

The following is the text of the letter of advice from Zero2IPO Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription Agreement for the purpose of incorporation in this circular.



To the Independent Board Committee and the Independent Shareholders

Dear Sirs/Madams,

**DISCLOSABLE AND CONNECTED TRANSACTION IN RELATION TO
THE TM HOME SHARE ISSUANCE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Share Subscription Agreement and the transactions contemplated thereunder (“**TM Home Share Issuance**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 6 July 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

According to the Board Letter, in order to give effect to the New Schemes, the Company and the TM Home Minority Shareholder intend to cause TM Home to issue the First Subscription Shares on the date of the First SSA Completion and the Second Subscription Shares on the date of the Second SSA Completion, and the Company has agreed to subscribe for the First Subscription Shares and the Second Subscription Shares upon the terms and subject to the conditions set out in the Share Subscription Agreement.

On 2 April 2023, the Company, the TM Home Minority Shareholder and TM Home entered into the Share Subscription Agreement pursuant to which the Company and the TM Home Minority Shareholder, as shareholders of TM Home, have agreed to cause TM Home to issue, and the Company has agreed to subscribe the First Subscription Shares on the date of the First SSA Completion and the Second Subscription Shares on the date of the Second SSA Completion. Under the Share Subscription Agreement, the TM Home Minority Shareholder has agreed to waive any pre-emptive rights it may have to subscribe for additional shares in TM Home in relation to both the First TM Home Share Issuance and the Second TM Home Share Issuance.

TM Home was jointly established by the Group and the TM Home Minority Shareholder with a paid up share capital of US\$1,500,000, which is currently owned as to approximately 29.77% by the TM Home Minority Shareholder and approximately 70.23% by the Company as

at the date of this circular. Upon completion of the First TM Home Share Issuance, it is expected that the Company and the TM Home Minority Shareholder will directly hold approximately 89.207% and 10.793%, respectively, of the issued share capital of TM Home. On or prior to the completion of the Second TM Home Share Issuance, TM Home will undergo a reverse share split to convert each 1,000 of its shares into 1 share. Upon completion of the Second TM Home Share Issuance, it is expected that the Company and the TM Home Minority Shareholder will directly hold 99.212% and 0.788%, respectively, of the issued share capital of TM Home. The First TM Home Share Issuance is conditional upon, among other things (i) the Company obtaining from the holders of the 2022 Notes and the 2023 Notes waivers to certain provisions under the indenture governing the 2022 Notes and the indenture governing the 2023 Notes, respectively, and (ii) the Company paying the TM Home Minority Shareholder, on the date of the First SSA Completion, an Incentive Fee in an amount of US\$1,275,000 in consideration for the TM Home Minority Shareholder electing not to subscribe for additional shares in TM Home.

With respect to the waivers to certain provisions under the Indentures to be obtained by the Company, the Company is restricted by a limitation on restricted payments covenant under each of the Indentures from making certain restricted payments, which include the payment of the Incentive Fee as part of the First TM Home Share Issuance, if, among other things, at the time of, and after giving effect to, the proposed restricted payment, a default has occurred and is continuing. As defaults have occurred and are continuing under the 2022 Notes and the 2023 Notes, the Company is seeking waivers from the holders of the 2022 Notes and the 2023 Notes in respect of the requirements of the foregoing covenants under the respective Indentures in order to consummate the transactions under the Share Subscription Agreement, including payment of the Incentive Fee.

On or prior to the completion of the Second TM Home Share Issuance, TM Home will undergo a reverse share split to convert each 1,000 of its shares into 1 share.

Upon completion of the Second TM Home Share Issuance, the Company and the TM Home Minority Shareholder will hold approximately 99.212% and 0.788%, respectively, of the issued share capital of TM Home. The Second TM Home Share Issuance is subject to, among other things, the Cayman Scheme and the HK Scheme having been sanctioned by the Cayman Court and the High Court, respectively and shall take place on the Restructuring Effective Date, and immediately prior to the issuance of the CB Allocation to the CB Shareholder under the Restructuring.

Under the Share Subscription Agreement, the TM Home Minority Shareholder and the Company have agreed that in the event (i) the Company has effected payment of the Incentive Fee to the TM Home Minority Shareholder in full and it is not reasonably expected that such payment would become subject to any challenge which may result in it being unwound, revoked or otherwise clawed back, (ii) the Share Subscription Agreement is terminated by reason of the condition that the Cayman Scheme and the HK Scheme having been sanctioned by the Cayman Court and the High Court, respectively, not having been satisfied and (iii) an involuntary case or other proceeding have been commenced against the Company with respect

to it or its debt obligations under any applicable bankruptcy, insolvency or other similar law (Trigger Date), the TM Home Minority Shareholder will, upon written request by the Company, transfer all of the shares of TM Home it holds as of the Trigger Date to the Company without any additional costs within 10 Business Days after its receipt of such request. Following the Triggered Transfer, the TM Home Minority Shareholder would cease to be a shareholder of TM Home.

With reference to the Board Letter, the TM Home Share Issuance constitute disclosable and connected transactions of the Company and are subject to the notification and announcement and Independent Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee consisting of all the independent non-executive Directors namely Mr. Zhang Bang, Mr. Zhu Hongchao, Mr. Wang Liqun and Mr. Li Jin has been formed for the purposes of advising the Independent Shareholders in respect of the Share Subscription Agreement and the transactions contemplated thereunder and whose views and recommendation will be included in the circular to be dispatched by the Company.

We, Zero2IPO Capital, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

Zero2IPO Capital Limited is a licensed corporation to carry out regulated activities of advising on corporate finance under the SFO. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably regarded as a hindrance to our independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. We have not acted as a financial adviser or an independent financial adviser to the Company and its associates in the past two years. Apart from the advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed the documents including but not limited to i) the Share Subscription Agreement; ii) the Board Letter contained in the Circular therein; iii) the annual reports of the Company for the three financial years ended 31 December 2020, 2021 and 2022 ("**Annual Reports of the Company**"); iv) the unaudited consolidated financial information of the TM Home for the two financial years ended 31 December 2021 and 2022; v) the unaudited consolidated financial information of the TM Home (excluding the Company's real estate brokerage network services conducted under the "Fangyou" brand name ("**Fangyou**")) for the

two financial years ended 31 December 2021 and 2022; vi) the unaudited consolidated financial information of Fangyou for the two financial years ended 31 December 2021 and 2022; vii) the unaudited consolidated financial information of CRIC Holdings Limited (“**CRIC Holdings**”) for the two financial years ended 31 December 2021 and 2022; viii) the Restructuring Support Agreement (CB); ix) the new BCA between TM Home, TM Home WFOE and Tmall Network; x) the summarized calculation of Old Notes and Convertible Note and the consideration of the New Schemes; and xi) the relevant supporting documents provided by the Company to formulate our opinion and recommendations. We also held discussions with the Company, the Directors and the management of the Group (“**Management**”) from time to time.

We have relied, without assuming any responsibility for independent verification, on the information, opinions and facts supplied and representations made to us by the Directors and Management, who have assumed full responsibility for the accuracy of the information contained in the Circular, and that any information and representations made to us are true, accurate and complete in all material respects as at the date hereof and that they may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. We have discussed with the Management regarding their plans and prospects of the Company. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have also assumed that statements and representations made or referred to in the Circular were accurate at the time they were made and continue to be accurate at the date of the extraordinary general meeting.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and TM Home or their respective subsidiaries or associates. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the TM Home Share Issuance to the Independent Board Committee and the Independent Shareholders are set out below:

1. Background of and the reasons for the Share Subscription Agreement

Information of the Old Note and Convertible Bond

With reference to the RSA Announcement, the Company's offshore indebtedness consists of the following:

- US\$200,000,000 7.625% senior notes due 2022 (ISIN: XS2066636429, Common Code: 206663642) issued by Company on 18 October 2019, and the additional US\$100,000,000 7.625% senior notes due 2022 issued by Company on 14 August 2020, which have been consolidated and form a single class with the US\$200,000,000 7.625% senior notes due 2022 issued on 18 October 2019, with principal of approximately US\$298,200,000 outstanding;
- US\$200,000,000 7.60% senior notes due 2023 (ISIN: XS2260179762, Common Code: 226017976) issued by Company on 10 December 2020, and the additional US\$100,000,000 7.60% senior notes due 2023 issued by Company on 11 June 2021, which have been consolidated and form a single class with the US\$200,000,000 7.60% senior notes due 2023 issued on 10 December 2020, with principal of approximately US\$300,000,000 outstanding; and
- HK\$1,031,900,000 2.0% convertible note due 2023 issued by Company on 4 November 2020, to Alibaba.com Hong Kong Limited, with principal of approximately HK\$1,031,900,000 outstanding.

As part of Company's efforts to meet financial commitments, the Company is conducting an Invitation for Irrevocable Restructuring Support to provide increased flexibility to operations, alleviate cashflow pressure, waive certain restrictions under the Old Notes Indentures in order to implement the Restructuring and manage default risk.

Information of the New Schemes

The Company intends to communicate actively with other creditors to address liquidity issues consensually and amicably and within a reasonable timeframe. In the meantime, the Company will continue to prioritize the stabilization of operations with a view to preserve revenue and cash generation.

With reference to the Board Letter, the Company intends to propose the New Schemes to holders of the Old Notes and the holder of the Convertible Note. If each of the New Schemes are sanctioned by the relevant court and become effective, on the Restructuring Effective Date, the Company will pay the restructuring consideration to the participating Scheme Creditors, consisting (i) US\$60 per US\$1,000 (or the HK\$ equivalent) of the Scheme Creditor Claim held by each Scheme Creditor at the Record Time, payable in cash; (ii) in the case of a Scheme Creditor that is a holder of the Old Notes, shares in Creditor SPV (defined below) issued pro rata by reference to the Scheme Creditor Claim that each such Scheme Creditor held at the Record Time as a proportion to the Scheme Creditors' Claims of such Scheme Creditors; and (iii) on the Restructuring Effective Date, the Company will cause TM Home to issue a number of new shares of TM Home to Creditor SPV and the CB Shareholder, pro rata by reference to the proportion of the aggregate Scheme Creditor's Claims held by the holders of the Old Notes and the holder of the Convertible Note, respectively, at the Record Time, such that after such issuance, an aggregate 65% equity interest in the share capital of TM Home will be held collectively by Creditor SPV, the CB Shareholder and the TM Home Minority Shareholder. Following such issuance, Creditor SPV will hold approximately 54.207%, and the CB Shareholder and the TM Home Minority Shareholder will collectively hold approximately 10.793%, respectively, of the shares of TM Home. The remaining 35% of the shares of TM Home will be held by the Company and its affiliates, of which 15% will be transferred to a special purpose vehicle held by the members of senior management of TM Home appointed by the Company (i.e., Management SPV). The Company intends to fund the cash consideration under the restructuring plan with external financing, including, but not limited to, raising approximately HK\$480 million by way of a potential rights issue which is expected to be underwritten by Mr. Zhou Xin.

According to the Board Letter, the overall principle of the Restructuring is to give the Scheme Creditors a combination of cash and a controlling equity interest in TM Home, an entity that will, upon completion of the Restructuring, (a) hold and operate the Company's two stable lines of business, being (i) real estate data and consulting services business currently operated under CRIC and (ii) holding and operating the online real estate marketing service business in partnership with Tmall Network, and (b) hold a controlling stake in Leju, which is a leading online-to-offline real estate services provider in China and principally engaged in offering real estate e-commerce, online advertising, and online listing services through its online platform. This is effectively a disposal by the Group of TM Home, CRIC, Leju and their respective subsidiaries. TM Home currently operates the Company's real estate brokerage network services conducted under the "Fangyou" brand name. Such real estate brokerage network services will be transferred to the PRC Holdco, an indirect wholly-owned subsidiary of the Company, before the completion of the Disposal. TM Home will not operate or hold the Company's real estate brokerage network services conducted under the "Fangyou" brand name. The Disposal, if carried out, may be deemed as a very substantial disposal by the Company pursuant to Chapter 14 of the Listing Rules. For illustrative purposes, the total amount of the Company's outstanding debt obligation under the Old Notes and the Convertible Notes to be discharged under the New Schemes is expected to be HK\$6,328.5 million (assuming that the accrued and unpaid interest is calculated up to 30 June 2023).

In order to implement the New Schemes, the Company entered into the Restructuring Support Agreement (CB), the Share Subscription Agreement and the New BCA.

The Company also intends to launch an Invitation for Irrevocable Restructuring Support to invite submission from holders of the Old Notes of a duly executed accession deed to the Restructuring Support Agreement (Old Notes) to support the potential restructuring of the Old Notes and the Convertible Note which may be implemented via the New Schemes. According to the Board Letter, the Company expects to complete the transactions under the Restructuring in the following sequence:

- (i) Upon the Shareholders' approval for the proposed resolutions to be proposed at the EGM and all other conditions to the First TM Home Share Issuance being satisfied or waived, the Company expects completion of the First TM Home Share Issuance to take place on the third business day after the satisfaction (or waiver) of the last in time of the relevant conditions. The First TM Home Share Issuance is not conditional upon the petitioning to the relevant courts for the New Schemes.
- (ii) As stated above, the Rights Issue is conditional upon the Company having obtained the Shareholders' approval for (i) the TM Home Share Issuance at the EGM, and (ii) the Disposal and the Rights Issue at one or more general meeting(s) of the Shareholders. Assuming the Shareholders' approval for all transactions in relation to the New Schemes that require shareholders' approval in accordance with the Listing Rules and the Takeovers Code having been obtained and all other conditions under the underwriting agreement and the placing agreements having been satisfied, the Company expects the Rights Issue to take place before the Restructuring Effective Date and the dealings in fully-paid rights shares to commence in October 2023. The Rights Issue is not conditional upon the petitioning to the relevant courts for the New Schemes, and will be completed prior to the completion of the Second TM Home Share Issuance and the Disposal. In the event that the conditions under the underwriting agreement and the placing agreements in connection with the Rights Issue are not satisfied or waived, the Company will consider using other means to raise funds to fulfill the Cash Consideration under the New Schemes.
- (iii) Each of the Second TM Home Share Issuance and the Disposal is conditional upon the relevant courts sanctioning the New Schemes. In addition, the Disposal is expected to be conditional upon the Shareholders' approval to be obtained at a separate general meeting of the Shareholders. Assuming each of the relevant courts having sanctioned the New Schemes and all other conditions under the Share Subscription Agreement to the Second TM Home Share Issuance having been satisfied, the Company expects the Second TM Home Share Issuance to take place on the same day as the date of, and immediately prior to, the Disposal. Following the Second TM Home Share

Issuance and assuming the Shareholders' approval for the Disposal having been obtained, the Company will, among other things, cause the Disposal to occur on the Restructuring Effective Date.

- (iv) The New Schemes will become effective on the Restructuring Effective Date, which will take place after the completion of the TM Home Share Issuance and the Rights Issue. The Disposal will take place on the Restructuring Effective Date.

Information on the Company

With reference to the Board Letter, the Company mainly offers real estate agency services in the primary market, real estate data and consulting services and real estate brokerage network services. The Company serves real estate developers, buyers, brokerage firms and other industry participants, covering various aspects of the real estate value chain. Upon the completion of the Restructuring and the Disposal, the Group will continue to provide (i) real estate agency services in the primary market that primarily include formulating and executing marketing and sales strategies for real estate projects developed by real estate developers, promoting the projects to prospective purchasers, and facilitating sales transactions, and (ii) real estate brokerage network services under the “Fangyou” brand of integrating small and medium-sized secondary real estate brokerage stores in the PRC, and empowering them with rich resources in their business operations. The Restructuring and the Disposal serve as an integral part of the Company's plan to restructure its debt obligations and having considered its options, the Board considers that the Restructuring and the Disposal to be the most appropriate next step to meet the needs of all stakeholders while maintaining a significant portion of the Group's core businesses for operation as a leading real estate service provider in China. The Company's real estate agency services in the primary market has been the Group's main business segment since its establishment and listing on the Stock Exchange in 2018. In addition, the Group has also been providing real estate brokerage network services since its establishment. Such business segments have in aggregate contributed to more than 40% of the Group's revenue for the year ended 31 December 2022 and despite the decline in the Group's business scale as a result of the overall downturn in the real estate market caused by tightened government policies in the PRC real estate industry and the COVID-19 pandemic, the Company has, in response, strictly limited expenditures and focused on cost control and collection of receivables in the past couple of years to ensure optimization of the recovery in the aforementioned business segments. Furthermore, over the years, the Group has built certain development resilience from its entire industry chain layout in respect of the real estate marketing industry.

Set forth below are the audited operating results of the Company for three years ended 31 December 2022 extracted from the Annual Reports of the Company:

	For the year ended 31 December 2022	For the year ended 31 December 2021	For the year ended 31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	5,033,279	8,865,987	8,051,509
– Real estate agency services in the primary market	586,473	1,989,121	3,203,543
– Data and Consulting services	559,814	916,682	987,022
– Real estate brokerage network services	1,576,598	2,517,033	2,732,267
– Digital Marketing Services	2,310,394	3,443,151	1,128,677
Net profit/(loss)	(4,968,524)	(12,264,659)	439,222
Total assets	5,850,953	12,129,316	25,772,942
Total liabilities	10,878,825	12,139,311	14,279,291
Net assets/(liabilities)	(5,027,872)	(9,995)	11,493,651
Cash and cash equivalents	1,246,583	3,314,741	7,515,836

The Company's revenue decreased by 43.2% from RMB8,866.0 million in 2021 to RMB5,033.3 million in 2022. The decrease was primarily due to transformation of China's real estate market and the business disruptions affected by the COVID-19 pandemic. The Company's revenue increased by 10.1% from RMB8,051.5 million in 2020 to RMB8,866.0 million in 2021. The increase was primarily due to revenue derived from digital marketing services upon the acquisition of Leju which amounted to RMB3,443.2 million.

Revenue derived from real estate agency services in the primary market decreased by 70.5% from RMB1,989.1 million in 2021 to RMB586.5 million in 2022, primarily due to the decline of gross transaction value ("GTV") caused by the disposal of a subsidiary. Revenue derived from real estate agency services in the primary market decreased by 37.9% from RMB3,203.5 million in 2020 to RMB1,989.1 million in 2021, primarily due to the decline of GTV caused by the overall downturn in the real estate market.

Revenue derived from real estate brokerage network services decreased by 37.4% from RMB2,517.0 million in 2021 to RMB1,576.6 million in 2022. The decrease was primarily due to decline of GTV caused by the overall downturn in the real estate market. Revenue derived from real estate brokerage network services decreased by 7.9% from RMB2,732.3 million in 2020 to RMB2,517.0 million in 2021. The decrease was primarily due to the decline of GTV caused by the overall downturn in the real estate market.

Revenue derived from real estate data and consulting services decreased by 38.9% from RMB916.7 million in 2021 to RMB559.8 million in 2022 primarily due to the overall downturn of real estate market. Revenue derived from real estate data and consulting services decreased by 7.1% from RMB987.0 million in 2020 to RMB916.7 million in 2021 primarily due to the decrease of consulting services. As advised by the Management, the revenue derived from real estate data and consulting services was mainly contributed by CRIC Holdings.

Revenue derived from digital marketing services decreased by 32.9% from RMB3,443.2 million in 2021 to RMB2,310.4 million in 2022 primarily due to decrease in revenues from e-commerce services and online advertising services. Revenue derived from digital marketing services increased by 205.1% from RMB1,128.7 million in 2020 to RMB3,443.2 million in 2021 primarily due to the acquisition of Leju in November 2020. As advised by the Management, the revenue derived from digital marketing services was contributed by TM Home and Leju.

As advised by the Management, as the business under CRIC Holdings, TM Home and Leju will not merge into the financial statements of the Company after the completion of the New Schemes, the digital marketing services will be eliminated from the Company's consolidated financial statement and real estate data and consulting services will be a minor business of the Company.

Information on the TM Home Minority Shareholder

The TM Home Minority Shareholder is a company incorporated in the British Virgin Islands with limited liability, and is a directly wholly-owned subsidiary of Alibaba Holding. Alibaba Holding is a company incorporated in the Cayman Islands and its American depositary shares each representing eight ordinary shares, are listed on the New York Stock Exchange, stock symbol BABA, and its ordinary shares are listed on the Main Board of the Stock Exchange, stock code 9988. The principal business of the TM Home Minority Shareholder is to hold Alibaba Holding's strategic investments.

Information on TM Home

TM Home was incorporated on 29 January 2021 for the purpose of developing the Tmall Haofang online real estate marketing and transaction platform through TM Home WFOE. TM Home was jointly established by the Group and the TM Home Minority Shareholder with a paid up share capital of US\$1,500,000, which currently is owned as to approximately 29.77% by the TM Home Minority Shareholder and approximately 70.23% by the Company as at the date of this announcement. TM Home is currently engaged in the businesses of online real estate marketing and transaction platform operation. In order to implement the New Schemes, on 2 April 2023, TM Home, TM Home WFOE and Tmall Network entered into the New BCA, pursuant to which, among other things, upon the approval of the Shareholders at the EGM, the Original BCA, the SCA and the IPLA will be terminated. The New BCA also sets out terms of the transitional arrangements for the business operation of TM Home, pursuant to which,

among other things, (i) Tmall Network and TM Home WFOE would continue the cooperation on the Tmall Haofang (天貓好房) platform business with TM Home WFOE being designated as the exclusive Tmall partner for the online real estate platform on Tmall, for the period from the date of the New BCA to 31 August 2024 and (ii) TM Home would be renamed. Upon completion of the Restructuring, TM Home will (a) hold and operate the Company’s two stable lines of business, being (i) the real estate data and consulting services business currently operated under CRIC and (ii) holding and operating the online real estate marketing service business in partnership with Tmall Network, and (b) hold a controlling stake in Leju, which is a leading online-to-offline real estate services provider in China and principally engaged in offering real estate e-commerce, online advertising, and online listing services through its online platform. TM Home will not operate or hold the Company’s real estate brokerage network services conducted under the “Fangyou” brand name.

Set out below is a summary of the unaudited consolidated financial information of TM Home Group (prepared in accordance with the Hong Kong Financial Reporting Standards) for the two financial years ended 31 December 2021 and 2022 based on the unaudited management accounts of the TM Home Group:

	For the year ended 31 December 2022 RMB’000 (unaudited)	For the year ended 31 December 2021 RMB’000 (unaudited)
Revenue	3,881,570	252,905
Net Loss before tax	(1,765,127)	(484,674)
Net Loss after tax	(1,690,656)	(429,197)

Based on the unaudited consolidated financial information of the TM Home Group, the net asset value of the TM Home Group was approximately RMB206 million, as of 31 December 2022.

Information on Fangyou and CRIC Holdings

Fangyou brand integrated small and medium-sized real estate brokerage companies across the country, building strong customer acquisition capabilities through multiple channels.

CRIC is the main subsidiary of CRIC Holdings, which is a leading Chinese real estate big data application service provider with information coverage in 387 cities. Relying on a strong professional research force and consulting team, CRIC serves over 95% of the top 100 real estate enterprises and provides comprehensive solutions for online and offline real estate information services for governments, enterprises, and homebuyers.

According to the Management, the Company plans to incorporate its relevant business of China Real Estate Research Association into CRIC Holdings. The scope of consolidated financial statement of CRIC Holdings includes CRIC Holdings related consulting services and China Real Estate Research Association related evaluation consulting services.

As TM Home will not operate or hold the Company's real estate brokerage network services conducted under the "Fangyou" brand name, Fangyou will be excluded from the consideration of TM Home. As the real estate data and consulting services business operated under CRIC Holdings will be transferred to TM Home, the value of CRIC Holdings will be consolidated in the consideration of TM Home.

For illustrative purposes, set out below is the unaudited combined financial information of TM Home Group upon completion of the Restructuring (i.e., after consolidating CRIC and excluding the Company's real estate brokerage network services conducted under the "Fangyou" brand name) for the two financial years ended 31 December 2021 and 2022, based on the unaudited management accounts of TM Home and other relevant subsidiaries of the Company:

	For the year ended 31 December 2022 RMB'000 (unaudited)	For the year ended 31 December 2021 RMB'000 (unaudited)
Revenue	2,898,786	4,337,874
Net Loss before tax	(1,219,016)	(1,516,151)
Net Loss after tax	(1,144,967)	(1,403,183)

Based on the unaudited combined financial information of TM Home Group upon completion of the Restructuring, (i) the net asset value of the TM Home Group upon completion of the Restructuring was approximately RMB592 million, as of 31 December 2022 and (ii) the TM Home Group upon completion of the Restructuring had total assets of approximately RMB4,124 million and RMB2,551 million as of 31 December 2021 and 2022, respectively. The foregoing unaudited combined financial information of the TM Home Group upon completion of the Restructuring is for illustrative purposes and for Shareholders' reference only. As confirmed by the Management, business segregation and impact of internal transaction under the Group have been considered when preparing such combined financial information of TM Home Group upon completion of the Restructuring. In the event that the Company proceeds with the Disposal, the Company will make further announcement and comply with the relevant requirements under the Listing Rules as and when appropriate.

2. Principal terms of the Share Subscription Agreement

Share Subscription Agreement

Date

2 April 2023

Parties

- (i) the TM Home Minority Shareholder;
- (ii) the Company; and
- (iii) TM Home

Consideration and payment Terms

Pursuant to the Share Subscription Agreement, the total consideration for the subscription will be US\$105,020.92. The consideration for the subscription for (i) the First Subscription Shares will be US\$5,020.92 (representing approximately US\$0.0001 per First Subscription Share) and (ii) the Second Subscription Shares shall be US\$100,000 (representing approximately US\$0.1 per Second Subscription Share), which will be payable by the Company in full at (x) in respect of the First Subscription Shares, the First SSA Completion and (y) in respect of the Second Subscription Shares, the Second SSA Completion. The consideration for the TM Home Share Issuance will be paid with self-owned funds by the Company to TM Home in cash by wire transfer of immediately available funds. In addition, the Incentive Fee will be payable by the Company at the First SSA Completion and will be paid in cash.

Conditions precedent to the Share Subscription Agreement

- (1) The First SSA Completion is conditional upon the satisfaction or, if applicable, waiver of the following conditions:
 - (a) there not having occurred at any time before the First SSA Completion, any event or circumstance which renders any of the TM Home Warranties (as defined in the Restructuring Support Agreement (CB)) untrue, inaccurate or misleading in any material respect;
 - (b) there not having occurred at any time before the First SSA Completion, any event or circumstance which renders any of the warranties given by the TM Home Minority Shareholder untrue, inaccurate or misleading in any material respect;
 - (c) there not having occurred at any time before the First SSA Completion, any event or circumstance which renders any of the Company Warranties (as defined in the Restructuring Support Agreement (CB)) untrue, inaccurate or misleading in any material respect;

- (d) the Company having obtained the consent and waiver from holders of the Old Notes for, among other things, the transactions contemplated herein and the Restructuring;
 - (e) each of the Original BCA, the SCA and the IPLA having been terminated;
 - (f) all the authorizations, approvals, consents, waivers and permits of, and filings with, government entities which are necessary for the entry into the Share Subscription Agreement and/or the performance of the obligations hereunder or otherwise to give effect to the transactions contemplated hereunder as required by Applicable Laws (as defined in the Share Subscription Agreement) having been granted, received, obtained and completed;
 - (g) there not being in effect any Applicable Law restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Share Subscription Agreement; and
 - (h) the Company paying the TM Home Minority Shareholder the Incentive Fee on the date of the First SSA Completion, in consideration for the TM Home Minority Shareholder electing not to subscribe for additional shares in TM Home.
- (2) The Second SSA Completion is conditional upon the satisfaction or, if applicable, waiver of the following conditions:
- (a) there not having occurred at any time before Second SSA Completion, any event or circumstance which renders any of the TM Home Warranties untrue, inaccurate or misleading in any material respect;
 - (b) there not having occurred at any time before Second SSA Completion, any event or circumstance which renders any of the warranties given by the TM Home Minority Shareholder untrue, inaccurate or misleading in any material respect;
 - (c) there not having occurred at any time before Second SSA Completion, any event or circumstance which renders any of the Company Warranties untrue, inaccurate or misleading in any material respect;
 - (d) the courts of the Cayman Islands and Hong Kong having sanctioned the relevant Scheme filed under the laws of Cayman Islands and the laws of Hong Kong, as the case may be, and the Restructuring having become unconditional in all respects;

- (e) all the authorizations, approvals, consents, waivers and permits of, and filings with, Government Entities which are necessary for the entry into the Share Subscription Agreement and/or the performance of the obligations hereunder or otherwise to give effect to the transactions contemplated hereunder as required by Applicable Laws having been granted, received, obtained and completed; and
- (f) there shall not be in effect any Applicable Law restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Share Subscription Agreement.

The conditions set out in (1)(a) and (2)(a) may be waived in writing in whole or in part by the Company and the TM Home Minority Shareholder. The conditions set out in (1)(b) and (2)(b) may be waived in writing in whole or in part by the Company. The conditions set out in (1)(c), (1)(e), (1)(h) and (2)(c) may be waived in writing in whole or in part by the TM Home Minority Shareholder. The conditions set out in (1)(d), (1)(f), (1)(g), (2)(d), (2)(e) and (2)(f) may not be waived by any party to the Share Subscription Agreement.

The Company shall use all reasonable endeavors to procure the satisfaction and continued satisfaction of the Conditions set out in (1) and (2) (other than the Conditions set out in (1)(a), (1)(b), (2)(a) and (2)(b)) as soon as practicable and in any event prior to (i) the First Longstop Date (i.e. 180 days after the date of the Share Subscription Agreement) in the case of the conditions to the First Subscription and (ii) the Second Longstop Date in the case of the conditions to the Second Subscription. The TM Home Minority Shareholder shall use all reasonable endeavors to procure the satisfaction and continued satisfaction of the conditions set out in (1)(b) and (2)(b) as soon as practicable and in any event prior to (i) the First Longstop Date in the case of the condition set out in (1)(b) and (ii) the Second Longstop Date in the case of the conditions set out in (2)(b). TM Home shall use its reasonable endeavors to procure the satisfaction and continued satisfaction of the Conditions set out in (1)(a), (1)(f), (1)(g), (2)(a), (2)(e) and (2)(f) as soon as practicable and in any event prior to (i) the First Longstop Date in the case of conditions to the First Subscription and (ii) the Second Longstop Date in the case of conditions to the Second Subscription.

Each party to the Share Subscription Agreement undertakes to give notice to the other parties of the occurrence of any event or circumstance that is likely to cause a condition not to be satisfied prior to (i) the First Longstop Date in the case of the First Subscription and (ii) the Second Longstop Date in the case of the Second Subscription, in each case, as soon as practicable and in any event within five (5) Business Days after becoming aware of such event or circumstance.

We have discussed with the Management in relation to the conditions precedents and we understand that there not occurred any event or circumstance which violate the conditions precedents of the implementation of the Share Subscription Agreement so far.

For our due diligence purpose, we have reviewed the Share Subscription Agreement, and conclude that (i) the Share Subscription Agreement contains contract clauses mainly such as conditions, completion, conduct of business before completion and undertakings, warrants, termination and governing law, which are similar to other circulars with share issuance cases we noted from the Stock Exchange. We are not aware of any major terms that need to bring to the Independent Board Committee and the Independent Shareholders' attention in the Share Subscription Agreement have been omitted; (ii) the transaction under Share Subscription Agreement is the key part of the implementation of the New Scheme; (iii) the relevant par value consideration is for the sole purpose of making the share transfer to be easier and reducing the unnecessary cost in order to implement the New Scheme; (iv) we have discussed and confirmed with the Management that the above conditions precedent to the Share Subscription Agreement are based on the implementation of the New Scheme as a prerequisite; (v) we have discussed with the Directors regarding conditions precedents; and (vi) our assessment on the consideration of TM Home Share Issuance under New Schemes. In summary, we concur with the view of Directors that the terms of the Share Subscription Agreement are fair and reasonable.

Reasons and benefits for entering into the Share Subscription Agreement

According to the Board Letter, the Company has been in active discussions with its advisers with the intention to formulate a restructuring plan that appropriately takes into consideration the positions of all stakeholders. As a result and in order to restructure the Company's debt obligations, including the Old Notes and the Convertible Note, the Company proposes to implement the New Schemes. In order to implement the New Schemes, the Company entered into, among others, the Share Subscription Agreement. The TM Home Share Issuance would be a significant and inseparable part of the implementation of the New Schemes. According to the Board Letter, even though the Share Subscription Agreement is neither conditional nor inter-conditional on the Rights Issue or the Disposal, the First TM Home Share Issuance and the Second TM Home Share Issuance are still the first and essential steps of the Restructuring.

As advised by the Management, the Company is facing difficulty on raising onshore and offshore financing in debts or equities given the financials, business of the Group and large amount of outstanding debts at this stage. In this regard, after discussions with the financial advisor for the Invitation for Irrevocable Restructuring Support that the New Schemes is the optimal solution for the Company to manage outstanding debts. As one important step of the New Schemes, the Share Subscription Agreement is a convenient way to achieve the purpose of the New Schemes.

Based on the confirmation of the Management, the reason of using share subscription rather than share transfer directly is mainly because the share will be derived to several creditors, and the cost of issuing new shares through par value consideration is lower and more transparent compared to share transfer directly. The share subscription

method is also cost effective for the Company in terms of time of negotiation at the early stage of restructuring as it's more acceptable for TM Home Minority Shareholder as it does not involve possible tax impact of transfer old shares and other administrative cost at such early stage.

After the completion of the New Schemes, according to the discussion the with the Management, the Company will i) improve its capital structure with lower default risk; ii) focus on the real estate agency services in the primary market, real estate brokerage network services business, which have always been the core business of the Group since listing in year 2018; and iii) further improve the business structure of past excessive expansion.

Having considered the above, we concur with the Directors that entering the Share Subscription Agreement is a key step of implementation of the New Schemes and the way of resolving debt obligation arising from the Old Notes and the Convertible Note, and it is in the interests of the Company and the Shareholders as a whole despite it is not in the ordinary and usual course of business of the Company.

Assessment of the Consideration of Share Subscription Agreement under New Schemes

According to the Board Letter, the total consideration for the subscription will be US\$105,020.92, with price of US\$0.0001 per First Subscription Share and US\$0.1 per Second Subscription Share.

As set out in the Letter from the Board, the subscription price of the First Subscription Shares and the Second Subscription Shares is determined by the par value of TM Home's share, which is nominal as compared to the net asset value of TM Home. The consideration of the First Subscription Shares and the Second Subscription Shares was determined by way of arm's length negotiations between the Company and the TM Home Minority Shareholder, taking into account various factors, including (i) the importance of the successful implementation of the New Schemes and the First Subscription and the Second Subscription being essential steps to the implementation of the New Schemes; (ii) the fact that the TM Home Minority Shareholder's shareholding in TM Home will be diluted significantly by the TM Home Share Issuance and the TM Home Minority Shareholder has a right to veto the TM Home Share Issuance under the existing contractual arrangements; and (iii) the debt owned by the Company to the Scheme Creditors being much higher than the estimated value of the Proposed Disposal under the New Schemes. In addition, the Incentive Fee is determined by way of arm's length negotiations between the Company and the TM Home Minority Shareholder, taking into account the portion of equity interest in TM Home acquired by the TM Home Minority Shareholder as at the time of the establishment of TM Home on 28 January 2021, being 85% of the paid up share capital of US\$1,500,000 of TM Home.

Our Analysis

As discussed with the Management, we understand that the TM Home Share Issuance is a key and essential step to fulfill the New Schemes. Therefore, instead of analyzing the consideration under the TM Home Share Issuance (“**Consideration**”), which does not have any substantive meaning, we concluded that the Consideration should be considered together with the consideration of the New Schemes and the outstanding offshore indebtedness.

According to the Board Letter, the overall principle of the Restructuring is to give the Scheme Creditors a combination of cash and a controlling equity interest in TM Home, an entity that will, upon completion of the Restructuring, (a) hold and operate the Company’s two stable lines of business, being (i) real estate data and consulting services business currently operated under CRIC Holdings and (ii) hold and operate the online real estate marketing service business in partnership with Tmall Network, and (b) holds a controlling stake in Leju Holdings Ltd. (NYSE: LEJU), a subsidiary of the Company. TM Home will not operate or hold the Company’s real estate brokerage network services conducted under the “Fangyou” brand name. The Disposal, if carried out, may be deemed as a very substantial disposal by the Company pursuant to Chapter 14 of the Listing Rules.

To give a fair view of consideration of TM Home Share Issuance under new schemes, we need to compare the overall situation of the Notes and Convertible Bonds and the assessment of consideration under this New Schemes. As advised by the Management, below is the comparison between the outstanding offshore indebtedness of the Company and the consideration that the Company will pay to the creditors under the New Schemes:

Outstanding offshore indebtedness of the Company (The accrued interest was calculated based on the assumption that the Restructuring will be completed on 30 June 2023)		Consideration under the New Schemes	
<i>Type</i>	<i>Value (HKD in million)</i>	<i>Type</i>	<i>Value (HKD in million)</i>
Principal of 2022 Notes	2,340.9	US\$60 per US\$1,000 (or the HK\$ equivalent) of the Scheme Creditor Claim held by each Scheme Creditor at the Record Time, payable in cash	379.7

Outstanding offshore indebtedness of the Company (The accrued interest was calculated based on the assumption that the Restructuring will be completed on 30 June 2023)

Outstanding offshore indebtedness of the Company (The accrued interest was calculated based on the assumption that the Restructuring will be completed on 30 June 2023)		Consideration under the New Schemes	
<i>Type</i>	<i>Value (HKD in million)</i>	<i>Type</i>	<i>Value (HKD in million)</i>
Accrued interest of 2022 Notes	303.4	65% equity interest in the share capital of TM Home (including business of CRIC Holdings after inner restructuring and excluding business of Fangyou) based on estimated valuation provided by the Management	2,398.1
Principal of 2023 Notes	2,355.0	The Instruction Fee (0.25% of the aggregate outstanding principal amount of the Eligible Notes plus accrued and unpaid interest on the Eligible Notes to (but excluding) 30 June 2023)	15.8
Accrued interest of 2023 Notes	278.4		
Principal of Convertible Note	1,031.9		
Accrued interest of Convertible Note	18.9		
Total	6,328.5	Total	2,793.6

1. The US dollar to Hong Kong dollar exchange rate used is 1:7.85

As mentioned above, the outstanding offshore indebtedness of the Company consist of the principal and accrued interest of 2022 Notes, 2023 Notes and Convertible Note with a total value of HKD6,328.5 million. The consideration under the New Scheme with a total value of HKD2,793.6 million is consisting of (i) US\$60 per US\$1,000 (or the HK\$ equivalent) of the Scheme Creditor Claim held by each Scheme Creditor at the Record Time, payable in cash with total estimated amount of HKD379.7 million; (ii) 65% equity

interest in the share capital of TM Home (including business of CRIC Holdings and excluding business of Fangyou after inner restructuring) will be held collectively by Creditor SPV, the CB Shareholder and the TM Home Minority Shareholder; and (iii) the Instruction Fee with an estimated value of HKD15.8 million. As the total assessment value of the Company' payment to the creditors under the New Schemes represents approximately 44.1% of the total value of outstanding offshore indebtedness of the Company and such difference is significantly larger, we concur with view of Directors that it is worth cooperating with TM Home Minority Shareholder to achieve the New Schemes and it is in the interests of the Company and the Shareholders.

As advised by the Management, an experienced valuer has been engaged by the Company to provide valuation of the equity interest in the share capital of TM Home (including business of CRIC Holdings and excluding business of Fangyou). Based on current status of the preparation of such valuation reports, the Management and the valuer confirmed to us that the valuation of the 65% equity interest in the share capital of TM Home (including business of CRIC Holdings and excluding business of Fangyou) would not have material difference from the current amount used in our analysis.

We also discussed with the Management that as TM Home Minority Shareholder has a veto right and plays an important part in the Restructuring under the New Schemes, the Management have discussed many times with TM Home Minority Shareholder to determine the consideration of the transaction under the Share Subscription Agreement and the way to achieve it in order to smoothen the New Schemes. We also noted that the Consideration for the share subscription under Share Subscription Agreement and the Incentive Fee of US\$105,020.92 and US\$1,275,000 respectively are significantly smaller than i) the current net asset value of RMB206.2 million as at 31 December 2022 of TM Home; and ii) cash and cash equivalent of RMB1,246.6 million as at 31 December 2022 of the Group which reduce the financial burden of the Group and to achieve the New Schemes.

Having considered above, we concur with view of Directors that the consideration of the transaction under the Share Subscription Agreement is fair and reasonable given it is a step to achieving the New Schemes.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Share Subscription Agreement are on normal commercial terms and are fair and reasonable so far based on the whole New Schemes as the Independent Shareholders are concerned; and (ii) the Share Subscription Agreement are in the interests of the Company and the Shareholders as a whole despite not being in the ordinary and usual course of business. Accordingly, we recommend the Independent Board Committee and the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Zero2IPO Capital Limited

A handwritten signature in black ink, appearing to be 'Yang Peng', written over a horizontal line.

Yang Peng
Managing Director

Mr. Yang Peng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Zero2IPO Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 12 years of experience in investment banking industry.