displaying a virtual reality model	Invention Patent	Beike Beijing	United States		US10853992B1	December 1, 2020	June 22, 2040
83.	Artificial intelligence systems and methods for interior design	Invention Patent	Beike Beijing	United States		US10956626B2	March 23, 2021	July 13, 2040

No.	Patent Name	Type	Patent Holder	Jurisdiction of		Patent Number	Grant Date	Expiry Date
				Registration				
84.	Method and device for generating virtual reality data	Invention Patent	Beike Beijing	United States		US11055835B2	July 6, 2021	September 24, 2040
85.	Laser radar three-dimensional scan camera	Utility Model	Beike Beijing	Japan		JP3233140U	July 6, 2021	May 12, 2031
86.	Display method, device and electronic equipment for item information in current space	Invention Patent	Beike Beijing	United States		US11120618B2	September 14, 2021	June 27, 2040
87.	Method and device for generating a panoramic image	Invention Patent	Beike Beijing	United States		US11146727B2	October 12, 2021	March 11, 2041
88.	Method, apparatus and storage medium for displaying three-dimensional space view	Invention Patent	Beike Beijing	United States		US11158134B2	October 26, 2021	November 4, 2039
89.	Systems and methods for navigating a user in a virtual reality model	Invention Patent	Beike Beijing	Japan		JP6987998B2	January 5, 2022	May 29, 2039
90.	Method for data collection and model generation of house	Invention Patent	Beike Beijing	Japan		JP6951595B2	October 20, 2021	June 4, 2039
91.	System and method for filling holes in virtual reality model	Invention Patent	Beike Beijing	Japan		JP6951594B2	October 20, 2021	May 30, 2039
92.	Method, apparatus and storage medium for displaying three-dimensional space view	Invention Patent	Beike Beijing	Australia		AU2019447524B2	December 23, 2021	November 4, 2039

As at the Latest Practicable Date, the Group had applied for registration of the following patents which are material or may be material to its business:

No.	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
1.	Method and system for adding additional elements to functional rooms	Invention Patent	Beike Beijing	PRC	201810538113.5	May 30, 2018
2.	Shooting equipment position prompting method and device, storage medium and electronic equipment	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202010180024.5	March 16, 2020
3.	Automatic indoor article placement processing method, device and equipment and storage medium	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202010560309.1	June 18, 2020
4.	Method, device, equipment and medium for obtaining item placement scheme score	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202010561583.0	June 18, 2020
5.	Home decoration scheme determination method and device and computer-readable storage medium	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202010427543.7	May 19, 2020
6.	Panorama generation method and device, computer readable storage medium and electronic equipment	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202010196117.7	March 19, 2020
7.	Method, apparatus, computer-readable storage medium and electronic equipment for image processing	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202010205822.9	March 23, 2020
8.	Method, device and system for generating three-dimensional model	Invention Patent	Beike Technology Co., Ltd.	PRC	202011180650.0	October 29, 2020

No.	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
9.	Method and device for guiding point positions in model, storage medium and electronic equipment	Invention Patent	Beike Technology Co., Ltd.	PRC	202011398101.0	December 3, 2020
10.	Image conversion method and device, depth map prediction method and device	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202010216380.8	March 25, 2020
11.	Depth map prediction model generation method and device and depth map prediction method and device	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202010218038.1	March 25, 2020
12.	Method, device and equipment for realizing three-dimensional space scene interaction	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202010401813.7	May 13, 2020
13.	Model display method and device in three-dimensional house model	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202010534339.5	June 12, 2020
14.	Image frame splicing method and device, readable storage medium and electronic equipment	Invention Patent	Beike Beijing	PRC	202011219006.X	November 4, 2020
15.	Model simplification processing method and device, electronic equipment and medium	Invention Patent	Beike Beijing	PRC	202110063539.1	January 18, 2021
16.	House resource recommendation method and device	Invention Patent	Beike Technology Co., Ltd.	PRC	201811644038.7	December 30, 2018
17.	Method and device for establishing accent recognition model, storage medium and electronic equipment	Invention Patent	Beike Beijing	PRC	202110888963.X	August 3, 2021

No.	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
18.	Speech synthesis method, readable storage medium, and computer program product	Invention Patent	Beike Beijing	PRC	202110929119.7	August 13, 2021
19.	Recommendation method and device, computer-readable storage medium and electronic device	Invention Patent	Beike Technology Co., Ltd.	PRC	202011053923.5	September 29, 2020
20.	Method and device for displaying house source information, electronic equipment and storage medium	Invention Patent	Beike Technology Co., Ltd.	PRC	202011197811.7	October 30, 2020
21.	House resource information display method and determination method	Invention Patent	Beike Technology Co., Ltd.	PRC	202011520668.0	December 21, 2020
22.	Method, device and storage medium for displaying house source information	Invention Patent	Beike Technology Co., Ltd.	PRC	202010920184.9	September 4, 2020
23.	Method and device for sharing house resources	Invention Patent	Beike Beijing	PRC	202110292156.1	March 18, 2021
24.	Method and apparatus for getting lofting path, method for lofting	Invention Patent	Beike Zhaofang Web	PRC	202210188118.6	February 28, 2022
25.	Pan-tilt and stabilizer	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	PCT/CN2022/077129	February 21, 2022
26.	House type renovation method and computer-readable storage medium	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202210200457.1	March 3, 2022
27.	House type optimization method, device and storage medium	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202210200455.2	March 3, 2022
28.	House type prediction method, device and storage medium	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202210200458.6	March 3, 2022

No.	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
29.	Method, apparatus and computer program product for processing VR scenes	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	PRC	202210376410.0	April 12, 2022
30.	Method, device and storage medium for training adversarial sample generation model	Invention Patent	Beike Zhaofang Web	PRC	202210364064.4	April 7, 2022
31.	Equipment control method and device, electronic equipment and storage medium	Invention Patent	Beike Zhaofang Web	PRC	202210360790.9	April 7, 2022
32.	Equipment control method and device, electronic equipment and storage medium	Invention Patent	Beike Zhaofang Web	PRC	202210362205.9	April 7, 2022
33.	Method and system to generate augmented reality scene which presents the real occlusion relation of objects	Invention Patent	Beitatong	PRC	202210429552.9	April 22, 2022
34.	Artificial intelligence systems and methods for interior design	Invention Patent	Realsee (Beijing) Technology Co., Ltd.	Australia	AU2020315029	February 2, 2022
35.	Systems and methods for constructing three-dimensional panorama model	Invention Patent	Beike Beijing	United States	US16/882,368	May 22, 2020
36.	Method and device for collecting images of a scene for generating virtual reality data	Invention Patent	Beike Beijing	United States	US17/182,211	February 22, 2021
37.	Artificial intelligence systems and methods for interior furnishing	Invention Patent	Beike Beijing	United States	US17/324,023	May 18, 2021
38.	Artificial intelligence systems and methods for interior design	Invention Patent	Beike Beijing	United States	US17/180,377	February 19, 2021

No.	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
39.	Artificial intelligence systems and methods for interior design	Invention Patent	Beike Beijing	United States	US17/180,415	February 19, 2021
40.	Method for merging multiple images and post-processing of panorama	Invention Patent	Beike Beijing	United States	US17/210,100	March 23, 2021
41.	Method and device for three-dimensional light detection and ranging (LIDAR), and three-dimensional measuring device thereof	Invention Patent	Beike Beijing	United States	US17/345,323	June 11, 2021
42.	Method, apparatus and system for generating a three-dimensional model of a scene	Invention Patent	Beike Beijing	United States	US17/362,438	June 29, 2021
43.	Method, apparatus and storage medium for displaying three-dimensional space view	Invention Patent	Beike Beijing	United States	US17/356,472	June 23, 2021
44.	Method and device for generating virtual reality data	Invention Patent	Beike Beijing	United States	US17/338,008	June 3, 2021
45.	Method and device for generating a panoramic image	Invention Patent	Beike Beijing	United States	US17/383,157	July 22, 2021
46.	Method, apparatus and storage medium for displaying three-dimensional space view	Invention Patent	Beike Beijing	Japan	JP2020-567129	November 30, 2020
47.	Systems and methods for navigating a user in a virtual reality model	Invention Patent	Beike Beijing	Europe Union	EP19811203.9	March 6, 2020
48.	Method and device for collecting images of a scene for generating virtual reality data	Invention Patent	Beike Beijing	Europe Union	EP21162051.3	March 11, 2021

No.	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
49.	Method and apparatus for generating guidance among viewpoints in a scene	Invention Patent	Beike Beijing	United States	US17/406,838	August 19, 2021

Software copyrights

As of the Latest Practicable Date, the Group had registered the following software copyrights which are material or may be material to its business:

No	Software Name	Registrant	Registration Number	Place of Registration	Date of Registration
1.	Beike Zhaofang C-end housing search Android APP V1.0	Beike Technology Co., Ltd.	2018SR219063	PRC	March 29, 2018
2.	Beike Zhaofang C-end housing search iOS APP V1.0	Beike Technology Co., Ltd.	2018SR746497	PRC	September 14, 2018
3.	Beike Lianjia C-end professional real estate platform iOS APP V1.0	Beike Technology Co., Ltd.	2020SR0456345	PRC	May 14, 2020
4.	Beike Lianjia C-end professional real estate platform Android APP V1.0	Beike Technology Co., Ltd.	2020SR0456107	PRC	May 14, 2020
5.	Beike Zhaofang C-end housing search PC system V1.0	Beike Technology Co., Ltd.	2018SR737110	PRC	September 12, 2018
6.	Beike Zhaofang house listing C-end applet system V1.0	Beike Technology Co., Ltd.	2020SR1548203	PRC	November 5, 2020
7.	Lianjia C-end housing search PC system V1.0	Beike Technology Co., Ltd.	2018SR755504	PRC	September 18, 2018
8.	Beike overseas C-end mobile web software V1.0	Beike Technology Co., Ltd.	2020SR0337760	PRC	April 16, 2020
9.	Beike Lianjia real house source management system V1.0	Beike Technology Co., Ltd.	2020SR0462563	PRC	May 15, 2020

No	Software Name	Registrant	Registration Number	Place of Registration	Date of Registration
10.	Beike Lianjia customer source information platform system V1.0	Beike Technology Co., Ltd.	2020SR0460695	PRC	May 15, 2020
11.	Beike broker operation B-end IOS APP V1.0	Beike Technology Co., Ltd.	2020SR1651408	PRC	November 26, 2020
12.	Beike broker operation B-end Android APP V1.0	Beike Technology Co., Ltd.	2020SR1692037	PRC	November 30, 2020
13.	Beike housing search system using map V1.0	Beike Technology Co., Ltd.	2020SR1640757	PRC	November 25, 2020
14.	Beike real estate brokerage store owner operation management system V1.0	Beike Technology Co., Ltd.	2019SR1158190	PRC	November 15, 2019
15.	Beike B-end broker online operating software V1.0	Beike Technology Co., Ltd.	2020SR1620449	PRC	November 20, 2020
16.	Beike B-end broker online operating Android APP V1.0	Beike Technology Co., Ltd.	2020SR1758020	PRC	December 8, 2020
17.	Beike B-end housing source comprehensive management system V1.0	Beike Technology Co., Ltd.	2020SR1620448	PRC	November 20, 2020
18.	ChenhaiBei Beike new house on-site operating iOS software V1.0	Shanghai ChenhaiBei Web Technology Co., Ltd.	2020SR1709648	PRC	December 2, 2020
19.	ChenhaiBei Beike new house on-site operating Android software V1.0	Shanghai ChenhaiBei Web Technology Co., Ltd.	2020SR1709649	PRC	December 2, 2020
20.	ChenhaiBei Beike new house major customer management PC system V1.0	Shanghai ChenhaiBei Web Technology Co., Ltd.	2020SR1713669	PRC	December 2, 2020
21.	ChenhaiBei Beike new house major customer management iOS system V1.0	Shanghai ChenhaiBei Web Technology Co., Ltd.	2020SR1720264	PRC	December 3, 2020
22.	Lianjia online service system for signing contracts V1.0	Beike Technology Co., Ltd.	2018SR764659	PRC	September 20, 2018

No	Software Name	Registrant	Registration Number	Place of Registration	Date of Registration
23.	Beike NTS trading workbench PC system V1.0	Beike Beijing	2021SR0291354	PRC	February 24, 2021
24.	Beike online transaction verification and contracts signing platform V1.0	Beike Beijing	2020SR1529462	PRC	October 29, 2020
25.	Beike trading mobile workbench system V1.0	Beike Beijing	2020SR0472956	PRC	May 19, 2020
26.	Beike professional trading assistant iOS APP V1.0	Beike Technology Co., Ltd.	2020SR0337764	PRC	April 16, 2020
27.	Beiwoo home decoration Android APP V1.0	Tianjin Xiaowu	2020SR0338536	PRC	April 16, 2020
28.	Beiwoo design Android APP V1.0	Tianjin Xiaowu	2020SR0316874	PRC	April 8, 2020
29.	Beiwoo Jinggong Android APP V1.4.0	Tianjin Xiaowu	2020SR0531170	PRC	May 28, 2020
30.	Beike design platform blueprint system V1.0	Beike Beijing	2020SR1529482	PRC	October 29, 2020
31.	Beike AI design platform V1.0	Beike Beijing	2020SR1528980	PRC	October 29, 2020
32.	Beike future home furnishing model production management system V1.0	Beike Technology Co., Ltd.	2020SR1562398	PRC	November 10, 2020
33.	Beike OCR bill recognition Uni/Imatch template system V1.0	Beike Beijing	2020SR1528979	PRC	October 29, 2020
34.	Beike Lianjia middle-platform service system for signing contracts V1.0	Beike Technology Co., Ltd.	2020SR0456103	PRC	May 14, 2020
35.	Beike Rental mobile M-end centralized housing source search system V1.0	Beike Technology Co., Ltd.	2019SR1142147	PRC	November 12, 2019
36.	Beike Rental mobile M-end decentralized housing source search system V1.0	Beike Technology Co., Ltd.	2019SR1142154	PRC	November 12, 2019
37.	Beike Rental escrow contract system V1.0	Beike Technology Co., Ltd.	2020SR0472946	PRC	May 19, 2020

No	Software Name	Registrant	Registration Number	Place of Registration	Date of Registration
38.	Rushi VR Software V1.0	Tianjin Xiaowu	2020SR0967727	PRC	August 21, 2020
39.	Beijia servers' Android software V1.0	Shanghai Chenhaiwei Web Technology Co., Ltd.	2021SR0571887	PRC	April 21, 2021
40.	Beikeshidai new house Dianyingbei business system V1.0	Beijing Beike Times Web Technology Co., Ltd.	2021SR0546774	PRC	April 15, 2021
41.	Beikeshidai financial management system for house redemption within a short loan V1.0	Beijing Beike Times Web Technology Co., Ltd.	2021SR0546784	PRC	April 15, 2021
42.	Beikeshidai financing guarantee service system V1.0	Beijing Beike Times Web Technology Co., Ltd.	2021SR0550679	PRC	April 16, 2021
43.	Beike housing dictionary hurricane system V1.0	Beike Beijing	2019SR1267527	PRC	December 3, 2019
44.	Beike data visualization Android APP V1.0	Beike Beijing	2019SR1132322	PRC	November 8, 2019
45.	Beike data visualization iOS APP V1.0	Beike Beijing	2019SR1132323	PRC	November 8, 2019
46.	Ehomepay payment system V1.0.0	Beijing Ehomepay	2020SR1098617	PRC	September 15, 2020
47.	Jiajia payment APP/iOS version V1.3	Beijing Ehomepay	2016SR073525	PRC	April 11, 2016
48.	Jiajia payment APP/Android version V1.3	Beijing Ehomepay	2016SR073244	PRC	April 11, 2016
49.	Beike smart site system V1.0	Beike Beijing	2021SR1599592	PRC	November 1, 2021
50.	Beike Beiwoo Zhizao system V1.0	Beike Beijing	2021SR1599607	PRC	November 1, 2021
51.	Beike Beiwoo design user-end software V1.0	Beike Beijing	2021SR1716613	PRC	November 11, 2021
52.	Beike Beiwoo home decoration iOS APP V1.0	Beike Beijing	2021SR1887586	PRC	November 25, 2021
53.	Beike HOME iOS APP V1.0	Beike Beijing	2021SR1990305	PRC	December 3, 2021

No	Software Name	Registrant	Registration Number	Place of Registration	Date of Registration
54.	Beike HOME Android APP V1.0	Beike Beijing	2021SR1981516	PRC	December 2, 2021
55.	Beike Beiwoo AR APP V1.0	Beike Beijing	2021SR2019785	PRC	December 8, 2021
56.	Beike LIFE APP V1.0	Beike Beijing	2021SR2019784	PRC	December 8, 2021

Targets of Investments and Acquisitions Since December 31, 2021

Deyou Minority Investments

Targets	Consideration (RMB thousands)	Percentage of equity interests acquired/to be acquired	Principal business activities
1. Company A	560	10%	Agency service
2. Company B	200	10%	Agency service
3. Company C	200	10%	Agency service
4. Company D	300	10%	Agency service
5. Company E	560	10%	Agency service
6. Company F	200	10%	Agency service
7. Company G	300	10%	Agency service
8. Company H	300	10%	Agency service
9. Company I	200	10%	Agency service
10. Company J	200	10%	Agency service
11. Company K	300	10%	Agency service
12. Company L	560	10%	Agency service
13. Company M	400	10%	Agency service
14. Company N	300	10%	Agency service
15. Company O	200	10%	Agency service
16. Company P	200	10%	Agency service
17. Company Q	200	10%	Agency service
18. Company R	300	10%	Agency service
19. Company S	400	10%	Agency service
20. Company T	840	10%	Agency service
21. Company U	200	10%	Agency service
22. Company V	100	10%	Agency service
23. Company W	300	10%	Agency service
24. Company X	560	10%	Agency service
25. Company Y	200	10%	Agency service

Targets		Consideration (RMB thousands)	Percentage of equity interests acquired/to be acquired	Principal business activities
26.	Company Z	300	10%	Agency service
27.	Company AA	300	10%	Agency service
28.	Company AB	200	10%	Agency service
29.	Company AC	200	10%	Agency service
30.	Company AD	300	10%	Agency service
31.	Company AE	300	10%	Agency service
32.	Company AF	200	10%	Agency service
33.	Company AG	100	10%	Agency service
34.	Company AH	200	10%	Agency service
35.	Company AI	200	10%	Agency service
36.	Company AJ	200	10%	Agency service
37.	Company AK	200	10%	Agency service
38.	Company AL	200	10%	Agency service
39.	Company AM	560	10%	Agency service
40.	Company AN	300	10%	Agency service
41.	Company AO	300	10%	Agency service
42.	Company AP	300	10%	Agency service
43.	Company AQ	560	10%	Agency service
44.	Company AR	200	10%	Agency service
45.	Company AS	200	10%	Agency service
46.	Company AT	560	10%	Agency service
47.	Company AU	300	10%	Agency service
48.	Company AV	300	10%	Agency service
49.	Company AW	900	10%	Agency service
50.	Company AX	300	10%	Agency service
51.	Company AY	700	10%	Agency service
52.	Company AZ	300	10%	Agency service
53.	Company BA	300	10%	Agency service
54.	Company BB	300	10%	Agency service
55.	Company BC	560	10%	Agency service
56.	Company BD	560	10%	Agency service
57.	Company BE	300	10%	Agency service
58.	Company BF	840	10%	Agency service
59.	Company BG	200	10%	Agency service
60.	Company BH	500	10%	Agency service
61.	Company BI	300	10%	Agency service
62.	Company BJ	840	10%	Agency service
63.	Company BK	700	10%	Agency service
64.	Company BL	200	10%	Agency service

Targets	Consideration (RMB thousands)	Percentage of	Principal business activities
		equity interests acquired/to be acquired	
65. Company BM	200	10%	Agency service
66. Company BN	200	10%	Agency service
67. Company BO	200	10%	Agency service
68. Company BP	200	10%	Agency service
69. Company BQ	560	10%	Agency service
70. Company BR	600	10%	Agency service
71. Company BS	400	10%	Agency service
72. Company BT	300	10%	Agency service
73. Company BU	200	10%	Agency service
74. Company BV	100	10%	Agency service
75. Company BW	200	10%	Agency service
76. Company BX	200	10%	Agency service
77. Company BY	100	9.09%	Agency service
78. Company BZ	560	10%	Agency service
79. Company CA	300	10%	Agency service
80. Company CB	200	9.09%	Agency service
81. Company CC	200	10%	Agency service
82. Company CD	200	9.09%	Agency service
83. Company CE	200	9.09%	Agency service
84. Company CF	200	10%	Agency service
85. Company CG	200	10%	Agency service
86. Company CH	200	10%	Agency service
87. Company CI	300	10%	Agency service
88. Company CJ	300	10%	Agency service
89. Company CK	300	10%	Agency service
90. Company CL	200	10%	Agency service
91. Company CM	300	10%	Agency service
92. Company CN	300	10%	Agency service
93. Company CO	700	10%	Agency service
94. Company CP	200	10%	Agency service
95. Company CQ	200	10%	Agency service
96. Company CR	200	10%	Agency service
97. Company CS	200	10%	Agency service
98. Company CT	200	10%	Agency service
99. Company CU	200	10%	Agency service
100. Company CV	100	10%	Agency service
101. Company CW	300	10%	Agency service
102. Company CX	200	10%	Agency service
103. Company CY	300	10%	Agency service

Targets	Consideration <i>(RMB thousands)</i>	Percentage of equity interests acquired/to be acquired	Principal business activities
104. Company CZ	300	10%	Agency service
105. Company DA	100	9.09%	Agency service
106. Company DB	300	10%	Agency service
107. Company DC	300	10%	Agency service
108. Company DD	200	10%	Agency service
109. Company DE	400	10%	Agency service
110. Company DF	1,680	10%	Agency service
111. Company DG	200	10%	Agency service
112. Company DH	300	10%	Agency service
113. Company DI	100	10%	Agency service
114. Company DJ	200	10%	Agency service
115. Company DK	500	10%	Agency service
116. Company DL	200	10%	Agency service
117. Company DM	300	10%	Agency service

Acquisitions

Targets	Consideration <i>(RMB thousands)</i>	Percentage of equity interests acquired/to be acquired	Principal business activities	Notes
1. Company DN	No more than 20,000	51%	Agency service	Deyou Acquisition
2. Company DO	No more than 20,000	51%	Agency service	Deyou Acquisition
3. Company DP	No more than 20,000	51%	Agency service	Deyou Acquisition
4. Company DQ	No more than 20,000	51%	Agency service	Deyou Acquisition
5. Company DR	No more than 20,000	51%	Agency service	Deyou Acquisition
6. Company DS	No more than 20,000	51%	Agency service	Deyou Acquisition
7. Company DT	No more than 20,000	51%	Agency service	Deyou Acquisition
8. Company DU	No more than 20,000	51%	Agency service	Deyou Acquisition

Targets		Consideration (RMB thousands)	Percentage of equity interests acquired/to be acquired	Principal business activities	Notes
9.	Company DV	No more than 20,000	51%	Agency service	Deyou Acquisition
10.	Company DW	No more than 42,000	34.1%	Agency service	Brokerage Brand Investment
11.	Company DX	No more than 27,000	Not less than 70%	Dealer of furniture brand	Furniture Brand Acquisition
12.	Company DY	No more than 8,600	100%	Dealer of furniture brand	Furniture Brand Acquisition
13.	Vanlian (Beijing) Decoration Co., Ltd. (萬科鏈家(北京)裝飾有 限公司) (with its name changed to Beijing Bewoo Decoration Co., Ltd. (北京被窩裝飾有 限公司))	90,750	100%	Home renovation and decoration service	Vanlian Acquisition

See “Waivers – Waiver in Relation to Acquisitions after the Track Record Period.”

FURTHER INFORMATION ABOUT OUR DIRECTORS

Particulars of Letters of Appointment

Each of our Directors has entered into a letter of appointment with the Company for a term of one year.

Save as disclosed above, none of the Directors has or is proposed to enter into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Remuneration of Directors

For details of the remuneration of Directors, see “Directors and Senior Management – Directors’ Remuneration.”

Personal Guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

Disclaimers

Save as disclosed in this document:

- (a) None of the Directors nor any of the experts referred to in “Other Information – Qualifications and Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) None of the Directors nor any of the experts referred to in “Other Information – Qualifications and Consents of Experts” below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.
- (c) None of the experts referred to in “Other Information – Qualifications and Consents of Experts” below: (i) is interested legally or beneficially in any of the Shares of our Company or any shares in any member of our Group; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of our Company.
- (d) Neither the Controlling Shareholder nor the Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group.
- (e) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this document to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Listing or related transactions as mentioned.
- (f) So far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

DISCLOSURE OF INTERESTS

Disclosure of Interests of Directors and Chief Executive of the Company

Immediately following the completion of the Listing (assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans; and (ii) except for the conversion of 727,407,230 Class B ordinary shares held by Propitious Global into Class A ordinary shares (the “**Propitious Global Conversion**”), no other Class B ordinary shares are converted into Class A ordinary shares), the interests and/or short positions (as applicable) of the Directors and the chief executive of the Company (other than Mr. Peng and Mr. Shan, whose interests in the Company have been disclosed in the “Substantial Shareholders” section) in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying Shares or debentures of any of the Company’s associated corporations (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange will be as follows:

Interests in the Shares of the Company

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the Relevant Class of Shares Outstanding (%)	Approximate Percentage of Shareholding in the Total Issued and Outstanding Share Capital (%)
Tao Xu ⁽¹⁾	Beneficial owner	Class A ordinary share	10,000,000	0.28%	0.26%
Wangang Xu ⁽²⁾	Beneficial owner	Class A ordinary share	29,918,050	0.82%	0.79%
	Founder of a discretionary Trust	Class A ordinary share	24,354,655	0.67%	0.64%

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the Relevant Class of Shares Outstanding (%)	Approximate Percentage of Shareholding in the Total Issued and Outstanding Share Capital (%)
Xiaohong Chen ⁽³⁾	Interest held by controlled corporations	Class A ordinary share	22,157,895	0.61%	0.58%
	Beneficial owner	Class A ordinary share	10,965	0.00%	0.00%

Notes:

- (1) As of the Latest Practicable Date, 10,000,000 Class A ordinary shares were beneficially owned by Tao Xu.
- (2) As of the Latest Practicable Date, 29,918,050 Class A ordinary shares were beneficially owned by Wangang Xu.

As of the Latest Practicable Date, 24,354,655 Class A ordinary shares were held by Blossom South Limited. Blossom South Limited is wholly owned by Clear River Limited. 100% equity interest of Clear River Limited is held by Maples Trustee Services (Cayman) Limited as the trustee of G&J Trust, a discretionary trust established by Wangang Xu (as the settlor). Accordingly, Wangang Xu is deemed to be interested in 24,354,655 Class A ordinary shares directly held by Blossom South Limited by virtue of the SFO.

- (3) As of the Latest Practicable Date, 5,844,735 Class A ordinary shares and 3,000,000 ADSs (representing 9,000,000 Class A ordinary shares) were held by H Capital through H Capital V, L.P., and 7,313,160 Class A ordinary shares were held by H Capital through H Capital XM, L.P. Xiaohong Chen is the founding and managing partner of H Capital.

As of the Latest Practicable Date, Xiaohong Chen has been granted share options representing 3,655 ADSs (representing 10,965 Class A ordinary shares) of the Company.

Interests in associated corporations

Associated Corporation	Name of Shareholder	Nature of Interest	Approximate percentage of shareholding
Beijing Lianjia	Yongdong Peng	Interest held by controlled corporations	4.79%
	Yigang Shan	Beneficial owner	3.51%
		Interest held by controlled corporations	12.60%
	Wangang Xu	Beneficial owner	1.63%
Tianjin Xiaowu	Yigang Shan	Beneficial owner	5.62%
Yiju Taihe	Yigang Shan	Beneficial owner	0.70%
		Interest held by controlled corporations	1.26%
Beijing Beijia	Wangang Xu	Beneficial owner	0.34%
	Yongdong Peng	Beneficial owner	25.00%
	Tao Xu	Beneficial owner	25.00%
Beijing Beihao	Wangang Xu	Beneficial owner	4.17%

Save as disclosed above, none of the Directors or the chief executive of the Company will, immediately following the completion of the Listing, have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

Disclosure of Interests of Substantial Shareholders

For information on the persons (other than a Director or chief executive of the Company) who will, immediately following the completion of the Listing (assuming (i) except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no further Class A ordinary shares are issued under the Share Incentive Plans; and (ii) no Class B ordinary shares are converted into Class A ordinary shares (except for the Propitious Global Conversion)), have interests or short positions in our Shares or underlying Shares which would

be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, see “Substantial Shareholders.”

To the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) will, immediately following the completion of the Listing, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of any member of the Group (excluding the Company).

Interests in Subsidiaries

Member of our Group	Person with 10% or more interest (other than the Company)	Approximate percentage of the interest in the member of our Group
Shenyang Beijia Real Estate Brokerage Co., Ltd.	Shenyang Vanke Real Estate Brokerage Co., Ltd. ⁽¹⁾	49.00%
Beijing Zhijing Liantong Technology Co., Ltd.	Tianjin Lilian Business Consulting Partnership (Limited Partnership)	13.56%
Shanghai Beili Chen'an Enterprise Management Partnership (General Partnership)	Tibet Huayu Enterprise Management Co., Ltd. ⁽²⁾	40.00%
Shanghai Zhuobei Enterprise Management Partnership (General Partnership)	Chongqing Jiayupeng Enterprise Management Partnership (Limited Partnership)	40.00%
Handan Zhonghuan Hulian Real Estate Brokerage Co., Ltd.	Handan Anteng Xingjia Real Estate Brokerage Co., Ltd. ⁽³⁾	30.00%
Datong Zhonghuan Juye Real Estate Brokerage Co., Ltd.	Datong Mingyuan Real Estate Brokerage Co., Ltd. ⁽⁴⁾	15.00%
Tianjin Longxing Real Estate Brokerage Co., Ltd.	Tianjin Tiansheng Jiahe Information Consulting Partnership (Limited Partnership)	49.95%
Tianjin Shang'ao Real Estate Brokerage Co., Ltd.	Wanling (Tianjin) Information Consulting Partnership (Limited Partnership)	49.95%
Shenzhen Lianheng Real Estate Brokerage Co., Ltd.	Shenzhen Youjia Youyu Real Estate Brokerage Enterprise (Limited Partnership)	48.95%

Member of our Group	Person with 10% or more interest (other than the Company)	Approximate percentage of the interest in the member of our Group
Jiaxing Tianxia (Tianjin) Real Estate Brokerage Co., Ltd.	Derong (Tianjin) Information Consulting Partnership (Limited Partnership)	49.95%
Wuhan Zhongtian Weiye Real Estate Brokerage Co., Ltd.	Wuhan Jiucui Enterprise Management Partnership (Limited Partnership)	48.95%
Wuhan Yicheng Shijia Real Estate Consulting Co., Ltd.	Wuhan Xinyang Zhenghao Enterprise Management Partnership (Limited Partnership)	49.00%
Changchun Baoyu Zhujia Zhaofang Real Estate Brokerage Service Co., Ltd.	Changchun Hongyang Information Consulting Partnership (Limited Partnership)	48.95%
Maihe Zhaofang (Tianjin) Real Estate Brokerage Co., Ltd.	Erdong (Tianjin) Information Service Partnership (Limited Partnership)	49.00%
Guangzhou Jiayou Haofang Real Estate Brokerage Co., Ltd.	Guangzhou Dexing Tianxia Information Consulting Partnership (Limited Partnership)	49.00%
Nanjing Mike Information Technology Co., Ltd.	Nanjing Mike Network Technology Partnership (Limited Partnership)	49.00%
Hefei Chaoguo Real Estate Brokerage Co., Ltd.	Hefei Yundou Real Estate Brokerage Center (Limited Partnership)	49.00%
Hangzhou Dongteng Real Estate Agency Co., Ltd.	Qinjin (Hangzhou) Information Consulting Partnership (Limited Partnership)	48.95%
Hangzhou Xiaoguan Zhaofang Real Estate Brokerage Co., Ltd.	Hangzhou Xiaoguan Enterprise Consulting Partnership (Limited Partnership)	49.00%
Nanjing Deshi Real Estate Brokerage Co., Ltd.	Nanjing Chuzhan Technology Partnership (Limited Partnership)	49.00%
Shanghai Beike Small Loan Co., Ltd.	Shanghai Kanming Advertising Co., Ltd. ⁽⁵⁾	20.00%
Changsha Lebangzhu Information Technology Co., Ltd.	Changsha Liangjian Enterprise Management Center (Limited Partnership)	10.95%
	Hunan Jindian Enterprise Management Center (Limited Partnership)	10.95%

Member of our Group	Person with 10% or more interest (other than the Company)	Approximate percentage of the interest in the member of our Group
Yueyang Bangfang Information Service Co., Ltd.	Meng Chen	26.25%
Xiangyang Bangfang Enterprise Management Co., Ltd.	Xiangyang Hepin Enterprise Management Consulting Partnership (Limited Partnership)	23.85%
Changde Bangfang Information Technology Co., Ltd.	Changde Youpin Enterprise Management Partnership (Limited Partnership)	39.00%
Hubei Bangfang Enterprise Management Co., Ltd.	Wuhan Xiaohuangying Enterprise Management Partnership (Limited Partnership)	41.30%
Zhuzhou Bangfang Information Technology Co., Ltd.	Changsha Bangwaicheng Enterprise Management Partnership (Limited Partnership)	20.00%

Notes:

- (1) Shenyang Vanke Real Estate Brokerage Co., Ltd. is wholly owned by Weijia Enterprise Management Co., Ltd., which in turn is a subsidiary of Vanke North Regional Enterprise Management Co., Ltd.
- (2) Tibet Huayu Enterprise Management Co., Ltd. is wholly owned by Chengdu Zhenghe Real Estate Consulting Co., Ltd.
- (3) Handan Anteng Xingjia Real Estate Brokerage Co., Ltd. is wholly owned by Feiju Fang.
- (4) Datong Mingyuan Real Estate Brokerage Co., Ltd. is wholly owned by Xiang Gao.
- (5) Shanghai Kanming Advertising Co., Ltd. is wholly owned by Shanghai Lantu Information Technology Co., Ltd., which in turn is wholly owned by Shanghai Xirang Information Technology Co., Ltd.

THE SHARE INCENTIVE PLANS

We have applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules. See “Waivers – Waiver in relation to the 2018 Share Option Plan.”

2018 Share Option Plan***Purposes***

The purpose of 2018 Share Option Plan is to provide the participants under 2018 Share Option Plan with the opportunity to acquire proprietary interests in the Company and to encourage the participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The 2018 Share Option Plan will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the participants.

Participants

The participants under 2018 Share Option Plan may include employees, Directors and consultants of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Maximum Number of Shares Available under the 2018 Share Option Plan

The overall limit on the number of Class A ordinary shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2018 Share Option Plan and any other share option schemes of the Company at any time must not exceed 350,225,435 (the “**Scheme Limit**”). No options may be granted under any schemes of the Company (or its subsidiaries) if this will result in the Scheme Limit being exceeded.

As of the Latest Practicable Date, the Company has granted options pursuant to the 2018 Share Option Plan representing a total of 349,233,959 underlying Class A ordinary shares (including those that have been exercised but excluding those that were terminated, lapsed or cancelled). The Company will not issue any further options pursuant to the 2018 Share Option Plan between the Latest Practicable Date and the Listing. No further options under the 2018 Share Option Plan will be granted upon Listing.

Administration

The 2018 Share Option Plan shall be administered by any person(s) designated by the Board from time to time (the “**Administrator of 2018 Share Option Plan**”). A decision of the Administrator of 2018 Share Option Plan shall be final and binding on all parties. In August 2018, Mr. Shan, our executive Director, was appointed as the Administrator of 2018 Share Option Plan. In January 2021, Mr. Shan ceased to be the Administrator and Mr. Peng, our executive Director, was appointed to be the Administrator of 2018 Share Option Plan.

Subject to compliance with the provisions of the 2018 Share Option Plan and any applicable laws or regulations, the Administrator of 2018 Share Option Plan shall have the right to (i) interpret and construe the provisions of the 2018 Share Option Plan; (ii) determine the terms and conditions of any award granted herein, including the persons who will be offered

options under the 2018 Share Option Plan, the number of Shares and the subscription price in relation to such options; (iii) approve the earlier exercise or acceleration of awards hereunder; (iv) make such appropriate adjustments to the terms of the options granted under the 2018 Share Option Plan as it deems necessary; (v) approve the form of any documents in connection with the 2018 Share Option Plan; and (vi) make such other decisions or determinations as it shall deem appropriate in the administration of the 2018 Share Option Plan.

Grant of Option

On and subject to the terms of the 2018 Share Option Plan, the Administrator of 2018 Share Option Plan shall be entitled within the scheme period (which shall commence on August 20, 2018 and end on the tenth anniversary of August 20, 2018) to make an offer to any participant, as the Administrator of 2018 Share Option Plan may in its absolute discretion select, to take up an option pursuant to which such participant may subscribe for such number of Shares as the Administrator of 2018 Share Option Plan may determine at the subscription price, in consideration of the Participant's mutual undertakings and promises under the 2018 Share Option Plan and the terms and conditions upon which an option is granted.

On and subject to the terms and conditions upon which an option is granted, an option shall be personal to the grantee of such option and shall not be transferable or assignable and no grantee of an option shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option, unless otherwise approved by the Board in writing or except for the transmission of an option on the death of the grantee of an option to his personal representative(s) on the terms of the 2018 Share Option Plan.

Subscription Price

The subscription price in relation to each option shall be such price as may be determined by the Board provided that it shall not be below the nominal or par value of a Share.

Exercise of Option

Subject to the terms of the 2018 Share Option Plan, an option may be exercised in whole or in part in accordance with the terms and conditions upon which such option is granted.

Lapse of Option

Where, among others, (a) the 2018 Share Option Plan expires, (b) the grantee joins a company which the Board believes in its sole and reasonable opinion to be a competitor of the Company, or (c) the Board determines at its sole discretion that allowing the relevant grantee to exercise the option is not in the best interests of the Company, an option shall lapse automatically.

The Administrator of the 2018 Share Option Plan shall have the power to decide whether an option shall lapse and its decision shall be binding and conclusive on all parties.

Amendment and Termination

Unless terminated earlier, the 2018 Share Option Plan has a term of ten years. The Board may amend or vary any of the provisions of the plan, which may or may not affect adversely any rights which have accrued to any grantee at that date. Any such amendment or variation of provisions by the Board shall not require any prior consent by or notice to any other party. The Company by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the 2018 Share Option Plan prior to its expiry.

2020 Share Incentive Plan

Purposes

The purpose of this 2020 Share Incentive Plan is to promote the success and enhance our value, by linking the personal interests of our Directors, employees, and consultants to those of Shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Shareholders.

The Board is permitted to make the necessary amendments to the 2020 Share Incentive Plan under the terms of such plan to comply with Chapter 17 of the Listing Rules and, pursuant to written resolution of the Board passed on April 27, 2022, have approved such amendments to take effect immediately upon the Listing.

Participants

The participants under 2020 Share Incentive Plan include a person, who as a director, employee and consultant of any member of the Group, has been granted an option, restricted Share, restricted share unit or other types of award (the “**Awards under 2020 Share Incentive Plan**”) approved by Board or the Compensation Committee (as defined below) granted to a participant pursuant to 2020 Share Incentive Plan.

Maximum Number of Shares Available under the Plan

As of the Latest Practicable Date, the Company had granted 43,407,213 awards in the form of restricted share units pursuant to the 2020 Share Incentive Plan representing a total of 43,407,213 underlying Class A ordinary shares (including those that have been exercised but excluding those that were terminated, expired or lapsed and reverted to the award pool); and the Company had not grant any awards in form of options or restricted shares pursuant to the 2020 Share Incentive Plan. The Company will not issue any further awards pursuant to the 2020 Share Incentive Plan between the Latest Practicable Date and the Listing.

Upon the Listing, the maximum aggregate number of Class A ordinary shares which may be further issued pursuant to all Awards under the 2020 Share Incentive Plan shall be 253,246,913, which is less than 10% of the total Class A ordinary shares in issue upon the Listing (the “**Plan Mandate Limit**”).

The Plan Mandate Limit may be renewed subject to the Shareholders’ approval in accordance with the Listing Rules and other applicable laws and regulations. In any event, the total number of Class A ordinary shares in respect of which Awards may be granted pursuant to the 2020 Share Incentive Plan and any other equity-based incentive schemes of the Company (if any) under the limit as renewed must not exceed 10% of the Class A ordinary shares in issue as at the date of such approval. Notwithstanding the foregoing, the Company may grant Awards beyond the Plan Mandate Limit to Participants provided it complies with the Listing Rules and other applicable laws and regulations.

Administration

The 2020 Share Incentive Plan shall be administered by the Board or compensation committee (the “**Compensation Committee**”) to whom the Board shall delegate the authority to grant or amend Awards under 2020 Share Incentive Plan to participants other than any of the Compensation Committee members, independent Directors and executive officers of the Company.

Subject to any specific designation in the 2020 Share Incentive Plan, the Board and/or the Compensation Committee has the exclusive power, authority and discretion to, among others: (a) designate participants to receive Awards under 2020 Share Incentive Plan; (b) determine the number, type or types of Awards under 2020 Share Incentive Plan to be granted to each participant; (c) determine the terms and conditions of any Award under 2020 Share Incentive Plan; (d) determine whether, to what extent, and pursuant to what circumstances an award under 2020 Share Incentive Plan may be settled in, or the exercise price of an award may be paid in, or an award may be canceled, forfeited, or surrendered; (e) decide all other matters that must be determined in connection with an award under 2020 Share Incentive Plan; (f) interpret the terms of, and any matter arising pursuant to, the 2020 Share Incentive Plan or any award agreement; (g) prescribe the form of each award agreements and amend terms and conditions of award agreements.

Grant of Awards

The Board and/or the Compensation Committee is authorized to grant awards to participants in accordance with the terms of the 2020 Share Incentive Plan. Awards granted will be evidenced by a written agreement, contract, or other instrument or document (“**Award Agreement**”). The Award Agreement shall include additional provisions specified by the Compensation Committee. The Award Agreement shall set forth the number of Shares subject to the award and the terms and conditions of the award as determined by the Compensation Committee.

Options

The Board and/or the Compensation Committee is authorized to grant options to participants on the terms and conditions of the 2020 Share Incentive Plan.

The exercise price per Share subject to an option shall be determined by the Board and/or the Compensation Committee and set forth in the Award Agreement which may be a fixed price but in any event shall not be less than the higher of:

- (a) the per-Share closing price of the Company's ADSs on the NYSE on the date of grant, which must be a NYSE trading day; and
- (b) the average per-Share closing price of the Company's ADSs on the NYSE for the five NYSE trading days immediately preceding the date of grant.

The Compensation Committee shall determine the methods by which the exercise price of an option may be paid and the form of payment.

The Compensation Committee shall determine the time or times at which an option may be exercised in whole or in part; provided that the term of any option granted under the 2020 Share Incentive Plan shall not exceed ten years.

Unless approved by shareholders, the maximum number of new Class A ordinary shares issued and allotted and to be issued and allotted upon the vesting of the options granted to each participant pursuant to the 2020 Share Incentive Plan (including all exercised and outstanding options) in any 12-month period shall not exceed 1% of the Class A ordinary shares in issue.

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Class A ordinary shares that are the subject of options that have not been exercised.

An option shall lapse automatically (to the extent not already exercised) upon the occurrence of:

- (i) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board and/or the Compensation Committee to each grantee at the time of making an offer; or
- (ii) certain other events, including the termination of service for cause, on account of death or disability, or otherwise.

In the event of an alteration in the capital structure of the Company by way of a capitalization of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares or reduction of the share capital of the Company (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company or any of its subsidiaries is a party or in

connection with any share option, restricted share or other equity-based incentive schemes of the Company) whilst any options remains unvested or has vested but has not yet been exercised, such corresponding adjustments (if any) shall be made to the maximum number of options that can be granted, the number and/or nominal value of underlying Shares and the exercise price of any option which has not yet vested or has vested but not yet been exercised and/or satisfied, or any combination thereof, provided that any such adjustments give a participant the same proportion of the share capital of the Company as that to which that participant was previously entitled nominal value. In respect of any such adjustments, the Auditors or an independent financial adviser to the Company (as the case may be) must confirm to the Board in writing that the adjustments are in their opinion fair and reasonable.

The Board or the Compensation Committee may at any time cancel options previously granted but which have not yet been exercised. Where the Company cancels options and offers new options to the same participant, the offer of such new options may only be made with available options to the extent not yet granted within the limits of the 2020 Share Incentive Plan. The cancelled options cannot be added back to replenish the limit on the options that can be granted under the 2020 Share Incentive Plan.

Restricted Shares

The Board and/or the Compensation Committee may grant restricted Shares to participants as the Compensation Committee, in its sole discretion, shall determine. The Board and/or the Compensation Committee, in its sole discretion, shall determine the number of restricted Shares to be granted to each Participant.

Each award of restricted Shares under the 2020 Share Incentive Plan shall be evidenced by an award agreement that shall specify the period of restrictions, the number of restricted Shares granted, and such other terms and conditions as the Board and/or the Compensation Committee, in its sole discretion, shall determine. Unless the Board and/or the Compensation Committee determines otherwise, restricted Shares shall be held by the Company as escrow agent until the restrictions on such restricted Shares have lapsed. Restricted Shares shall be subject to such restrictions on transferability and other restrictions as the Board and/or the Compensation Committee may impose.

Restricted Share Units

The Board and/or the Compensation Committee may grant the right to receive a Share at a future date (the “**Restricted Share Units**”) to participants as the Board and/or the Compensation Committee, in its sole discretion, shall determine. The Board and/or the Compensation Committee, in its sole discretion, shall determine the number of Restricted Share Units to be granted to each participant.

Each award of Restricted Share Units under the 2020 Share Incentive Plan shall be evidenced by an award agreement that shall specify any vesting conditions, the number of Restricted Share Units granted, and such other terms and conditions as the Board and/or the Compensation Committee, in its sole discretion, shall determine.

At the time of grant, the Board and/or the Compensation Committee shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable. Upon vesting, the Board and/or the Compensation Committee, in its sole discretion, may pay Restricted Share Units in the form of cash, Shares or a combination thereof.

Transfer Restrictions

Unless otherwise provided in the provisions of the 2020 Share Incentive Plan, all awards under the 2020 Share Incentive Plan are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge.

Amendment and Termination

Unless terminated earlier, the 2020 Share Incentive Plan has a term of ten years. The Board may, at any time and from time to time, terminate, amend or modify the 2020 Share Incentive Plan. However, no termination, amendment, or modification of the 2020 Share Incentive Plan may adversely affect in any material way any award previously granted pursuant to the 2020 Share Incentive Plan without the prior written consent of the participant or result in any non-compliance with the Listing Rules.

2022 Share Incentive Plan

Purposes

The 2022 Share Incentive Plan become effective on the date of this document. The purpose of this 2022 Share Incentive Plan is to promote the success and enhance our value, by linking the personal interests of our Directors, employees, and consultants to those of Shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Shareholders.

Participants

The participants under 2022 Share Incentive Plan include a person, who as a director, employee and consultant of any member of the Group, has been granted an option, restricted Share, restricted share unit or other types of award (the “**Awards under 2022 Share Incentive Plan**”) approved by the Board granted to a participant pursuant to 2022 Share Incentive Plan.

Maximum Number of Shares Available under the Plan

The maximum aggregate number of Shares which may be issued pursuant to all Awards under 2022 Share Incentive Plan shall be 125,692,439.

As of the Latest Practicable Date, the Company had granted 125,692,439 restricted Shares pursuant to the 2022 Share Incentive Plan representing a total of 125,692,439 underlying Class A ordinary shares, taking effect from the date of this document. The Company will not issue any further awards pursuant to the 2022 Share Incentive Plan after the Listing.

Administration

The 2022 Share Incentive Plan shall be administered by the Board or one or more designated committees to whom the Board may delegate the authority to grant or amend Awards under 2022 Share Incentive Plan to participants, other than any of the Board members.

Subject to any specific designation in the 2022 Share Incentive Plan, the Board has the exclusive power, authority and discretion to, among others: (a) designate participants to receive Awards under 2022 Share Incentive Plan; (b) determine the number, type or types of Awards under 2022 Share Incentive Plan to be granted to each participant; (c) determine the terms and conditions of any Award under 2022 Share Incentive Plan; (d) determine whether, to what extent, and pursuant to what circumstances an award under 2022 Share Incentive Plan may be settled in, or the exercise price of an award may be paid in, or an award may be canceled, forfeited, or surrendered; (e) decide all other matters that must be determined in connection with an award under 2022 Share Incentive Plan; (f) interpret the terms of, and any matter arising pursuant to, the 2022 Share Incentive Plan or any award agreement; (g) prescribe the form of each award agreements and amend terms and conditions of award agreements.

Grant of Awards

The Board is authorized to grant awards to participants in accordance with the terms of the 2022 Share Incentive Plan. Awards granted will be evidenced by an Award Agreement. The Award Agreement shall include additional provisions specified by the Board. The Award Agreement shall set forth the number of Shares subject to the award and the terms and conditions of the award as determined by the Board.

Options

The Board is authorized to grant options to participants on the terms and conditions of the 2022 Share Incentive Plan.

The exercise price per Share subject to an option shall be determined by the Board and set forth in the Award Agreement which may be a fixed price or a variable price related to the fair market value of the Shares. The Board shall determine the methods by which the exercise price of an option may be paid and the form of payment.

The Board shall determine the time or times at which an option may be exercised in whole or in part; provided that the term of any option granted under the 2022 Share Incentive Plan shall not exceed ten years.

Restricted Shares

The Board may grant restricted Shares to participants as the Board, in its sole discretion, shall determine. The Board, in its sole discretion, shall determine the number of restricted Shares to be granted to each Participant.

Each award of restricted Shares under the 2022 Share Incentive Plan shall be evidenced by an award agreement that shall specify the period of restrictions, the number of restricted Shares granted, and such other terms and conditions as the Board, in its sole discretion, shall determine. Unless the Board determines otherwise, restricted Shares shall be held by the Company as escrow agent until the restrictions on such restricted Shares have lapsed. Restricted Shares shall be subject to such restrictions on transferability and other restrictions as the Board may impose.

Restricted Share Units

The Board may grant the Restricted Share Units to participants as the Board, in its sole discretion, shall determine. The Board, in its sole discretion, shall determine the number of Restricted Share Units to be granted to each participant.

Each award of Restricted Share Units under the 2022 Share Incentive Plan shall be evidenced by an award agreement that shall specify any vesting conditions, the number of Restricted Share Units granted, and such other terms and conditions as the Board, in its sole discretion, shall determine.

At the time of grant, the Board shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable. Upon vesting, the Board, in its sole discretion, may pay Restricted Share Units in the form of cash, Shares or a combination thereof.

Transfer Restrictions

Unless otherwise provided in the provisions of the 2022 Share Incentive Plan, all awards under the 2022 Share Incentive Plan are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge.

Amendment and Termination

Unless terminated earlier, the 2022 Share Incentive Plan has a term of ten years. The Board may, at any time and from time to time, terminate, amend or modify the 2022 Share Incentive Plan. However, no termination, amendment, or modification of the 2022 Share Incentive Plan may adversely affect in any material way any award previously granted pursuant to the 2022 Share Incentive Plan without the prior written consent of the participant.

Outstanding Options, Restrictive Shares and Restricted Share Units Granted under the Share Incentive Plans

As of the Latest Practicable Date, (i) the aggregate number of Class A ordinary shares subject to the outstanding options granted and yet to be exercised under the 2018 Share Option Plan amounted to 65,377,353; and (ii) the aggregate number of Class A ordinary shares subject to the outstanding Restricted Share Units granted and yet to be exercised under the 2020 Share Incentive Plan amounted to 43,382,478, representing approximately 1.72% and 1.14%, respectively, of the total issued and outstanding Shares of the Company immediately following the completion of the Listing (assuming that, except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no Class A ordinary shares are further issued under the Share Incentive Plans).

Assuming (i) no Class A ordinary shares are further issued in relation to the options, restricted Shares and Restricted Share Units under the 2020 Share Incentive Plan; (ii) full exercise of outstanding options granted and yet to be exercised under the 2018 Share Option Plan; and (iii) 43,109,607 Class A ordinary shares registered in the name of our deposits bank will be used against the exercise of the outstanding options under the 2018 Share Option Plan, the shareholding and earnings per share of our Shareholders will be diluted by approximately 0.58%.

Assuming (i) no Class A ordinary shares are further issued in relation to the options under the 2018 Share Option Plan; (ii) full exercise of outstanding Restricted Share Units granted and yet to be exercised under the 2020 Share Incentive Plan; and (iii) 43,109,607 Class A ordinary shares registered in the name of our deposits bank will be used against the exercise of the outstanding Restricted Share Units under the 2020 Share Incentive Plan, the shareholding and earnings per share of our Shareholders will be diluted by approximately 0.01%.

Upon the Listing, the Company may grant further awards representing a total of 253,246,913 Class A ordinary shares pursuant to the 2020 Share Incentive Plan, which is less than 10.0% of the total Class A ordinary shares in issue upon the Listing. Assuming the Company grants awards representing all such Class A ordinary shares and assuming full vesting and exercise of all such awards, the shareholding and earnings per Share of our Shareholders immediately following completion of the Listing (assuming (i) that, except for the 125,692,439 restricted Class A ordinary shares issued to Mr. Peng and Mr. Shan, no Class

A ordinary shares are further issued under the Share Incentive Plans; and (ii) 43,109,607 Class A ordinary shares registered in the name of our deposits bank will be used against the exercise of all such awards under the 2020 Share Incentive Plan) will be diluted by approximately 5.25%.

The Company will continue to grant further awards under the 2020 Share Incentive Plan after the Listing, and the Company will comply with Chapter 14A and other applicable Listing Rules with respect to the granting of any restricted Shares, Restricted Share Units and share-based payments after the Listing.

Details of the Outstanding Options Granted under the 2018 Share Option Plan

Below is a list of the grantees of the outstanding options under the 2018 Share Option Plan who are connected persons of the Company. Other than the persons listed below, none of the grantees under the 2018 Share Option Plan is a connected person of the Company.

Name of the grantee	Position	Address	Price paid for option granted	Date of grant	Expiry date	Vesting Period ⁽¹⁾	Exercise price per Class A ordinary shares	Number of Underlying Class A ordinary shares	Percentage of issued and outstanding Shares in the Company immediately upon the completion of the Listing
Xiaohong Chen	Director	No. 1001, Unit 1, Building 30, Cuizhu New Village, Konggang Street, Shunyi District, Beijing, PRC	N/A	July 23, 2021	July 23, 2031	Vested upon grant	USD0.00002	10,965	0.00%
Yu Chen	Director in the last 12 months	No. 103, Unit 1, Building 20, No. 1 Dongxiaofu, Haidian District, Beijing, PRC	N/A	March 28, 2022	March 28, 2032	Vested upon grant	USD0.00002	11,250	0.00%

Note:

- (1) The exercise period of the options granted shall commence from the date on which the relevant options become vested and ended on the expiry date, subject to the terms of the 2018 Share Option Plan and the award agreement signed by the grantee.

The table below shows the details of the outstanding options granted to other grantees (who are not Directors or members of the senior management or connected persons of the Company) under the 2018 Share Option Plan:

Category by number of underlying Class A ordinary shares	Number of grantee	Price paid for option granted	Date of grant	Expiry date	Vesting Period ⁽¹⁾	Exercise price per Class A ordinary shares	Number of Underlying Class A ordinary shares	Percentage of issued and outstanding Shares in the Company immediately upon the completion of the Listing
1-9,999	3,071	N/A	August 1, 2018 to April 2, 2022	January 1, 2028 to January 1, 2032	One to five years	USD0.00002	11,566,455	0.30%
10,000-99,999	1,719	N/A	July 1, 2018 to April 2, 2022	July 1, 2025 to April 1, 2032	One to five years	USD0.00002	38,035,470	1.00%
100,000 or more	71	N/A	July 1, 2018 to March 4, 2022	July 1, 2024 to April 1, 2032	One to five years	USD0.00002	15,753,213	0.42%
Total	4,861	-	-	-		-	65,355,138	1.72%

Notes:

- (1) The exercise period of the options granted shall commence from the date on which the relevant options become vested and ended on the expiry date, subject to the terms of the relevant Share Incentive Plan and the award agreement signed by the grantee. The vesting schedules under the 2018 Share Option Plan include: (i) 100% of the options will be vested at a specified time after the date of grant; (ii) 100% of the options will be vested within certain years, with specified proportion being vested each year and/or period after the date of grant; or (iii) 100% of the options will be vested at the time of grant.
- (2) We did not grant options to non-employee consultants under the 2018 Share Option Plan.
- (3) Of the 65,355,138 outstanding options granted to the employees under the 2018 Share Option Plan, up to 18,620,712 options have been/expected to be vested, and are exercisable within six months from the Listing.

Details of the Outstanding Restricted Share Units Granted under the 2020 Share Incentive Plan

Name of the grantee	Date of grant	Vesting Period ⁽¹⁾	Grant price per Class A ordinary shares	Number of underlying Class A ordinary shares	Percentage of issued and outstanding Shares in the Company immediately upon the completion of the Listing
Employees and Others	June 3, 2021 to March 29, 2022	Two to four years	Nil	43,382,478	1.14%

Notes:

- (1) The exercise period of the Restricted Share Units granted shall commence from the date on which the relevant Restricted Share Units become vested and ended on the expiry date, subject to the terms of the 2020 Share Incentive Plan and the award agreement signed by the grantee. The vesting schedules under the 2020 Share Incentive Plan include: (i) 100% of the awards will be vested at a specified time after the date of grant; (ii) 100% of the awards will be vested within certain years, with specified proportion being vested each year and/or period after the date of grant; or (iii) 100% of the awards will be vested at the time of grant.
- (2) All the above-mentioned grantees are the independent third parties. We did not grant Restricted Share Units to non-employee consultants under the 2020 Share Incentive Plan.
- (3) Of the 43,382,478 outstanding Restricted Share Units granted to the employees under the 2020 Share Incentive Plan, up to 248,547 Restricted Share Units are expected to be exercisable within six months from the Listing.

OTHER INFORMATION

Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group.

Litigation

Save as disclosed in this document, as of the Latest Practicable Date, the Group was not engaged in any material outstanding litigation, arbitration or administrative proceedings and, so far as the Directors are aware, no material litigation, arbitration or administrative proceedings were pending or threatened by or against the Group.

The Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, the Class A ordinary shares in issue and to be issued as mentioned in this document.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors will receive a fee of USD500,000 for acting as the sponsors for the Listing.

Preliminary Expenses

The Company did not incurred any material preliminary expenses.

Promoters

The Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities, or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to the promoters in connection with the Listing or the related transactions described in this document.

Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this document are as follows:

Name of Expert	Qualifications
Goldman Sachs (Asia) L.L.C.	A corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), and type 9 (asset management) of the regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO

Name of Expert	Qualifications
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Han Kun Law Offices	PRC legal adviser
Harney Westwood & Riegels	Cayman legal advisers
China Insights Industry Consultancy Limited	Industry consultant

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report, letter, opinions or summaries of opinions (as the case may be) and references to its name included herein in the form and context in which they respectively appear.

Bilingual Document

The English language and Chinese language versions of this document are being published separately.

Material Adverse Change

After due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading positions or prospects since December 31, 2021, being the end date of the periods reported on in the Accountant's Report in Appendix I to this document.

Miscellaneous

- (a) Save as disclosed in this document, within the two years preceding the date of this document, (i) no share or loan capital or debenture of the Company or any of its subsidiary has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash; (ii) no commissions, discounts, brokerages or other special terms have been granted by the Group to any Directors, promoters or experts referred to in "Other Information – Qualifications and Consents of Experts" above in

connection with the issue or sale of any capital or security of any member of the Group; and (iii) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of the Company.

- (b) Save as disclosed in this section, no share or loan capital of the Company or any of its subsidiary is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of the Company or any of its subsidiary have been issued or have been agreed to be issued.
- (d) Save as disclosed in this document, none of the equity and debt securities of the Company or its subsidiary is presently listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (e) The Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.
- (f) None of the experts listed under “– Qualifications and Consents of Experts”:
 - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (g) The English text of this document shall prevail over their respective Chinese text.
- (h) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document.
- (i) The Company’s principal register of members will be maintained by its principal share registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands. The Company’s Hong Kong branch share register will be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.
- (j) There is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at investors.ke.com during a period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association;
- (b) the Accountant's Report of the Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;
- (c) the report on the unaudited pro forma financial information of the Group issued by PricewaterhouseCoopers, the text of which is set out in Appendix II to this document;
- (d) the audited consolidated financial statements of the Company for the three financial years ended December 31, 2019, 2020 and 2021;
- (e) the legal opinions as to the laws of PRC issued by Han Kun Law Offices, our PRC Legal Adviser, in respect of certain general corporate matters and property interests in the PRC of the Group;
- (f) the letter of advice prepared by Harney Westwood & Riegels, our legal adviser as to Cayman Islands law, summarising the constitution of the Company and certain aspects of the Cayman Island law referred to in Appendix III to this document;
- (g) the Cayman Companies Act;
- (h) the industry report issued by CIC, a summary of which is set forth in the section headed "Industry Overview" in this document;
- (i) the written consents referred to in the section headed "Statutory and General Information – Other Information – Qualifications and Consents of Experts" in Appendix IV to this document;
- (j) the material contracts referred to in the section headed "Statutory and General Information – Further Information about Our Business – Summary of Material Contracts" in Appendix IV to this document;
- (k) the letters of appointment with the Directors referred to in the section headed "Further Information about Our Directors – Particulars of Letters of Appointment" in Appendix IV to this document; and
- (l) the terms of the Share Incentive Plans.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of the full list of all the grantees under the 2018 Share Option Plan (including those persons whose details have already been disclosed) containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules will be made available for public inspection at the office of Freshfields Bruckhaus Deringer, the Company's Hong Kong legal adviser, at 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document.

