THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in E-House (China) Enterprise Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

THIS CIRCULAR MUST BE READ IN CONJUNCTION WITH THE RIGHTS ISSUE CIRCULAR.

易居企业集团

E-House (China) Enterprise Holdings Limited
易 居 (中 國)企 業 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2048)

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF EQUITY INTERESTS IN TM HOME; (2) SPECIAL DEAL 2; (3) SPECIAL DEAL 3; AND (4) NOTICE OF EGM

Independent Financial Adviser

邁時資本
MAXA CAPITAL

A letter from the Takeovers Code IBC containing its recommendation to the Independent Shareholders are set out on pages 52 to 54 of this circular. A letter from Maxa Capital Limited, containing its advice to the Takeovers Code IBC and the Independent Shareholders, is set out on pages 55 to 90 of this circular.

A notice convening the Disposal EGM to be held at Conference Room, 1/F, Yinli Building, 383 Guangyan Road, Jing'an District, Shanghai, China at 10:30 a.m. on Wednesday, 31 January 2024 is set out on pages 261 to 263 of this circular. Whether or not you are able to attend the Disposal EGM, please complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable, but in any event not less than 48 hours before the time appointed for holding the Disposal EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Disposal EGM, or any adjournment thereof (as the case may be), should you so wish and in such event, the form of proxy shall be deemed to be revoked.

For details of the Rights Issue, please refer to the Rights Issue Circular. The Rights Issue EGM will be convened on the same date as the Disposal EGM, namely Wednesday, 31 January 2024. This circular must be read in conjunction with the Rights Issue Circular. Shareholders should review the aforementioned two circulars together before making their decisions as to voting at the Disposal EGM and the Rights Issue EGM.

16 January 2024

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"2022 Notes"	means the US$200,000,000 7.625% senior unsecured notes due 2022 issued by the Company (ISIN: XS2066636429, Common Code: 206663642) on 18 October 2019, and the additional US$100,000,000 7.625% senior unsecured notes due 2022 issued by the Company on 14 August 2020, which have been consolidated with the US$200,000,000 7.625% senior unsecured notes due 2022 issued on 18 October 2019
"2023 Notes"	means the US$200,000,000 7.60% senior unsecured notes due 2023 issued by the Company (ISIN: XS2260179762, Common Code: 226017976) on 10 December 2020, and the additional US$100,000,000 7.60% senior unsecured notes due 2023 issued by the Company on 11 June 2021, which have been consolidated with the US$200,000,000 7.60% senior unsecured notes due 2023 issued on 10 December 2020
"Accession Deed"	the accession deed to the Restructuring Support Agreement pursuant to which a person becomes a party as a Consenting Creditor in the form set out in Schedule 3 to the Restructuring Support Agreement and which will in practice be accessed and submitted electronically via https://sites.dfkingltd.com/E-House
"Alibaba China"	Alibaba (China) Network Technology Co., Ltd., a company incorporated under the laws of the PRC and an indirectly wholly-owned subsidiary of Alibaba Holding
"Alibaba Holding"	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock symbol: BABA) and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988)
"Board"	the board of Directors
"Business Day(s)"	any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the City of New York, the People's Republic of China, Hong Kong or Cayman Islands are authorized or required by law or governmental regulation to close

"Cash Consideration"	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
"Cayman Court"	the Grand Court of the Cayman Islands and any court capable of hearing appeals therefrom
"Cayman Scheme"	the scheme of arrangement proposed to be effected pursuant to section 86 of the Cayman Companies Act between the Company and the Scheme Creditors for the purpose of implementing the Restructuring, as contemplated under the Restructuring Support Agreement (CB) and the Term Sheet
"Cayman Scheme Meetings"	collectively, the CB Holder Cayman Scheme Meeting and the Noteholder Cayman Scheme Meeting
"CB Allocation"	the new shares of TM Home to be issued to the CB Shareholder on the Restructuring Effective Date
"CB Holder"	Alibaba.com Hong Kong Limited, the Noteholder (as defined in the Note Instrument) of the Convertible Note, an associate of Taobao China and a company incorporated under the laws of Hong Kong with limited liability and indirectly wholly owned by Alibaba Holding
"CB Holder Cayman Scheme Meeting"	a meeting of the CB Holder in relation to the Cayman Scheme as convened by order of the Cayman Court for the purpose of considering and, if thought fit, approving the Cayman Scheme, and any adjournment thereof
"CB Holder HK Scheme Meeting"	a meeting of the CB Holder in relation to the HK Scheme as convened by order of the High Court of Hong Kong for the purpose of considering and, if thought fit, approving the HK Scheme, and any adjournment thereof
"CB Shareholder"	the CB Holder or, at the CB Holder's election, any affiliate of the CB Holder
"Chairman"	chairman of the Board
"CICC"	China International Capital Corporation Hong Kong Securities Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on 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

"CICC Placing Agreement"	the placing agreement dated 19 June 2023 entered into between the Company and CICC in relation to the Placing
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as applicable in Hong Kong
"Company"	E-House (China) Enterprise Holdings Limited (易居(中國)企業控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 22 February 2010 (Stock Code: 2048)
"Compensatory Arrangements"	the arrangements involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agents on a best effort basis pursuant to the Placing Agreements in accordance with Rule 7.21(1)(b) of the Listing Rules
"Connected Transaction Circular"	the Company's circular dated 6 July 2023 in relation to, among other things, the discloseable and connected transaction on the TM Home Share Issuance
"Consenting Creditor"	a person holding a direct or beneficial interest as principal in the Old Notes who has agreed to be bound by the terms of the Restructuring Support Agreement
"Convertible Note"	the HK$1,031,900,000 2.0% convertible note due 4 November 2023 issued by the Company on 4 November 2020 to the CB Holder and guaranteed by certain subsidiaries of the Company which provided unconditional and irrevocable guarantees to secure the Company's obligations under the Old Notes, as amended and supplemented from time to time
"CRE Corp"	China Real Estate Information Corporation (中國房產信息集團) (formerly known as CRIC Holdings Limited (CRIC控股有限公司)), a company incorporated in the Cayman Islands with limited liability on 21 August 2008 ultimately controlled by Mr. Zhou Xin and one of our substantial shareholders, the director of which is Mr. Zhou Xin
"Creditor SPV"	a company to be set up by the Company for the purpose of holders of the Old Notes, all the shares of which, on the Restructuring Effective Date, will be allocated pro rata to the Scheme Creditors holding the Old Notes by reference to the Scheme Creditor Claim that each such Scheme Creditor held at the Record Time as a proportion to the Scheme Creditor Claim of such Scheme Creditors

"CRIC"	Shanghai CRIC Information Technology Co., Ltd. (上海克而瑞信息技術有限公司), a company established in the PRC with limited liability and a subsidiary of the Company prior to the completion of the Disposal
"CRIC Securities"	CRIC Securities Company Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities), and Type 9 (asset management) regulated activities under the SFO
"CRIC Securities Placing Agreement"	the placing agreement dated 19 June 2023 entered into between the Company and CRIC Securities in relation to the Placing
"DF King"	D.F. King Ltd., a limited liability company incorporated and registered under the laws of England and Wales
"Director(s)"	the director(s) of the Company
"Disposal"	the deemed disposal by the Company as a result of the issuance of 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 Claims held by the holders of the Old Notes and the CB Holder, respectively, at the Record Time, representing an aggregate 65% equity interest in TM Home's enlarged share capital after such issuance
"Disposal EGM"	the extraordinary general meeting of the Company to be convened at 10:30 a.m. on Wednesday, 31 January 2024 to consider and, if thought fit, approve the Disposal, the Special Deal 2 and the Special Deal 3
"Disposal Group"	the entities and businesses to be disposed of by the Group upon completion of the Restructuring, which will consist of TM Home, CRIC, Leju and their respective subsidiaries
"E-House (China) Holdings"	E-House (China) Holdings Limited (易居(中國)控股有限公司), a company incorporated in the Cayman Islands with limited liability on 27 August 2004, ultimately controlled by Mr. Zhou Xin and one of our substantial shareholders

"E-House Holdings"	E-House Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 31 July 2015, ultimately controlled by Mr. Zhou Xin and one of our substantial shareholders, the director of which is Mr. Zhou Xin
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his or her delegate(s)
"First SSA Completion"	the completion of the issuance and subscription of the First Subscription Shares pursuant to the Share Subscription Agreement
"First Subscription"	the subscription of the First TM Home Share Issuance at the First SSA Completion pursuant to the Share Subscription Agreement
"First Subscription Shares"	the 50,209,195 new shares to be issued by TM Home on the date of the First SSA Completion pursuant to the Share Subscription Agreement
"First TM Home Share Issuance"	the issuance of the First Subscription Shares on 15 August 2023 pursuant to the Share Subscription Agreement
"Group"	the Company, its subsidiaries and its consolidated affiliated entities held through contractual arrangements from time to time
"High Court"	the High Court of the Hong Kong
"HK Scheme"	the scheme of arrangement proposed to be effected pursuant to sections 673 and 674 of the Companies Ordinance between the Company and the Scheme Creditors for the purpose of implementing the Restructuring, as contemplated under the Restructuring Support Agreement (CB) and the Term Sheet
"HK Scheme Meetings"	collectively, the CB Holder HK Scheme Meeting and the Noteholder HK Scheme Meeting
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Financial Adviser"	Maxa Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company, for the purpose of advising the Takeovers Code IBC and the Independent Shareholders in respect of the Rights Issue, the Placing Agreements, the Underwriting Agreement and the transactions contemplated thereunder, the Special Deals and the Whitewash Waiver, and as to the voting action therefor
"Independent Shareholder(s)"	the Shareholders other than Mr. Zhou Xin, his associates and parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace), Taobao China and its associates (including the CB Holder) and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and/or the Whitewash Waiver
"Independent Third Party(ies)"	third party(ies) who is not a connected person of the Company within the meaning ascribed to it under the Listing Rules
"Invitation for Irrevocable Restructuring Support"	the invitation for Irrevocable Restructuring Support from the Company for the submission from Eligible Holders (as defined in the RSA Announcement) of a duly executed Accession Deed and Restricted Notes Notice to the Restructuring Support Agreement to support the Restructuring of the Company
"Irrevocable Restructuring Support"	the submission from the Eligible Holders (as defined in the RSA Announcement) of a duly executed Accession Deed and Restricted Notes Notice to the Restructuring Support Agreement to support the Restructuring of the Company
"Irrevocable Undertaking"	the irrevocable undertaking given by Mr. Zhou Xin in favour of the Company under the Underwriting Agreement
"Latest Practicable Date"	12 January, 2024, being the latest practicable date for the determination of certain information prior to the publication of this circular

"Leju"	Leju Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 20 November 2013 and listed on NYSE with stock symbol LEJU and is a subsidiary of the Company prior to the completion of the Disposal
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management SPV"	a special purpose vehicle for the purpose of holding shares in TM Home by certain members of senior management of the Company, none of them being a Shareholder, and an Independent Third Party
"Mr. Zhou Xin"	Mr. Zhou Xin, a substantial shareholder, executive Director and chairman of the Company
"New BCA"	the new business transition agreement, dated 2 April 2023, entered into by and among Tmall Network, TM Home WFOE and TM Home in relation to the business operation of TM Home
"New Schemes"	the Cayman Scheme and the HK Scheme
"Non-Hong Kong Shareholder(s)"	Shareholder(s) whose address(es) on the register of members of the Company as of the close of business on the Record Date is(are) outside Hong Kong
"Non-Qualifying Shareholder(s)"	those Non-Hong Kong Shareholder(s) to whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Note Instrument"	the Note Instrument constituting the Convertible Note convertible into ordinary shares of the Company dated 4 November 2020 entered into by the Company for the benefit of CB Holder as the Noteholder (as defined in the Note Instrument)

"Noteholders Cayman Scheme Meeting"	means a meeting of the Scheme Creditors other than the CB Holder held on 14 November 2023 in relation to the Cayman Scheme as convened by order of the Cayman Court for the purpose of considering and, if thought fit, approving the Cayman Scheme, and any adjournment thereof
"Noteholders HK Scheme Meeting"	means a meeting of the Scheme Creditors other than the CB Holder held on 14 November 2023 in relation to the HK Scheme as convened by order of the High Court of Hong Kong for the purpose of considering and, if thought fit, approving the HK Scheme, and any adjournment thereof
"Notice of Scheme Meetings Announcement"	the Company's announcement dated 10 October 2023 in relation to, among other things, the Cayman Scheme Meetings and the HK Scheme Meetings
"NQS Rights Shares"	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
"NYSE"	the New York Stock Exchange
"Obligors"	collectively, the Company and the Subsidiary Guarantors; and "Obligor" means any one of them
"Old Notes"	the 2022 Notes and the 2023 Notes
"On Chance"	On Chance, Inc., a company incorporated in the British Virgin Islands on 21 January 2002 and is wholly owned by Mr. Zhou Xin, the director of which is Mr. Zhou Xin
"Placing"	the placing of a maximum of 1,620,535,238 Unsubscribed Rights Shares on a best effort basis by the Placing Agents and/or its sub-placing agent(s) to the Placees on the terms and conditions of the Placing Agreements
"Placing Agents"	collectively, CICC and CRIC Securities, being the placing agents appointed by the Company pursuant to the Placing Agreements, and "Placing Agent" means any of them

"Placing Agreements"	collectively, CICC Placing Agreement and CRIC Securities Placing Agreement, and "Placing Agreement" means any of them
"PRC" or "China"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
"Prospectus Posting Date"	Thursday, 15 February 2024, or such other date as may be agreed in writing between the Company and the Underwriter, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be)
"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members as of close of business of the Company on the Record Date
"Record Date"	Wednesday, 14 February 2024, or such other date as may be agreed in writing between the Company and the Underwriter, being the record date for determining the entitlements of the Shareholders to participate in the Rights Issue
"Record Time"	the time designated by the Company for the determination of the Scheme Creditor's claim for the purposes of voting at (i) the meeting of the Scheme Creditors in relation to the Cayman Scheme as convened by order of the Cayman Court for the purpose of considering and, if thought fit, approving the Cayman Scheme, and any adjournment thereof and (ii) the meeting of the Scheme Creditors in relation to the HK Scheme as convened by order of the High Court of Hong Kong for the purpose of considering and, if thought fit, approving the HK Scheme, and any adjournment thereof
"Regal Ace"	Regal Ace Holdings Limited, a company incorporated in the British Virgin Islands on 10 July 2015 and is owned as to 51% by Mr. Zhou Xin, the director of which is Mr. Zhou Xin

"Remaining Group"	the Company and its subsidiaries after the completion of the Disposal
"Restricted Notes Notice"	a notice substantially in the form set out in Schedule 3 to the Restructuring Support Agreement, which will in practice be accessed and submitted electronically via https://sites.dfkingltd.com/E-House
"Restructuring"	the restructuring of the indebtedness of the Obligors in respect of the Old Notes and the Convertible Note, to be conducted in the manner envisaged by, and on the terms set out in, the Term Sheet
"Restructuring Effective Date"	the day on which all conditions precedent to the Restructuring have been satisfied or waived (as the case may be), including the obtaining of all relevant approvals or consents
"Restructuring Support Agreement"	the restructuring support agreement, in relation to the Restructuring, entered into by the Company, the Subsidiary Guarantors and DF King dated 2 April 2023, and is expected to be acceded to by the Scheme Creditors that are holders of the Old Notes
"Restructuring Support Agreement (CB)"	the restructuring support agreement, dated 2 April 2023, entered into by the Company, the CB Holder and DF King in relation to the New Schemes
"Rights Issue"	the proposed issue of new Shares by way of rights issue on the basis of twelve (12) Rights Shares for every ten (10) Shares held at the close of business on the Record Date at the Subscription Price pursuant to the Prospectus Documents
"Rights Issue Announcement"	the Company's announcement dated 19 June 2023 in relation to, among other things, the Rights Issue on the basis of twelve (12) rights shares for every ten (10) shares held on the record date
"Rights Issue Circular"	the Company's circular dated 30 November 2023 in relation to, among other things, the Rights Issue, the Whitewash Waiver and the Special Deal 1

"Rights Issue EGM"	the extraordinary general meeting of the Company to be convened on the same date as the Disposal EGM to consider and, if thought fit, approve, among other things, the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deal 1 and the transactions contemplated thereunder, and the Whitewash Waiver
"RSA Announcement"	the Company's announcement dated 3 April 2023 in relation to the Company's invitation for irrevocable restructuring support
"RSA (CB) Announcement"	the Company's announcement dated 3 April 2023 in relation to (i) the Restructuring Support Agreement (CB), (ii) the TM Home Share Issuance and (iii) the New BCA
"Schemes"	the HK Scheme and the Cayman Scheme
"Scheme Creditor Claim(s)"	has the meaning ascribed to it in the RSA Announcement
"Scheme Creditors" or "Scheme Creditor"	the creditors of the Company whose claims against the Obligors are (or will be) the subject of the New Schemes
"Scheme Conditions"	means each of the conditions precedent to the effectiveness of the Schemes, as set out in Clause 5.2 of the Cayman Scheme and Clause 5.2 of HK Scheme, as the case may be
"Scheme Effective Date"	means the first Business Day on which all of the Scheme Conditions have been satisfied
"Second SSA Completion"	the completion of the issuance and subscription of the Second Subscription Shares pursuant to the Share Subscription Agreement
"Second Subscription"	the subscription of the Second TM Home Share Issuance at the Second SSA Completion pursuant to the Share Subscription Agreement
"Second Subscription Shares"	the 1,000,000 new shares to be issued by TM Home on the date of the Second SSA Completion pursuant to the Share Subscription Agreement

"Second TM Home Share Issuance"	the issuance of the Second Subscription Shares on the date of the Second SSA Completion pursuant to the Share Subscription Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.00001 each
"Share Subscription Agreement"	the share subscription agreement, dated 2 April 2023, entered into by and among the TM Home Minority Shareholder, the Company and TM Home in relation to the First Subscription Shares and Second Subscription Shares
"Shareholders"	the shareholders of the Company
"Special Deal 1"	the use of the proceeds from the Rights Issue for the payment of the Cash Consideration to the CB Holder (being an associate of Taobao China and a Scheme Creditor) and other Scheme Creditors who may also be Shareholders which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
"Special Deal 2"	on the Restructuring Effective Date, the issuance of new shares of TM Home to Creditor SPV (which will be owned by the Scheme Creditors who are holding the Old Notes and may also be Shareholders), pro rata by reference to the proportion of the aggregate Scheme Creditor Claim held by the holders of the Old Notes at the Record Time, which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
"Special Deal 3"	on the Restructuring Effective Date, the issuance of new shares of TM Home to the CB Shareholder (being an associate of Taobao China), pro rata by reference to the proportion of the aggregate Scheme Creditor Claim held by the CB Holder at the Record Time, which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
"Special Deals"	collectively, the Special Deal 1, the Special Deal 2 and the Special Deal 3

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary Guarantors"	certain subsidiaries of the Company which provided unconditional and irrevocable guarantees to secure the Company's obligations under the Old Notes
"Takeovers Code"	the Code on Takeovers and Mergers issued by the Securities and Futures Commission
"Takeovers Code IBC"	the independent board committee, comprising Mr. Yang Yong, Mr. Song Jiajun, Mr. Chen Daiping, Mr. Zhang Bang, Mr. Zhu Hongchao, Mr. Wang Liqun and Mr. Li Jin, being all the non-executive Directors (save for Ms. Jiang Shanshan who is currently serving as the investment director at Alibaba Holding and may have conflict of interests in respect of the Special Deals) and independent non-executive Directors, which has been established in accordance with Rule 2.8 of the Takeovers Code to give recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreements, the Underwriting Agreement and the transactions contemplated thereunder respectively, the Special Deals and the Whitewash Waiver, and as to the voting action therefor
"Taobao China"	Taobao China Holding Limited, a company incorporated under the laws of Hong Kong with limited liability and indirectly wholly owned by Alibaba Holding
"Term Sheet"	the term sheet attached to the Restructuring Support Agreement (CB) (as may be amended from time to time)
"TM Home"	TM Home Limited, a company incorporated in the Cayman Islands with limited liability and a subsidiary of the Company prior to completion of the Disposal
"TM Home Group"	TM Home and its subsidiaries from time to time
"TM Home Minority Shareholder"	Alibaba Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a directly wholly owned subsidiary of Alibaba Holding

"TM Home Share Issuance"	the issuance by TM Home of the First Subscription Shares through the First TM Home Share Issuance and the Second Subscription Shares through the Second TM Home Share Issuance to the Company pursuant to the Share Subscription Agreement
"TM Home WFOE"	Shanghai TM Home E-Commence Limited (上海天貓好房電子商務有限公司), a company incorporated under the laws of the PRC and an indirectly wholly-owned subsidiary of TM Home (Hong Kong) Limited. TM Home (Hong Kong) Limited is a wholly-owned subsidiary of TM Home, which is in turn approximately 89.207% owned by the Company
"Tmall Network"	Zhejiang Tmall Network Co., Ltd. (浙江天貓網絡有限公司), a company incorporated under the laws of the PRC and a consolidated entity of Alibaba Holding
"Underwriter"	Mr. Zhou Xin
"Underwriting Agreement"	the underwriting agreement dated 19 June 2023 entered into between the Company and the Underwriter in relation to the Rights Issue
"Unsubscribed Rights Shares"	those Rights Shares that are not subscribed by the qualifying shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed "Arrangements for the NQS Rights Shares" in the Rights Issue Circular
"Valuation of CRIC"	the fair value of the entire equity interest in CRIC as of 31 July 2023 of RMB1,327.0 million which the Valuer considered no material difference as of 3 January 2024, prepared based on the market approach and as set out in the Valuation Report of CRIC
"Valuation of TM Home"	the fair value of the entire equity interest in TM Home as of 31 July 2023 of RMB1,860.2 million which the Valuer considered no material difference as of 3 January 2024, prepared based on the income approach and as set out in the Valuation Report of TM Home

"Valuation Reports"	the Valuation Report of CRIC and the Valuation Report of TM Home
"Valuation Report of CRIC"	the valuation report dated 3 January 2024 issued by the Valuer regarding the equity interest in CRIC as of 31 July 2023 which the Valuer considered no material difference as of 3 January 2024, the full text of which is set out in Appendix IVB to this circular
"Valuation Report of TM Home"	the valuation report dated 3 January 2024 issued by the Valuer regarding the equity interest in TM Home (excluding the value of each of (i) CRIC, and (ii) the Company's real estate brokerage network services conducted under the "Fangyou" brand name) as of 31 July 2023 which the Valuer considered no material difference as of 3 January 2024, the full text of which is set out in Appendix IVA to this circular
"Valuer"	ValueLink Management Consultants Limited, an independent professional valuer
"Voting Scheme Claims"	means, for assessing the Scheme Creditor Claims of each Scheme Creditor for voting purposes only, a value equals to the sum of (i) outstanding principal amount of the Old Notes and the Convertible Note in which each Scheme Creditor held an economic or beneficial interest as principal at the Record Time and (ii) all accrued and unpaid interest relating to such Old Notes and Convertible Note up to (but excluding) 30 June 2023
"VSD Announcement"	the Company's announcement dated 11 December 2023 regarding, among other things, the Disposal
"Whitewash Waiver"	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of Mr. Zhou Xin to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by Mr. Zhou Xin and parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace) as a result of the taking up of the rights shares by Mr. Zhou Xin as the underwriter pursuant to the Underwriting Agreement

易居企业集团

E-House (China) Enterprise Holdings Limited
易居(中國)企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2048)

Board of Directors:
Executive Directors:
Mr. Zhou Xin *(Chairman)*
Mr. Huang Canhao *(Vice Chairman)*
Dr. Ding Zuyu *(Chief Executive Officer)*
Dr. Cheng Li-Lan *(Chief Financial Officer)*

Non-executive Directors:
Ms. Jiang Shanshan
Mr. Yang Yong
Mr. Song Jiajun
Mr. Chen Daiping

Independent Non-executive Directors:
Mr. Zhang Bang
Mr. Zhu Hongchao
Mr. Wang Liqun
Mr. Li Jin

Registered Office:
Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman
KY1-1104 Cayman Islands

Headquarters:
11/F, Yinli Building
383 Guangyan Road, Jing'an District
Shanghai 200072, China

Principal Place of Business in Hong Kong:
40th Floor, Dah Sing
Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

16 January 2024

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF EQUITY INTERESTS IN TM HOME;
(2) SPECIAL DEAL 2;
(3) SPECIAL DEAL 3; AND
(4) NOTICE OF EGM**

INTRODUCTION

As disclosed in the RSA (CB) Announcement and the Connected Transaction Circular in relation to, among other things, the Share Subscription Agreement between the Company and the TM Home Minority Shareholder, the Company has agreed to, among other things, (i) 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 (ii) 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. Following the completion of the First TM Home Share Issuance on 15 August 2023, the Company and the TM Home Minority Shareholder hold approximately 89.207% and 10.793%, respectively, of the issued share capital of TM Home. 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 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. Transactions contemplated under the Share Subscription Agreement were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 27 July 2023.

As disclosed in the RSA Announcement, as part of the Restructuring, the Company intends to propose the New Schemes to holders of the Old Notes and the CB Holder. If each of the New Schemes is sanctioned by the relevant court and becomes effective, on the Restructuring Effective Date, the Company will pay the restructuring consideration (the "**Restructuring Consideration**") to the participating Scheme Creditors, consisting of the following:

(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 transferred 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 Creditor Claim 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 Claim held by the holders of the Old Notes and the CB Holder, 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., the Management SPV).

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 lines of business, being (i) the real estate data and consulting services business currently operated under CRIC and (ii) the online real estate marketing service business in partnership with Tmall Network, and (b) hold a controlling stake in Leju, a company listed on the New York Stock Exchange and a leading online-to-offline real estate services provider in China that is 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 and such real estate brokerage network services will be transferred to the PRC Holdco before the completion of the Disposal. Accordingly, this is effectively a disposal by the Group of TM Home, CRIC, Leju and their respective subsidiaries and upon completion of the Disposal, TM Home, CRIC, Leju and their respective subsidiaries will cease to be subsidiaries of the Company while the Company's real estate brokerage network services conducted under the "Fangyou" brand name will continue to be operated by the Company.

As separately announced in the Notice of Scheme Meetings Announcement, by an order dated 4 October 2023 (the "**Cayman Scheme Convening Order**"), the Cayman Court has directed that the Cayman Scheme Meetings may be convened for the purposes of considering and, if thought fit, approving the Cayman Scheme (with or without modification, addition or condition approved or imposed by the Cayman Court). In addition, by an order dated 26 September 2023 (the "**HK Scheme Convening Order**"), the High Court has directed that the HK Scheme Meetings may be convened for the purposes of considering and, if thought fit, approving the HK Scheme (with or without modification, addition or condition approved or imposed by the High Court). As set out in more detail in the Notice of Scheme Meetings Announcement, the Cayman Scheme Meetings and HK Scheme Meetings were scheduled for 14 November 2023.

As further announced by the Company on 15 November 2023, the Cayman Scheme Meetings and HK Scheme Meetings were held on 14 November 2023. A total of 614 holders of the Old Notes holding Voting Scheme Claims in respect of the Old Notes of US$597,147,318 attended and voted by proxy at the Noteholders HK Scheme Meeting and the Noteholders Cayman Scheme Meeting. Of those present and voting at the aforementioned meetings, a total of 602 holders of the Old Notes holding Voting Scheme Claims of US$561,989,163 (representing 94.11% by value and 98.05% by number of holders of the Old Notes present and voting at the aforementioned meetings) voted in favour of the New Schemes. In addition, the CB Holder, holding Voting Scheme Claims in respect of the Convertible Note of HK$1,050,760,838.89 attended and voted by proxy in favour of the New Schemes at the CB Holder HK Scheme Meeting and the CB Holder Cayman Scheme Meeting. As such, both the HK Scheme and the Cayman Scheme have been approved by the requisite majorities of Scheme Creditors. The HK Scheme and the Cayman Scheme will be subject to the approval and sanction of the High Court and the Cayman Court, respectively. For details of the results of the Cayman Scheme Meetings and HK Scheme Meetings, please refer to the announcement of the Company dated 15 November 2023.

As further announced by the Company on 28 November 2023, (i) by an order made at the hearing held on 23 November 2023 (Hong Kong time), the High Court sanctioned the HK Scheme; (ii) by an order made at the hearing held on 24 November 2023 (Cayman Islands time), the Cayman Court sanctioned the Cayman Scheme; and (iii) all of the Scheme Conditions have been satisfied and the Scheme Effective Date occurred on 28 November 2023 (Hong Kong time) in respect of the HK Scheme and 27 November 2023 (Cayman Islands time) in respect of the Cayman Scheme. Each of the HK Scheme and the Cayman Scheme has therefore become effective in accordance with its terms.

The purpose of this circular is to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the ordinary resolutions to be proposed at the Disposal EGM, including, among other things, (i) details of the Disposal; (ii) financial information of the Group, (iii) financial information of TM Home and its subsidiaries upon completion of the Disposal, (iv) unaudited pro forma financial information of the Group upon completion of the Disposal, (v) valuation reports of TM Home and CRIC, (vi) letters from the Company's accountants and the Independent Financial Adviser in respect of certain financial information and the valuation reports of TM Home and CRIC required under the Listing Rules and Takeovers Code, (vii) all relevant information relating to the Rights Issue, Whitewash Waiver, Special Deals, and a letter of recommendation from the Takeovers Code IBC and a letter of advice from the Independent Financial Adviser, in relation to, among other things, their respective recommendations on the Special Deal 2 and the Special Deal 3; and (viii) the notice of the Disposal EGM.

THE RESTRUCTURING

The New Schemes

As disclosed in the RSA Announcement, as part of the Restructuring, the Company intends to propose the New Schemes to holders of the Old Notes and the CB Holder. Please refer to the section headed "Introduction" in this letter for further details of the New Schemes.

The Disposal

As stated above, 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 Claim held by the holders of the Old Notes and the CB Holder, 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. Save as disclosed in this circular, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Creditor SPV, the CB Shareholder and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Prior to the Restructuring Effective Date, the Company will incorporate Creditor SPV, an entity to be owned by holders of the Old Notes on the Restructuring Effective Date, for the purpose of implementing the New Schemes. On the Restructuring Effective Date, each Scheme Creditor holding the Old Notes will be entitled to receive shares in Creditor SPV. The shares in Creditor SPV will be allocated pro rata by reference to the Scheme Creditor Claim that each such Scheme Creditor held at the Record Time. On the Restructuring Effective Date, 100% of the shares of Creditor SPV will be transferred to the Scheme Creditors holding the Old Notes. On the Restructuring Effective Date, the Company will cause TM Home to issue new TM Home Shares to Creditor SPV and the CB Shareholder according to the Creditor SPV Allocation and the CB Allocation, such that following 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, which will be regarded as a deemed disposal by the Company pursuant to Rule 14.29 of the Listing Rules. 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 Management SPV.

In order to ensure that the Company can continue to operate the business of TM Home pursuant to the New BCA, on or prior to the Restructuring Effective Date, the Company, Management SPV, Creditor SPV, the TM Home Minority Shareholder, the CB Shareholder and TM Home will enter into a shareholders' agreement in relation to TM Home (the "**TM Home Shareholders' Agreement**"). Subsequent to the Disposal, the Company will continue to operate TM Home up to 31 August 2024 under the TM Home Shareholders' Agreement despite only holding 20% equity interest in TM Home.

As part of the Restructuring, Creditor SPV and the TM Home Minority Shareholder and/or the CB Shareholder will agree to appoint the Company as an agent, and the Company will undertake to use reasonable endeavors to sell or procure the sale, in each case for cash, of (including by way of auction) not less than 65% of the shares of, or assets held by, TM Home on or prior to 31 August 2024 (the "**Share Sale**"). Any such proposed sale will be subject to the restrictions set out in the TM Home Shareholders' Agreement. The appointment will not in any way affect the ability of Creditor SPV, the TM Home Minority Shareholder or the CB Shareholder to sell their shares in TM Home subject to the terms of the TM Home Shareholders' Agreement, and Creditor SPV, the TM Home Minority Shareholder and the CB Shareholder will have discretion as to whether or not to participate in such Share Sale subject to their review of the terms and conditions of the Share Sale. The terms of such appointment will be documented in a share sale representation agreement to be agreed upon and entered into on or prior to the Restructuring Effective Date. Creditor SPV has no obligation to dispose of its interest in TM Home. If the Company is unable to sell or procure the Share Sale, TM Home will continue to be held by Creditor SPV, the TM Home Minority Shareholder, Management SPV and the Company. Creditor SPV and the TM Home Minority Shareholder may also sell their shares in TM Home, subject to the terms of the TM Home Shareholders' Agreement at any time. Under the TM Home Shareholders' Agreement, if any shareholder of TM Home proposes to transfer any shares of TM Home or other securities of TM Home to any person (the "**Transferee**"), the transferring shareholder must first give notice in writing to each other shareholder of TM Home which is not an affiliate of the Transferee and the other shareholders will have a right of first refusal in respect of any such transfer, subject to certain limited exceptions.

The Disposal is conditional upon (1) the relevant courts sanctioning the New Schemes, (2) the Independent Shareholders' approval to be obtained at the Disposal EGM and the Rights Issue EGM, and (3) the Executive granting its consent to the Special Deals pursuant to Rule 25 of the Takeovers Code as the Disposal forms part of the Restructuring Consideration to be paid to the Scheme Creditors. For the avoidance of doubt, while the First TM Home Share Issuance and the Second TM Home Share Issuance are the first and essential steps of the Restructuring, the Share Subscription Agreement is neither conditional nor inter-conditional on the Rights Issue or the Disposal. As of the Latest Practicable Date, save for condition (1), none of the other conditions mentioned above has been fulfilled.

The Rights Issue

As stated in the RSA Announcement, 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. With reference to the Rights Issue Announcement and the Rights Issue Circular, the Company proposes to issue 2,098,871,436 rights shares by way of a rights issue, on the basis of twelve (12) rights shares for every ten (10) Shares held by the qualifying Shareholders on the record date at the subscription price of HK$0.23 per rights share to raise approximately HK$483 million before expenses (assuming no new issue or repurchase of Shares on or before the record date) (the "**Rights Issue**"). The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK$465 million.

The principal terms of the Rights Issue are set out below:

Basis of the Rights Issue:	Twelve (12) Rights Shares for every ten (10) Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK$0.23 per Rights Share
Net price per Rights Share (the aggregate Subscription Price of the maximum number of Rights Shares to be issued less costs and expenses estimated to be incurred in the Rights Issue divided by the maximum number of Rights Shares to be issued):	Approximately HK$0.23 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	1,749,059,530 Shares

Number of Rights Shares:	2,098,871,436 Rights Shares (assuming no new issue or repurchase of Shares on or before the Record Date)
Aggregate nominal value of the Rights Shares to be issued:	US$20,988.7 (assuming no change in the number of Shares in issue on or before the Record Date)
Number of issued Shares upon completion of the Rights Issue:	3,847,930,966 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue (before expenses):	Approximately HK$483 million (assuming no new issue or repurchase of Shares on or before the Record Date)
Net proceeds from the Rights Issue:	Approximately HK$465 million (assuming no new issue or repurchase of Shares on or before the Record Date)

Assuming there is no new issue or repurchase of Shares (whether pursuant to the Convertible Note, the Pre-IPO Share Option Scheme or otherwise) on or before the Record Date, the 2,098,871,436 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 120% of the total number of existing issued Shares and (ii) 54.5% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue.

Conditions of the Rights Issue

Since the purpose of the Rights Issue is to fund the Cash Consideration (as defined below) under the New Schemes, the completion of the Rights Issue is conditional on:

(i) the passing by the Independent Shareholders at the Rights Issue EGM and the Disposal EGM of (1) ordinary resolutions to approve the Underwriting Agreement, the Placing Agreements, the Rights Issue, the Special Deals and the transactions contemplated thereunder (more than 50% of the Independent Shareholders at the Rights Issue EGM and the Disposal EGM by way of poll); and (2) a special resolution to approve the Whitewash Waiver (at least 75% of the Independent Shareholders at the Rights Issue EGM by way of poll) in accordance with the Listing Rules and the Takeovers Code by no later than the Prospectus Posting Date;

(ii) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;

(iii) the Executive granting consent under Rule 25 of the Takeovers Code in respect of the Special Deals;

(iv) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares by no later than the first day of their dealings;

(v) the passing by the Shareholders at the general meeting of the Company of ordinary resolutions to approve all transactions in relation to the New Schemes that require shareholders' approval in accordance with the Listing Rules and the Takeovers Code (including the Disposal) by no later than the Prospectus Posting Date;

(vi) the Scheme Creditors having approved the Cayman Scheme at the Cayman Scheme Meetings convened to consider the Cayman Scheme; and

(vii) the Scheme Creditors having approved the HK Scheme at the HK Scheme Meetings convened to consider the HK Scheme.

In addition, the transactions under each of the Placing Agreements and the Underwriting Agreement are subject to certain conditions. None of the above conditions may be waived. As at the Latest Practicable Date, save for conditions 6 and 7, none of the conditions of the Rights Issue mentioned above has been fulfilled.

Effects on the Shareholding Structure

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) following completion of the Rights Issue in different scenarios, in each case assuming no new issue or repurchase of Shares up to completion of the Rights Issue save for the Rights Shares. The scenarios assume:

(a) full acceptance of the Rights shares by all Qualifying Shareholders;

(b) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Zhou Xin and CRE Corp, E-House (China) Holdings, On Chance and Regal Ace pursuant to the Irrevocable Undertaking) and 100% of the Unsubscribed Rights Shares are fully placed to the Placees under the Compensatory Arrangements; and

(c) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than CRE Corp, E-House (China) Holdings, On Chance and Regal Ace pursuant to the Irrevocable Undertaking) and 100% of the Untaken Rights Shares are taken up by the Underwriter.

	(i) As at the Latest Practicable Date		(ii) Immediately following completion of the Rights Issue, and assuming (a) Full acceptance of the Rights Shares by all Qualifying Shareholders		(b) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than CRE Corp, E-House (China) Holdings, On Chance and Regal Ace pursuant to the Irrevocable Undertaking) and all of the Unsubscribed Rights Shares are placed to the Placees under the Compensatory Arrangements		(c) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than CRE Corp, E-House (China) Holdings, On Chance and Regal Ace pursuant to the Irrevocable Undertaking), none of the Unsubscribed Rights Shares are placed and all of the Untaken Rights Shares are taken up by Mr. Zhou Xin	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
CRE Corp *(Note 1)*	228,920,000	13.09	503,624,000	13.09	503,624,000	13.09	503,624,000	13.09
E-House (China) Holdings *(Note 2)*	146,918,440	8.40	323,220,568	8.40	323,220,568	8.40	323,220,568	8.40
On Chance *(Note 3)*	20,000,000	1.14	44,000,000	1.14	44,000,000	1.14	44,000,000	1.14
Regal Ace *(Note 4)*	2,775,059	0.16	6,105,129	0.16	6,105,129	0.16	6,105,129	0.16
Mr. Zhou Xin *(Note 5)*	398,613,499	22.79	876,949,697	22.79	876,949,697	22.79	2,497,484,934 *(Note 6)*	64.90
Mr. Zhou Xin and parties acting in concert or presumed acting in concert with him *(Note 5)*	398,613,499	22.79	876,949,697	22.79	876,949,697	22.79	2,497,484,934	64.90
Placees	–	0	–	0	1,620,535,238	42.11	–	0
Taobao China	145,588,000	8.32	320,293,600	8.32	145,588,000	3.78	145,588,000	3.78
Other public Shareholders	1,204,858,031	68.89	2,650,687,668	68.89	1,204,858,031	31.31	1,204,858,031	31.31
Total *(Note 7)*	1,749,059,530	100.00	3,847,930,966	100.00	3,847,930,966	100.00	3,847,930,966	100.00

Notes:

(1) CRE Corp is a wholly-owned subsidiary of E-House (China) Holdings, itself a wholly-owned subsidiary of E-House Holdings.

(2) E-House (China) Holdings is a subsidiary of E-House Holdings, which is held as to 33.13% by On Chance, 14.65% by Jun Heng, and 52.22% by Mr. Zhou Xin. Jun Heng is wholly owned by On Chance, which is in turn wholly owned by Mr. Zhou Xin.

(3) On Chance is wholly owned by Mr. Zhou Xin.

(4) Regal Ace is wholly owned by Mr. Zhou Xin.

(5) In addition to the Shares set out above, Mr. Zhou Xin is also interested in 14,460,000 Shares to be issued upon exercise of options granted under the Pre-IPO Share Option Scheme. As at the Latest Practicable Date, the options exercisable into 14,460,000 Shares held by Mr. Zhou Xin remain outstanding. As at the Latest Practicable Date, other than Mr. Zhou Xin, none of the Directors or their associates hold any Shares.

(6) Pursuant to the Underwriting Agreement, Mr. Zhou Xin has a right to designate a company wholly-owned by him to subscribe for the Untaken Rights Shares. For illustration purposes, we assume that all of the Untaken Rights Shares will be taken up by Mr. Zhou Xin.

(7) The aggregate of the percentage figures in the above table may not add up to 100% due to rounding of the percentage figures to two decimal places. The aggregate of the number Shares shown in the above table may not add up to the aggregate of number of Shares in issue as at the Latest Practicable Date and the number of Rights Shares to be issued, due to the treatment of fractional entitlements. No fractional entitlements to the Rights Shares shall be issued to the Shareholders and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company for its own benefit.

The Rights Issue would result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 11%, based on the theoretical diluted price of HK$0.26 per Share and the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK$0.29 per Share.

The Company will make further announcement if there is any material variation to the Rights Issue. As Mr. Zhou Xin, a Director and substantial shareholder of the Company, will underwrite the Rights Issue, the Company will make arrangements to dispose of the Unsubscribed Rights Shares under the Rights Issue, which shall comprise the rights shares that are not subscribed by the qualifying Shareholders and the right shares which would otherwise have been provisionally allotted to the non-qualifying Shareholders in nil-paid form, by offering the Unsubscribed Rights Shares to independent placees who are not Shareholders for the benefit of the relevant no action shareholders and the non-qualifying Shareholders to whom they were offered under the Rights Issue. To implement the foregoing Compensatory Arrangements, the Company has engaged placing agents to procure placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares at a price which shall be not less than the subscription price of the rights issue. For details, please refer to the Rights Issue Announcement and the Rights Issue Circular.

Expected Sequence of the Restructuring Events

As announced in the Company's announcement dated 1 August 2023 in relation to the update on the Company's Invitation for Irrevocable Restructuring Support, the Company has received the support from approximately 82.40% of the Scheme Creditors for the Restructuring and has filed a summons for directions and petition in relation to commencing the Cayman Scheme with the Cayman Court on 1 August 2023 (31 July 2023 Cayman Islands time) and an originating summons in relation to commencing the HK Scheme with the High Court on 31 July 2023. As separately announced in the Notice of Scheme Meetings Announcement, by the Cayman Scheme Convening Order, the Cayman Court has directed that the Cayman Scheme Meetings may be convened for the purposes of considering and, if thought fit, approving the

Cayman Scheme (with or without modification, addition or condition approved or imposed by the Cayman Court). In addition, by the HK Scheme Convening Order, the High Court has directed that the HK Scheme Meetings may be convened for the purposes of considering and, if thought fit, approving the HK Scheme (with or without modification, addition or condition approved or imposed by the High Court). As set out in more detail in the Notice of Scheme Meetings Announcement, the Cayman Scheme Meetings and HK Scheme Meetings were scheduled for 14 November 2023.

As further announced by the Company on 15 November 2023, the Cayman Scheme Meetings and HK Scheme Meetings were held on 14 November 2023. A total of 614 holders of the Old Notes holding Voting Scheme Claims in respect of the Old Notes of US$597,147,318 attended and voted by proxy at the Noteholders HK Scheme Meeting and the Noteholders Cayman Scheme Meeting. Of those present and voting at the aforementioned meetings, a total of 602 holders of the Old Notes holding Voting Scheme Claims of US$561,989,163 (representing 94.11% by value and 98.05% by number of holders of the Old Notes present and voting at the aforementioned meetings) voted in favour of the New Schemes. In addition, the CB Holder, holding Voting Scheme Claims in respect of the Convertible Note of HK$1,050,760,838.89 attended and voted by proxy in favour of the New Schemes at the CB Holder HK Scheme Meeting and the CB Holder Cayman Scheme Meeting. As such, both the HK Scheme and the Cayman Scheme have been approved by the requisite majorities of Scheme Creditors. The HK Scheme and the Cayman Scheme will be subject to the approval and sanction of the High Court and the Cayman Court, respectively. For details of the results of the Cayman Scheme Meetings and HK Scheme Meetings, please refer to the announcement of the Company dated 15 November 2023.

As further announced by the Company on 28 November 2023, (i) by an order made at the hearing held on 23 November 2023 (Hong Kong time), the High Court sanctioned the HK Scheme; (ii) by an order made at the hearing held on 24 November 2023 (Cayman Islands time), the Cayman Court sanctioned the Cayman Scheme; and (iii) all of the Scheme Conditions have been satisfied and the Scheme Effective Date occurred on 28 November 2023 (Hong Kong time) in respect of the HK Scheme and 27 November 2023 (Cayman Islands time) in respect of the Cayman Scheme. Each of the HK Scheme and the Cayman Scheme has therefore become effective in accordance with its terms.

In order to implement the New Schemes, the Company expects to complete the transactions under the Restructuring in the following sequence:

(i) Since all the conditions to the First TM Home Share Issuance were satisfied, the First TM Home Share Issuance took place on 15 August 2023. The First TM Home Share Issuance was not conditional upon the petitioning to the relevant courts for the New Schemes. Transactions contemplated under the Share Subscription Agreement were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 27 July 2023.

(ii) The Rights Issue is conditional upon, among others, (a) the Company having obtained the approval for the Cayman Scheme by the Scheme Creditors at the Cayman Scheme Meetings convened to consider the Cayman Scheme, (b) the Company having obtained the approval for the HK Scheme by the Scheme Creditors at the HK Scheme Meetings convened to consider the HK Scheme, and (c) the Company having obtained the Shareholders' approval for (1) the TM Home Share Issuance at a general meeting of the Shareholders, and (2) the Disposal and the Rights Issue at the Disposal EGM and the Rights Issue EGM. As of the Latest Practicable Date, the Company has obtained (a) the approval for the Cayman Scheme by the Scheme Creditors at the Cayman Scheme Meetings convened to consider the Cayman Scheme, (b) the approval for the HK Scheme by the Scheme Creditors at the HK Scheme Meetings convened to consider the HK Scheme, and (c) the Shareholders' approval for the TM Home Share Issuance. Assuming that (i) the Company is able to obtain 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 and (ii) all conditions under the Underwriting Agreement and the Placing Agreements have been satisfied, the Company expects the Rights Issue to take place before the Restructuring Effective Date. The Rights Issue 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 (as the case may be), the Company will not have sufficient funds to pay for the Cash Consideration. Failure of the Company in payment of the Cash Consideration means that the New Scheme will not become effective, and there is a possibility that the Scheme Creditor will commence legal proceedings to recover the outstanding liability of the Old Notes and the Convertible Note. In this context, the Company will use its best endeavours to reach an agreeable solution with the Scheme Creditors, but there is no guarantee that any solution could be reached.

(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 that all other conditions under the Share Subscription Agreement in respect of 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 Restructuring 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.

Consideration

The Company will not receive any cash consideration for the Disposal. The outstanding principal amount and unpaid interests of the Old Notes and Convertible Note will be settled upon the completion of the Disposal. The aggregate outstanding principal amount and unpaid interests of the Old Notes and Convertible Note were RMB5,870,462,000 as at 30 September 2023. As the Disposal forms an essential part of the Restructuring and the New Schemes, the Board (other than the members of the Takeovers Code IBC whose views were set out in the Rights Issue Circular and are set out in this circular) considers that the above arrangement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VALUATION

The Company has engaged ValueLink Management Consultants Limited, a registered valuer in the PRC, to conduct valuation on the subject entities of the Disposal. For the purpose of the valuation, the Valuer produced two separate valuation reports in relation to the Valuation of TM Home and the Valuation of CRIC, given that the two businesses are separately operated and have limited synergies. For details of the Valuation Reports, please refer to Appendix IVA and Appendix IVB to this circular.

In arriving at the appraised value of TM Home (excluding the value of CRIC) and the value of CRIC, the Valuer, an independent valuer engaged by the Company, considered the market approach, the income approach and the asset-based approach:

According to the Valuation Reports, the cost approach is a technique that uses the reproduction or replacement cost as an initial basis for value. The cost to reproduce or replace the subject asset with a new asset, either identical (reproduction) or having the same utility (replacement), establishes the highest amount a prudent investor is likely to pay. To the extent that the asset being valued provides less utility than a new one, due to physical deterioration, functional obsolescence, and/or economic obsolescence, the value of the subject asset is adjusted for those reductions in value. Adjustments may be made for age, physical wear and tear, technological inefficiencies, changes in price levels, and reduced demand, among other factors.

The market approach is a technique used to estimate value from an analysis of actual transactions or offerings for economically comparable assets available as of the valuation date. The process is essentially that of comparison and correlation between the subject asset and similar assets that have recently sold or are offered for sale in the market. The transaction or offering prices of the comparable assets are adjusted for dissimilarities in characteristics including location, age, time of sale, size, and utility, among others. The adjusted prices of the comparable assets provide an indication of value for the subject asset.

The income approach explicitly recognizes that the current value of an asset (liability) is premised on the expected receipt (payment) of future economic benefits (obligations)generated over its remaining life. These benefits can be in the form of earnings, net income, cash flow, or other measures of profitability and should include the proceeds from final disposition as well as cost savings and tax deductions. Value indications are developed by discounting expected benefits to their present value at the required rate of return that incorporates the time value of money and risks associated with the particular asset. The discount rate selected is generally based on expected rates of return available from alternative investments of similar type, quality, and risk as of the valuation date.

Valuation of CRIC

Having considered the above, the Valuer concluded that the cost approach applies to certain valuations, but it generally does not apply to the value analysis of a going concern business as it does not consider the future profitability potential of enterprises, as a result, the cost approach is not adopted in the valuation analysis. Since income approach involves many assumptions of CRIC's financial forecast, due to the uncertainty of the future performance, the income approach is not selected. The existing capital market is fully developed and filled with vitality, and there is a sufficiency of information on the same or similar companies or transactions with CRIC in the capital market, it is feasible to collect and obtain market and financial information regarding similar transactions and other relevant information. Since there are sufficient public companies of similar nature and business to that of CRIC, their market values are good indicators, market approach is adopted in the value analysis.

According to the Valuation Report of CRIC, the fair value of the entire equity interests in CRIC as of 31 July 2023, prepared based on the market approach, amounts to RMB1,327.0 million. Prior to the completion of the Disposal, the Company is expected to undergo an internal reorganization, following which CRIC will become a subsidiary of TM Home. In addition, as stated in the Valuation Report of CRIC, based on CRIC's financial performance and the market data of comparable companies, the Valuer considers that the value of CRIC as at 3 January 2024 for assessing the value of CRIC would not be materially different from the Valuation of CRIC as of 31 July 2023 and the difference would be within 5%.

Pursuant to the requirements of Rule 11.1(b) of the Takeovers Code, the Independent Financial Adviser is required to report on the Valuation Reports. With regard to the qualifications and experience of the Valuer, the Independent Financial Adviser has conducted reasonable check to assess the qualifications and experience of the Valuer and William Chen ("**Mr. Chen**", the Co-Founder of the Valuer) for compiling the Valuation Reports, including reviewing the supporting documents on the qualifications of the Valuer and Mr. Chen and discussed with the representatives of the Valuer on their qualifications and experience, particularly in relation to the value analysis on all shareholders' interests. The Independent Financial Adviser has also reviewed the relevant track record of Mr. Chen to assess his knowledge, skills and understandings necessary to conduct the Valuation of TM Home and the Valuation of CRIC. The Independent Financial Adviser is satisfied that the Valuer and Mr. Chen are suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Valuation of TM Home and the Valuation of CRIC competently.

Valuation of TM Home

Having considered the above, the Valuer concluded that the cost approach applies to certain valuations, but it generally does not apply to the value analysis of a going concern business as it does not consider the future profitability potential of enterprises. As a result, the cost approach was not adopted in the valuation analysis. As TM Home is under rapid expansion, it cannot find comparable companies with identical operation size, risks and stages and the market approach was not adopted in the valuation analysis. Considering that the management of TM Home can provide financial forecast, the Valuer adopted the income approach in the analysis when determining the value of TM Home (excluding CRIC and the real estate brokerage network services conducted under the "Fangyou" brand name) (see below for details).

According to the Valuation Report of TM Home, the fair value of the entire equity interest in TM Home as of 31 July 2023, prepared based on the income approach, amounts to RMB1,860.2 million. In addition, as stated in the Valuation Report of TM Home, based on TM Home's financial performance, the management's future estimation and the market data of comparable companies, the Valuer considers that the value of TM Home as at 3 January 2024 for assessing the value of TM Home would not be materially different from the Valuation of TM Home as of 31 July 2023 and the difference would be within 5%. In addition, the Valuer considers the compliance issue of Leju[1] will not have material impact on the valuation of TM Home as at 3 January 2024. The subjects of the valuation of TM Home include, (a) the online real estate marketing service business in partnership with Tmall Network, and (b) the 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. The Valuation of TM Home did not take into account the value of each of (i) CRIC, the valuation of which has been separately conducted, and (ii) the Company's real estate brokerage network services conducted under the "Fangyou" brand name, which will be retained by the Group by being transferred to the PRC Holdco before the completion of the Disposal and will not form part of the subject entities of the Disposal. In this respect, the Valuation of TM Home constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules and Rule 10 of the Takeovers Code (the "**Profit Forecast**") and, accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules as well as Rule 10 of the Takeovers Code are applicable to the Disposal.

[1] For details of the compliance issue of Leju, please refer to the sub-section headed "Material Change" in this circular.

For the purpose of complying with Rule 14.62 of the Listing Rules, the principal assumptions upon which the Profit Forecast is based are as follows:

General Assumptions

1. The analysis assumes that during the current and future existence of TM Home, there will be no material changes in the relevant laws and regulations, industry policies, fiscal and monetary policies, and the economic environment in which it is located.

2. The analysis assumes that the tax policy applicable to TM Home will not undergo material changes, and TM Home has no major tax disputes.

3. The analysis assumes that there will be no material changes in the currently available interest rates and exchange rates.

4. The analysis assumes that TM Home will continue to operate in the future and has sufficient operating capital and human resources to achieve its financial forecast.

5. The analysis assumes that the capital expenditures expected by management can meet the growth needs of TM Home, and TM Home has the ability to obtain the necessary financing.

6. The analysis assumes that the financial projections provided by the Company are reasonable and feasible from the perspective of market investors.

7. The analysis assume that the business plan of Leju to be submitted to the NYSE will be similar to the financial forecast related to Leju provided by the management.

8. The analysis assumes that all related party transactions are fair and reasonable, and are based on arm's length negotiation.

9. The analysis assumes that TM Home has no undisclosed actual or contingent assets or liabilities, unusual obligations or substantive undertaking, and no litigation pending or threatened that would materially affect the value of TM Home's shareholders' equity.

10. The analysis assumes that TM Home has responsibly performed its obligations as an asset owner and has competently undertaken effective management of the relevant assets.

11. In addition to the information provided by the Company, it is assumed that there is no other important information that affects the analysis of TM Home.

Special Assumptions for the Valuation of TM Home

The discounted cash flow method ("**DCF**") in the income approach considers that the present value of an investment is determined by the expected future economic benefits, such as the income that generated regularly, cost savings and sales revenue. In discounted cash flow method, a discount rate that can reflect the current market yield and the inherent risk of investment is used to discount the future net cash flow. The income forecast of TM Home mentioned below was provided by the Company and extracted from the Valuation Report of TM Home.

Discount rate

Discount rate is used to convert the annual net cash flow into present value, it is based on an estimated weighted average cost of capital ("**WACC**"). WACC consists of cost of equity and cost of debt, and it calculated by the proportion of capital structure.

The formula for the calculation of the WACC:

WACC = Kd × (1 – t) × %debt + Ke × %equity

Of which,

Kd = Debt cost

t = Effective tax rate

%debt = Proportion of debt in total capital

Ke = Cost of equity

%equity = Proportion of equity in total capital

The cost of equity, or required return on equity, is estimated using the capital asset pricing model ("**CAPM**").

The current yields on appropriate securities are analyzed for an indication of the cost of debt. The indicated costs of equity and debt are proportionately weighted using the appropriate capital structure for an indication of the cost of capital, or discount rate.

The cost of equity ("**Ke**"), or required return on equity, was estimated using the CAPM as below.

Ke = Rf + β(ERP) + SRP + ARP

Rf = Risk-free rate

β = Equity systematic risk measure

ERP = Rm – Rf = Market risk premium

SRP = Small Size risk premium

ARP = Additional risk premium (company specific)

CAPM is based on the premise that an industry's capitalization rate is equal to the risk free rate of return plus an equity risk premium adjusted by an industry risk factor based on beta. The beta is developed by analyzing the historical relationship between the return required by investors in a particular industry and the average return required by investors in the market as a whole. A small size premium is applied in estimating an appropriate cost of equity, due to the relative size of TM Home. Additional adjustments may be made for company-specific factors.

Assumptions in financial forecast

Income forecast: TM Home conducts online real estate marketing activities through the Tmall platform of Alibaba. Its major revenue includes: 1) revenue from Tmall Haofang; and 2) revenue from Leju. Total revenue of TM Home will gradually increase from RMB1.24 billion in August to December in 2023 to RMB5.76 billion in 2030.

- Revenue from Tmall Haofang: based on the information provided by the management, the revenue from Tmall Haofang includes: a. Annual fees revenue of stores; and b. commission revenue from new home transactions.

  a. Annual fees revenue of stores

     In the operation of the Tmall real estate marketing platform, TM Home invites real estate agents/agency stores to open stores and conduct marketing activities for new houses, second-hand houses and rented houses on the Tmall real estate marketing platform and charges annual fees and advertising fees from them. The annual fees revenue is forecasted based on the number of stores x annual fees per store.

     The number of stores is expected to increase from 16 thousand in 2023 to 31 thousand in 2030 and the annual fees per store are expected to increase from RMB3 thousand/year (for five months) in 2023 to RMB20 thousand/year in 2030.

     The annual fees revenue in the forecast period will increase from around RMB40 million in August to December in 2023 to RMB620 million in 2030.

  b. Commission revenue from new home transactions

     For agency stores conducting new house purchase coupon transactions on the Tmall real estate marketing platform, TM Home provides them with platform services and charges commissions. The commission is forecasted based on the gross merchandise volume (GMV) of house purchase coupon x the proportion of commissions.

The GMV is forecasted based on the number of stores and the annual trading volume and the amount of house purchase coupons of a single store of new home transactions. The GMV is expected to increase from RMB2.69 billion in 2024 to RMB11.45 billion in 2030 and the proportion of commissions charged by the platform is expected to maintain at 2.0% from 2024 to 2030.

The commission revenue from house purchase coupons is expected to increase from around RMB50 million in 2024 to RMB230 million in 2030.

- Revenue from Leju: based on the information provided by the management, the revenue from Leju includes a. E-commerce revenue; and b. Advertising revenue.

a. E-commerce revenue

Leju sells house purchase coupons to house buyers, locks houses and provides discounts for house buyers, thereby providing marketing services for real estate developers. It is forecasted based on the number of house purchase coupons x the unit price.

The number of house purchase coupons is expected to increase from 25 thousand in August to December in 2023 to 90 thousand in 2030. The unit price of house purchase coupons is expected to increase from RMB38,000/each in August to December in 2023 to RMB45,000/each in 2030.

The e-commerce revenue in the forecast period will increase from RMB0.95 billion in August to December in 2023 to RMB4.13 billion in 2030.

b. Advertisement revenue

The advertising revenue is the revenue from the provision of advertising services for real estate developers and project companies on the platforms of Leju. It is forecasted based on the growth rate.

The advertising revenue in the forecast period will increase from around RMB250 million in August to December in 2023 to RMB760 million in 2030.

The details of the key inputs to the Valuation of TM Home and major assumptions of cash flow projection, upon which the Valuation of TM Home was based, are set out in pages 195 to 203 of "Appendix IVA – Valuation Report of TM Home" to this circular.

Pursuant to Rule 14.62 of the Listing Rules and Rule 10 of the Takeovers Code, as the Valuation of TM Home constitutes profit forecast, it is required to be reported on by the Independent Financial Adviser and the reporting accountants of the Company. The Board has reviewed and considered the Valuation of TM Home including the principal assumptions upon which the Valuation of TM Home was based. On the basis of the foregoing, the Board is of the opinion that the Valuation of TM Home has been made after due and careful enquiry. The Company has complied with the requirements of Rule 10 of the Takeovers Code and both the Independent Financial Adviser and Zhonghui Anda CPA Limited have reported on the Valuation of TM Home under Rule 10.4 of the Takeovers Code, details of which are set out in the report by the Independent Financial Adviser, and the report by Zhonghui Anda CPA Limited, reporting accountants of the Company, in Appendix VII and Appendix V to this circular, respectively.

Pursuant to Rule 11 of the Takeovers Code, the Valuation Report of TM Home and the Valuation Report of CRIC, which were prepared by a suitably qualified and experienced professional valuer, are required to be reported on by the Independent Financial Adviser. The Independent Financial Adviser has reported on the Valuation Report of TM Home and the Valuation Report of CRIC, details of which are set out in the report by the Independent Financial Adviser in Appendix VII to this circular.

Financial information of the entities subject to the Disposal

As stated in the VSD Announcement, upon completion of the Restructuring, TM Home will (a) hold and operate the Company's two lines of business, being (i) the real estate data and consulting services business currently operated under CRIC and (ii) the online real estate marketing service business in partnership with Tmall Network, and (b) hold a controlling stake in Leju, a company listed on the New York Stock Exchange and a leading online-to-offline real estate services provider in China that is 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, which will continue to be operated by the Company after the Restructuring.

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	**For the year ended 31 December 2021**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue	2,898,786	4,337,874
Net loss before tax	(1,212,906)	(1,269,736)
Net loss after tax	(1,138,857)	(1,156,768)

Based on the unaudited combined financial information of the 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 RMB4,484 million and RMB2,722 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.

INFORMATION ON THE PARTIES

The Group

The Group is a real estate transaction service provider in the PRC, mainly offering real estate agency services in the primary market, real estate data and consulting services and real estate brokerage network services, as of the Latest Practicable Date. Upon the completion of the Restructuring and the Disposal, the Remaining 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 and facilitating sales transactions, and (ii) real estate brokerage network services under the "Fangyou" brand, which primarily include integrating small and medium-sized secondary real estate brokerage stores in the PRC, and empowering them with rich resources to enhance their business operations (collectively, the "**Remaining Businesses**"). The Restructuring and the Disposal serve as integral parts of the Group's plan to restructure its debt obligations. Having considered its options, the Board considers the Restructuring as 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 the PRC. The Group's real estate agency services in the primary market have 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 2016.

Financial impacts of the Disposal

For illustrative purposes, set out below is the unaudited pro forma financial information of the Remaining Group for the financial year ended or as of 31 December 2022 (assuming the Disposal had completed on 1 January 2022), and the nine months ended or as of 30 September 2023 (assuming the Disposal had completed on 1 January 2023):

	For the nine months ended or as of 30 September 2023	**For the year ended or as of 31 December 2022**
	RMB'000 (unaudited)	
Revenue	1,500,218	2,269,745
Net gain before tax (including gain on the Disposal)	5,226,998	1,452,354
Net gain after tax (including gain on the Disposal)	5,223,004	1,417,294

For the year ended 31 December 2022 and the nine months ended 30 September 2023, the total revenue generated from the Remaining Businesses was approximately RMB2,269.7 million and RMB1,500.2 million (excluding inter-segment sales), representing approximately 45% and 45% of the Group's revenue for the corresponding periods, respectively. Further, based on the unaudited pro forma financial information of the Remaining Group, the revenue attributable to the Remaining Group for the year ended 31 December 2022 would allow the Remaining Group to meet the requirements for revenue for the last audited financial year under the market capitalisation/revenue test and the market capitalisation/revenue/cash flow test pursuant to Rule 8.05 of the Listing Rules.

Creditor SPV

As of the Latest Practicable Date, Creditor SPV had not been established. As mentioned above, prior to the Restructuring Effective Date, the Company will establish Creditor SPV for the purpose of implementing the Restructuring. On the Restructuring Effective Date, each Scheme Creditor holding the Old Notes will be entitled to receive shares in Creditor SPV. The shares in Creditor SPV will be allocated 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. On the Restructuring Effective Date, 100% of the shares of the Creditor SPV will be transferred to the Scheme Creditors holding the Old Notes.

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. Transactions contemplated under the Share Subscription Agreement were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 27 July 2023. Following the completion of the First TM Home Share Issuance on 15 August 2023, the Company and the TM Home Minority Shareholder held approximately 89.207% and 10.793%, respectively, of the issued share capital of TM Home. 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 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. Upon the completion of the Disposal, TM Home will no longer be a subsidiary of the Company.

TM Home is currently engaged in the businesses of online real estate marketing and transaction platform operation. Set out below is a summary of the unaudited consolidated financial information of the TM Home Group (prepared in accordance with the International 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	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, and net liabilities value of approximately RMB55 million as of 30 June 2023.

Financial information of the entities subject to the potential Disposal

As stated above, TM Home will, upon completion of the Restructuring, hold and operate the Group's two lines of business, being (i) the real estate data and consulting services business currently operated under CRIC and (ii) the online digital real estate marketing service business in partnership with Tmall Network, which also includes a controlling stake in Leju. TM Home will not operate or hold the Company's real estate brokerage network services conducted under the "Fangyou" brand name, which will continue to be operated by the Company after the Restructuring.

For illustrative purposes, set out below is the unaudited combined financial information of the 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	For the year ended 31 December 2021
	RMB'000 (unaudited)	
Revenue	2,898,786	4,337,874
Net loss before tax	(1,212,906)	(1,269,736)
Net loss after tax	(1,138,857)	(1,156,768)

Based on the unaudited combined financial information of the 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 RMB984 million and RMB592 million as of 31 December 2021 and 2022, respectively, and (ii) the TM Home Group upon completion of the Restructuring had total assets of approximately RMB4,484 million and RMB2,722 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 Shareholders' reference only.

BUSINESS PROSPECTS OF THE REMAINING GROUP

As mentioned above, upon the completion of the Restructuring and the Disposal, the Remaining 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 integral parts of the Group's plan to restructure its debt obligations. Having considered its options, the Board considers the Restructuring as 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.

An existing team of high-caliber and experienced management and staff

The Group has the advantage of having an existing team of high-caliber and experienced management and staff in the fields in which the Remaining Businesses are being operated. As of the Latest Practicable Date, the Remaining Group had more than 3,000 employees serving the operations of its business units, as well as the supporting departments, including finance, compliance, information technology and human resources, and others. In the long run, the Remaining Group plans to focus on capturing business opportunities in the real estate market in the PRC by providing high-quality real estate agency services in the primary market and real estate brokerage network services.

Business environment becoming more favourable for operation

In 2022, China's real estate industry experienced unprecedented challenge and turmoil, partly as a result of COVID-19 related disruptions in economic activities and negative market sentiment. Many leading developers, including the majority of the Group's clients, faced sharply decreased sales and serious liquidity constraints and many of them defaulted on their external liabilities. This led to not only a substantial decline in the Group's revenues, especially from real estate agency services in the primary market, but further delays in collection of accounts receivables. Since late 2022, the Chinese government has removed substantially all COVID-19 control-related policies and restrictions. In July 2023, the Chinese government issued a series of policy statements aiming to stimulate the economy and stabilise the real estate industry in the PRC. Since then, more specific policies have been announced, including the lowering of benchmark lending rates and down payment requirements for home purchases, and removal or relaxation of purchase restrictions by many large cities. These measures are expected to help improve both the economy and the real estate market in the PRC.

In response to the downturn of the PRC real estate industry and the resulting liquidity constraints, the Group has sharply reduced its expenditures and focused on implementing cost-control measures, collection of receivables and continuing to operate the Remaining Businesses only to the extent that positive cash flow can be generated during the current period. The Remaining Businesses are the Group's core business segments with a long operating history. Even at a reduced scale, the Remaining Businesses have maintained continuity, including brand reputation, client relationships, experienced core management team, operational knowhow, and internal management and control systems to ensure smooth operation. Going forward, the Group's strategy is to control the scale and geographic scope of the Remaining Businesses according to industry environment. Expansion will be considered and carried out only if the industry shows substantial improvement in terms of market sentiment and transactional activities. Positive cash flow will be the Group's primary focus and consideration when deciding the pace of its expansion.

After the Disposal, the Group will focus its efforts on stabilising the revenue generated from the Remaining Businesses, details of which are set out below:

- **Real estate agency services:** The Group's real estate agency services primarily include formulating and executing marketing and sales strategies for new real estate projects developed by its developer customers, managing the sales center and show room, and facilitating sales transactions. Once a development project is ready to enter the sales phase, the Group's sales staff specially trained for the project will be stationed at the project site until most of the units are sold. The Group's sales staff provide prospective buyers with a presentation on the property, recommend appropriate floor plans based on their purchase criteria and provide assistance in contract signing. While the Group's sales staff also pursue sales leads, in recent years the Group's real estate agency services have increasingly focused on the execution of sales transactions for new development projects. While this has been the Group's core business, the Group has substantially reduced the scale of operation since the financial year of 2021 in light of the challenging market conditions. Going forward, the Group will focus on development projects that have strong sales prospects and can promptly settle its commission to ensure positive cash flow.

- **Real estate brokerage network services:** The Group launched its real estate brokerage network services under the "Fangyou" brand in January 2016 to integrate small and medium-sized real estate brokerage firms that each operate one or several brokerage stores. The Group does not open or operate its own brokerage stores, but authorises the participating brokerage stores to use the "Fangyou" brand, and provides software, training and other related services to them. The Group does not charge the brokerage firms for these services, but charges service fees when a real estate transaction is completed through a transaction service centre managed by the Group. Although real estate brokerage stores in China traditionally focused almost exclusively on executing transactions in the secondary market, in recent years they have become an increasingly important sales channel for new development projects. Developers have become more dependent on brokerage stores to source potential buyers and bring them into the showroom and are willing to pay a channels fee to brokerage stores for a successful transaction. At the same time, brokerage stores also actively seek access to new development projects to bring their customers more choices and increase revenues through the channels fee. The Group leverages its relationship with real estate developers and offers access to new home projects to brokerage stores that participate in the Group's brokerage network services, helping them generate new home transactions. For this service, the Group keeps a portion of the channels fee paid by the developers and passes on the remainder to the Fangyou brokerage firms.

- The Group's real estate agency services and real estate brokerage network services are complementary to, and do not compete with, each other in the primary market because they serve two distinct components in a new home transaction. While the primary real estate agency services focus on facilitating and executing transactions, the brokerage network services mainly help brokerage stores become an effective distribution channel for new home projects. For a new home project, the developer may simultaneously engage the Fangyou brokerage network to source potential buyers and the Group's real estate agency services to execute transactions. If a home buyer brought in by the Fangyou network completes a transaction at the project site where the Group is contracted to provide the real estate agency services, the Group is generally entitled to a commission for the provision of the real estate agency services as well as the channels fee received by the Fangyou network.

Upon completion of the Restructuring, TM Home will hold and operate the Group's two lines of business, being (i) the real estate data and consulting services business currently operated under CRIC and (ii) the online digital real estate marketing service business in partnership with Tmall Network, which also includes a controlling stake in Leju, a company listed on the New York Stock Exchange. Set out below are the details of the businesses to be disposed of by the Group upon completion of the Restructuring:

- **Real estate data and consulting services business currently operated under CRIC:** The real estate data and consulting services focus on serving developers at various stages of the project development and sales process and other clients with particular requests and needs. These services mainly include data services, rating and ranking services, and consulting services. In respect of the real estate data services, the Group charges its clients to service fees in a fixed amount depending on the number of cities covered, modules subscribed and user accounts, as well as the amount and type of additional services they require. In respect of the rating and ranking services, leveraging on the Group's data research and analysis system and published research reports and rankings, the Group charges service fees to its clients by providing value-added services after it has completed the relevant reports or rankings, such as compiling media reports on the ratings and rankings related to the customers for their marketing use. In respect of consulting services, the Group provides real estate consulting services to its developer clients throughout the design, development and sales stages and address specific issues encountered by them and, additionally, provides real estate consulting services to commercial banks, real estate trade associations and governmental property and planning agencies, as well as investors interested in investing in the real estate industry, pursuant to which the Group charges service fees to them.

- **Online real estate marketing service business in partnership with Tmall Network:** The online digital real estate marketing service business operated by TM Home has been built as a real estate information service platform and a virtual transaction platform. TM Home invites developers, real estate brokerage agencies and other real estate transaction agencies to open online stores on the platform. TM Home charges annual fees for maintaining these online stores and commission for transactions conducted through the online platform.

- **Leju:** Leju is a company listed on the New York Stock Exchange and a leading online-to-offline real estate services provider in China that is principally engaged in offering real estate e-commerce, online advertising, and online listing services through its online platform. Leju integrates its online platform with complementary offline services to facilitate residential property transactions. Leju offers real estate e-commerce services primarily in connection with new residential property sales, which include selling discount coupons to potential home buyers and facilitating property visits, marketing events and pre-sale customer support. In respect of the online advertising services, Leju mainly provides comprehensive advertisement placement services to advertisers, mainly property developers and home furnishing suppliers, through a packaged online cross-media and cross-platform product portfolio, including those owned by Leju and other independent outlets, by which Leju earns advertising revenue. In respect of the online listing services, Leju offers fee-based online property listing services to real estate agents and free services to individual property sellers.

The Group has operated, and will continue to operate, the Remaining Businesses independently from the businesses to be disposed of by the Group upon completion of the Restructuring. The Group has been providing the real estate agency services since its inception in 2000 and has been carrying on the real estate brokerage network services since 2016. In contrast, the online digital marketing platform operated by TM Home was established only in 2021. TM Home and Leju complement the Remaining Businesses to the extent that when the Group markets itself to real estate developers, it can offer an array of online and offline services and provide one-stop shop for the developers’ marketing requirements, but are not otherwise connected, essential to or indispensable for the Remaining Businesses. Given the long operating history, the specific business models of the Remaining Businesses as described above and the independence of the management team which looks after the Remaining Business from the management team which looks after the Disposal Group, there is clear delineation between the Remaining Business on one hand, and the Disposal Group on the other hand, the Disposal will only have minimal impact on the Group's operation of the Remaining Businesses.

Taking into account the above and based on the information currently available, the Board believes that following the Restructuring and the Disposal, the Remaining Businesses will allow the Remaining Group to meet the requirements of Rule 13.24 of the Listing Rules in respect of sufficiency of operations and assets. The Company confirms that, as of the Latest Practicable Date, it had no intention to dispose or downsize the Remaining Businesses in the near future after the Restructuring Effective Date.

For the year ended 31 December 2022 and the nine months ended 30 September 2023, the total revenue generated from the Remaining Businesses was approximately RMB2,269.7 million and RMB1,500.2 million (excluding inter-segment sales), representing approximately 45% and 45% of the Group's revenue for the corresponding periods, respectively.

USE OF PROCEEDS

The Company will not receive any cash consideration for the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As stated in the RSA (CB) Announcement, the Company was 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. Through the Disposal, the shares in TM Home will be allotted and issued to the Creditor SPV on the Restructuring Effective Date, in addition to the Cash Consideration payable to the Scheme Creditors, which the Company believes is an essential step to facilitate the implementation of the New Schemes and the Restructuring.

Taking into account the above information (including the Valuation of TM Home and the Valuation of CRIC), the Board (other than the members of the Takeovers Code IBC whose views were set out in the Rights Issue Circular and are set out in this circular) considers that the terms of the Disposal, which are made on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Disposal constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, the Disposal is conditional upon the relevant courts sanctioning the New Schemes. The Board (other than the members of the Takeovers Code IBC whose views were set out in the Rights Issue Circular and are set out in this circular) considers that the terms of the Disposal, which are made on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Any Shareholder with a material interest in the Disposal is required to abstain from voting on the resolution(s) to be passed at the Disposal EGM.

To the best knowledge of the Directors, as of the Latest Practicable Date, (1) Taobao China was a holder of 145,588,000 Shares, representing approximately 8.324% of the total issued share capital of the Company; and (2) the CB Holder, the TM Home Minority Shareholder and Taobao China were all wholly-owned subsidiaries of Alibaba Holding. As such, Taobao China, being an associate of the CB Holder and TM Home Minority Shareholder, is required to abstain from voting on the resolution(s) to be passed at the Disposal EGM pursuant to Rule 14.46 of the Listing Rules. To the best knowledge of the Directors, as of the Latest Practicable Date, save for the CB Holder, no Scheme Creditors have a material interest in the Disposal.

In light of the potential change in control of the Company which may result from the underwriting in respect of the Rights Issue to be undertaken by Mr. Zhou Xin as the Underwriter, the Company has, in relation to the Disposal, applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.06E of the Listing Rules (the "**Listing Rules Waiver**") on the following grounds:

(i) Mr. Zhou Xin has been, and will remain as, the single largest Shareholder

There was no change of the single largest Shareholder for the three years ended 31 December 2022 and there will be no change of the single largest Shareholder immediately following completion of the Rights Issue. As at the date of this announcement, Mr. Zhou Xin was interested in an aggregate of 398,613,499 Shares (excluding 14,460,000 Shares to be issued upon exercise of options granted under the Pre-IPO Share Option Scheme of the Company), representing approximately 22.8% of the issued share capital of the Company. Following the completion of the Rights Issue, assuming that Mr. Zhou Xin subscribes for all of the underwritten Shares pursuant to the Rights Issue, Mr. Zhou Xin (and parties acting in concert with him) will be interested in approximately 64.90% of the Company's share capital in issue as enlarged by the Rights Issue. Based on the information currently available to the Company, save for Mr. Zhou Xin and parties acting in concert with him, none of the other Shareholders (a) is interested in more than 10% of the issued share capital of the Company as at the date of this announcement and (b) is expected to be interested in more than 10% of the Company's share capital in issue as enlarged by the Rights Issue. As such, Mr. Zhou Xin has been, and will upon completion of the Rights Issue remain as, the single largest Shareholder.

(ii) The Company is undergoing the Restructuring and has no intention to carry out a reverse takeover

While Mr. Zhou Xin's interest in the Company's issued share capital may constitute a change in control as a result of the underwriting arrangement in relation to the Rights Issue, Mr. Zhou Xin has been, and will remain as, the single largest Shareholder. As such, the potential increase in shareholding in the Company by Mr. Zhou Xin is merely a technical change of control. In addition, the Disposal and the Rights Issue form part of the Restructuring and are commercial measures that the Company considers necessary to salvage itself from the financial difficulties and the Company has no intention to carry out a reverse takeover or in any way attempt to resequence any transaction for the purpose of a reverse takeover by way of the Restructuring.

(iii) Mr. Zhou Xin was the most appropriate and relevant stakeholder to be the underwriter of the Rights Issue

The main purpose of the Rights Issue is to fund the Cash Consideration, which is an integral part of the Restructuring Consideration. Given the Company's circumstances (including its financial conditions) and the terms of the underwriting arrangement which would have involved no underwriting fees or commissions, after several attempts to seek a financial institution that agrees to be an underwriter of the Rights Issue, the Company subsequently concluded that (i) it was impractical to engage a third party who is not related to the Company to be an underwriter of the Rights Issue, and (ii) Mr. Zhou Xin, being a founder and the single largest Shareholder of the Company, was the most appropriate and relevant stakeholder to be the underwriter and support the Restructuring.

The Stock Exchange has granted the above waiver on the condition that the details of and reasons for such waiver are disclosed.

TAKEOVERS CODE IMPLICATIONS, APPLICATION FOR WHITEWASH WAIVER AND SPECIAL DEALS

Whitewash Waiver

Reference is made to the Rights Issue Announcement and the Rights Issue Circular. As at the Latest Practicable Date, Mr. Zhou Xin and parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace) were interested in an aggregate of 398,613,499 Shares, representing approximately 22.8% of the issued share capital of the Company. Mr. Zhou Xin has provided the Irrevocable Undertaking to procure the taking up and payment by each of CRE Corp, E-House (China) Holdings, On Chance and Regal Ace, an aggregate of 478,336,198 Rights Shares to be provisionally allotted to them respectively under the Rights Issue. Assuming no Rights Shares are taken up by the qualifying shareholders (other than those to be taken up by CRE Corp, E-House (China) Holdings, On Chance and Regal Ace pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Mr. Zhou Xin, as the Underwriter, will be required to take up a maximum of 1,620,535,238 Rights Shares. In such circumstances and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Mr. Zhou Xin and parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace) will, in aggregate, be interested in 2,497,484,934 Shares, representing approximately 64.90% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, Mr. Zhou Xin would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by him and parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace), unless the Whitewash Waiver is granted.

An application has been made by Mr. Zhou Xin to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the Rights Issue EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the Rights Issue EGM and the Disposal EGM by way of poll in respect of the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder. Mr. Zhou Xin, his associates and parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace), Taobao China and its associates (including the CB Holder) and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the Rights Issue EGM and the Disposal EGM.

If the Whitewash Waiver is granted by the Executive and approvals by the Independent Shareholders are obtained, upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the maximum potential holding of voting rights of Mr. Zhou Xin and parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace) in the Company will exceed 50%, Mr. Zhou Xin may thereafter increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Special Deals

As of the Latest Practicable Date, Taobao China was interested in 145,588,000 Shares (representing approximately 8.324% of the issued share capital of the Company) and the Company owes debt obligations to the CB Holder (being an associate of Taobao China) in respect of the Convertible Note. Based on the information available to the Company as at the Latest Practicable Date, save as disclosed above, the Company was not aware that there is any other Scheme Creditor being a Shareholder. Under the Takeovers Code, each of (i) the use of proceeds from the Rights Issue to pay the Restructuring Consideration to the CB Holder (being an associate of Taobao China and a Scheme Creditor) and other Scheme Creditors who may also be Shareholders (i.e. the Special Deal 1), (ii) on the Restructuring Effective Date, the issuance of new shares of TM Home to Creditor SPV (which will be owned by the Scheme Creditors who are holding the Old Notes and may also be Shareholders), pro rata by reference to the proportion of the aggregate Scheme Creditor Claim held by the holders of the Old Notes at the Record Time (i.e. the Special Deal 2), and (iii) on the Restructuring Effective Date, the issuance of new shares of TM Home to the CB Shareholder (being an associate of Taobao China), pro rata by reference to the proportion of the aggregate Scheme Creditor Claim held by the CB Holder at the Record Time (i.e. the Special Deal 3), would constitute a favorable condition not extended to all Shareholders and therefore a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Executive's consent, if granted, will be conditional upon (i) the Independent Financial Adviser to the Takeovers Code IBC publicly giving an opinion that the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Independent Shareholders of the Special Deals at one or more shareholders' meetings by way of poll. The Company is in the process of seeking the Executive's consent to the Special Deals under Note 5 to Rule 25 of the Takeovers Code.

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive, the Executive's consent to the Special Deals and the approval by the Independent Shareholders at (i) the Rights Issue EGM in respect of the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deal 1 and the transactions contemplated thereunder and the Whitewash Waiver as mentioned above and (ii) the Disposal EGM in respect of the Special Deal 2 and the Special Deal 3. If the Whitewash Waiver or the consent to the Special Deals is not granted and/or approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

As at the Latest Practicable Date, the Company does not believe that the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver or its consent to the Special Deals if the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver do not comply with other applicable rules and regulations.

Valuation and Profit Forecast

Pursuant to Rule 10 of the Takeovers Code, as the Valuation of TM Home constitutes profit forecast, it is required to be reported on by the independent financial adviser and the reporting accountants of the Company. The Company has complied with the requirements of Rule 10 of the Takeovers Code and both the Independent Financial Adviser and Zhonghui Anda have reported on the Valuation of TM Home under Rule 10.4 of the Takeovers Code, details of which are set out in the report by the Independent Financial Adviser, and the report by Zhonghui Anda, reporting accountants of the Company, in Appendix VII and Appendix V to this circular, respectively.

Pursuant to Rule 11 of the Takeovers Code, the Valuation Report of TM Home and the Valuation Report of CRIC, which were prepared by a suitably qualified and experienced professional valuer, are required to be reported on by the Independent Financial Adviser. The Independent Financial Adviser has reported on the Valuation Report of TM Home and the Valuation Report of CRIC, details of which are set out in the report by the Independent Financial Adviser in Appendix VII to this circular.

DEALINGS OF THE SHARES BY MR. ZHOU XIN AND PARTIES ACTING IN CONCERT WITH HIM

As at the Latest Practicable Date, Mr. Zhou Xin and the parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace):

(i) do not own, control or have control or direction over any voting rights and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, save for the Shares and options as set out in the section headed "Effects on the Shareholding Structure" in the Rights Issue Circular;

(ii) have not received any irrevocable commitment to vote for or against the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deals and/or the Whitewash Waiver;

(iii) have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(iv) do not have any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver and/or the Special Deals, with any other persons, save for the Underwriting Agreement and the Irrevocable Undertaking therein given by Mr. Zhou Xin in respect of the interests in the Shares held by each of CRE Corp, E-House (China) Holdings, On Chance and Regal Ace;

(v) do not have any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver and/or the Special Deals, except that the Rights Issue and the Underwriting Agreement are conditional upon, among other things, obtaining of the Whitewash Waiver by Mr. Zhou Xin and the Executive's consent to the Special Deals as set out in the sub-section headed "Conditions of the Underwriting Agreement" under the section headed "The Underwriting Agreement" of the Rights Issue Circular; and

(vi) have not entered into any derivative in respect of the relevant securities in the Company which are outstanding.

As at the Latest Practicable Date,

(i) apart from the underwriting commission payable by the Company to Mr. Zhou Xin pursuant to the terms of the Underwriting Agreement, the Company has not paid and will not pay any other consideration, compensation or benefit in whatever form to Mr. Zhou Xin and parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace) in connection with the Rights Issue and the Underwriting Agreement;

(ii) apart from the Underwriting Agreement and the Irrevocable Undertaking therein, there is no other understanding, arrangement or special deal between the Group on the one hand, and Mr. Zhou Xin and parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace) on the other hand; and

(iii) save for the Special Deals, there is no understanding, arrangement or agreement or special deal between (a) any Shareholder; and (b) Mr. Zhou Xin and parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace); or the Company, its subsidiaries or associated companies.

During the Relevant Period, neither Mr. Zhou Xin nor any parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace) has dealt in any relevant securities of the Company.

Disposal EGM

The register of members of the Company will be closed from Friday, 26 January 2024 to Wednesday, 31 January 2024 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the Disposal EGM.

A notice convening the Disposal EGM to be held at Conference Room, 1/F, Yinli Building, 383 Guangyan Road, Jing'an District, Shanghai, China on Wednesday, 31 January 2024 at 10:30 a.m. is set out on pages 261 to 263 of this circular.

A form of proxy for use at the Disposal EGM is enclosed with this circular and such form of proxy is also published at the website of the Stock Exchange at www.hkex.com.hk. Whether or not you intend to attend the Disposal EGM, you are requested to complete the enclosed form of proxy and indicate voting instruction in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for the holding of the Disposal EGM (i.e. by 10:30 a.m. on Monday, 29 January 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the Disposal EGM or any adjournment thereof.

The Disposal EGM will be held to consider and, if thought fit, pass the resolutions to approve the Disposal, the Special Deal 2 and the Special Deal 3. In accordance with the Listing Rules and the Takeovers Code, Mr. Zhou Xin, his associates and any parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace), Taobao China and its associates (including the CB Holder) and Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Disposal, the Special Deal 2 and the Special Deal 3 (including any Scheme Creditors who hold any interest in the Shares) will be required to abstain from voting on the resolutions to approve the Disposal, the Special Deal 2 and the Special Deal 3 at the Disposal EGM. Save as disclosed in this circular, no other Shareholder is involved or interested in or has a material interest in the Disposal, the Special Deal 2 and the Special Deal 3 and, hence, is required to abstain from voting on the resolution(s) to approve the Disposal, the Special Deal 2 and the Special Deal 3 at the Disposal EGM.

Shareholders and potential investors of the Company should note that this circular must be read in conjunction with the Rights Issue Circular. Shareholders should review the aforementioned two circulars together before making their decisions as to voting at the Disposal EGM and the Rights Issue EGM.

THE TAKEOVERS CODE IBC AND THE INDEPENDENT FINANCIAL ADVISER

The Takeovers Code IBC, comprising Mr. Yang Yong, Mr. Song Jiajun, Mr. Chen Daiping, Mr. Zhang Bang, Mr. Zhu Hongchao, Mr. Wang Liqun and Mr. Li Jin, being all the non-executive Directors (save for Ms. Jiang Shanshan who is currently serving as an investment director at Alibaba Holding and may have conflict of interests in respect of the Special Deals) and independent non-executive Directors, has been established in accordance with Rule 2.8 of the Takeovers Code to give recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreements, the Underwriting Agreement and the transactions contemplated thereunder respectively, the Special Deals and the Whitewash Waiver, and as to the voting action therefor.

Maxa Capital Limited has been appointed as the Independent Financial Adviser to advise the Takeovers Code IBC and the Independent Shareholders in respect of the Rights Issue, the Placing Agreements, the Underwriting Agreement and the transactions contemplated thereunder respectively, the Whitewash Waiver and the Special Deals, and as to the voting action therefor. The appointment of the Independent Financial Adviser has been approved by the Takeovers Code IBC pursuant to Rule 2.1 of the Takeovers Code.

RECOMMENDATION

The Directors (excluding the members of the Takeovers Code IBC whose views in respect of the Special Deal 2 and the Special 3 are further set out below) consider that the Disposal, the Special Deal 2 and the Special Deal 3 are: (i) fair and reasonable and (ii) in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (excluding the members of the Takeovers Code IBC whose views in respect of the Special Deal 2 and the Special 3 are further set out below) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the Disposal EGM to approve the Disposal, the Special Deal 2 and the Special Deal 3.

Having taken into account the advice of the Independent Financial Adviser, the Takeovers Code IBC (excluding Mr. Song Jiajun) considers that the Disposal, the Special Deal 2 and the Special Deal 3 are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Takeovers Code IBC (excluding Mr. Song Jiajun) recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the Disposal EGM to approve the Disposal, the Special Deal 2 and the Special Deal 3. For details of the dissenting view of Mr. Song Jiajun, please refer to the letter from the Takeovers Code IBC set out on pages 52 to 54 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Takeovers Code IBC set out on pages 52 to 54 of this circular which contain its recommendation to the Independent Shareholders in respect of the Disposal, the Special Deal 2 and the Special Deal 3. Your attention is also drawn to the letter from Maxa Capital Limited set out on pages 55 to 90 of this circular which contains its advice to the Takeovers Code IBC and the Independent Shareholders in respect of the aforesaid regards.

Your attention is also drawn to the information set out in the appendices to this circular.

WARNING OF THE RISKS OF DEALING IN THE SHARES

Shareholders and potential investors of the Company should note that this circular must be read in conjunction with the Rights Issue Circular. Shareholders should review the aforementioned two circulars together before making their decisions as to voting at the Disposal EGM and the Rights Issue EGM.

On behalf of the Board
E-House (China) Enterprise Holdings Limited
ZHOU Xin
Chairman

Set out below is the text of a letter of recommendation from the Takeovers Code IBC to the Independent Shareholders in respect of the Disposal, the Special Deal 2 and the Special Deal 3, which has been prepared for the purpose of inclusion in this circular.

易居企业集团

E-House (China) Enterprise Holdings Limited
易居(中國)企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2048)

16 January 2024

To the Independent Shareholders

Dear Sir or Madam,

(I) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF EQUITY INTERESTS IN TM HOME; (II) SPECIAL DEAL 2; AND (III) SPECIAL DEAL 3

We refer to the circular dated 16 January 2024 of the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalised terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires.

We have been appointed as the members of the Takeovers Code IBC to advise the Independent Shareholders as to whether the Disposal, the Special Deal 2 and the Special Deal 3 are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to recommend how the Independent Shareholders should vote at the Disposal EGM. Maxa Capital Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in these regards. Details of the advice of Maxa Capital Limited, together with the principal factors it has taken into consideration in giving its advice, are contained in its letter set out on pages 55 to 90 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Shareholders should note that there is a divergence of view between the Takeovers Code IBC members. Mr. Song Jiajun considers that Management SPV, which is not a part of the Group, would be able to acquire 15% of the shares of TM Home and the Company's shareholding in TM Home will be further reduced after the Restructuring and therefore the Disposal, the Special Deal 2 and the Special Deal 3 (the "**Proposed Transaction**") are not in the best interests of the Company and its Independent Shareholders as a whole, whereas other Takeovers Code IBC members are of a different opinion.

The arguments for/against the Proposed Transaction are summarised below:

For:

(i) upon successful fund raising through the Rights Issue, the Company will be able to address the imminent funding need of the Cash Consideration of approximately HK$379.7 million, being part of the Restructuring Consideration under the New Schemes that offsets the outstanding offshore indebtedness of the Company of approximately HK$6,328.5 million in order to proceed with the Restructuring, the successful completion of which represents one of the determinants factors toward the Group's ability to continue as a going concern;

(ii) considering that the Group experienced a deteriorating cash flows and liquidity with loss for the year amounted to approximately RMB5.0 billion for FY2022 and net liabilities of approximately RMB5.0 billion as at 31 December 2022, the Group has encountered difficulties in raising onshore and offshore financing;

(iii) given that the Cash Consideration constitutes a key component of the Restructuring Consideration, the successful fund raising through Rights Issue could expedite the process of the Restructuring. Through Restructuring, the Company is able to meet its financial commitments and address liquidity issues whilst alleviate its cashflow pressure and provide flexibility to operations, offering the Company necessary financial stability to continue as a going concern and to improve its overall financial position. Upon completion of the Restructuring, the Company is able to prioritize the stabilization of its operations and preserve from liquidation; and

(iv) the Underwriter is willing to support the Restructuring and underwrites the Rights Issue without charging any commission fees.

Against:

(i) TM Home is currently a subsidiary of the Company operating a part of the Group's principal businesses but as a result of the Restructuring, Management SPV, which is not a part of the Group, would be able to acquire 15% of the shares of TM Home and the Company's shareholding in TM Home will be further reduced. Accordingly, the terms of the Restructuring are not in the best interest of the Company and its Independent Shareholders as a whole.

Having taken into account all the factors mentioned above and the principal factors and reasons considered by Maxa Capital Limited (i.e., (i) the Rights Issue could facilitate the process of Restructuring, (ii) the improved financial structure and reduced interest expenses upon completion of the Restructuring, (iii) the negative impact on the Share price of the Company against the background of the going concern issue on whether the Company can complete the Restructuring, and (iv) the negative impact on the Group in the event of failure of the Restructuring), the Takeovers Code IBC members (excluding Mr. Song Jiajun) consider that the Disposal, the Special Deal 2 and the Special Deal 3 are on normal commercial terms, fair and reasonable and in the interests of the Company and its Independent Shareholders as a whole. Accordingly, the Takeovers Code IBC members (excluding Mr. Song Jiajun) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the Disposal EGM to approve the Disposal, the Special Deal 2 and the Special Deal 3.

Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deal 1 and the Whitewash Waiver

Reference is made to the views of the Takeovers Code IBC members set out in the Rights Issue Circular. Having taken into account all the factors mentioned above and the principal factors and reasons considered by Maxa Capital Limited as set out in the Rights Issue Circular as of the Latest Practicable Date, the Takeovers Code IBC members (excluding Mr. Song Jiajun) consider that the Rights Issue, the Placing Agreements, the Special Deal 1 and the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable and in the interests of the Company and its Independent Shareholders as a whole. The Takeovers Code IBC members (excluding Mr. Song Jiajun) also consider that the Underwriting Agreement is on normal commercial terms, and the terms of the Underwriting Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, despite the transaction contemplated under the Underwriting Agreement is not in the Company's ordinary and usual course of business. Accordingly, the Takeovers Code IBC members (excluding Mr. Song Jiajun) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the Rights Issue EGM to approve the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deal 1 and the Whitewash Waiver.

Yours faithfully,
For and on behalf of the Takeovers Code IBC
E-House (China) Enterprise Holdings Limited

Yang Yong *Non-executive Director*	**Song Jiajun** *Non-executive Director*	**Chen Daiping** *Non-executive Director*	**Zhang Bang** *Independent non-executive Director*
Zhu Hongchao *Independent non-executive Director*	**Wang Liqun** *Independent non-executive Director*	**Li Jin** *Independent non-executive Director*	

The following is the full text of the letter from Maxa Capital Limited, the Independent Financial Adviser to the Takeovers Code IBC and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

THIS LETTER MUST BE READ IN CONJUNCTION WITH THE CIRCULAR DATED 30 NOVEMBER 2023 IN RELATION TO THE RIGHTS ISSUE PUBLISHED BY THE COMPANY.

邁時資本
MAXA CAPITAL

Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

16 January 2024

To: Takeovers Code IBC and Independent Shareholders of E-House (China) Enterprise Holdings Limited

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF EQUITY INTERESTS IN TM HOME
(2) SPECIAL DEAL 2
AND
(3) SPECIAL DEAL 3

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Takeovers Code IBC and the Independent Shareholders in respect of (1) the Disposal; (2) Special Deal 2; and (3) Special Deal 3 and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company dated 16 January 2024 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular and the Rights Issue Circular unless the context requires otherwise.

As disclosed in the RSA Announcement, as part of the Restructuring, the Company intends to propose the New Schemes to holders of the Old Notes and the CB Holder. 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 Claim held by the holders of the Old Notes and the CB Holder, respectively, at the Record Time. 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.

Prior to the Restructuring Effective Date, the Company will incorporate Creditor SPV, an entity to be owned by holders of the Old Notes on the Restructuring Effective Date, for the purpose of implementing the New Schemes. On the Restructuring Effective Date, (i) each Scheme Creditor holding the Old Notes will be entitled to receive shares in Creditor SPV, which will be allocated pro rata by reference to the Scheme Creditor Claim that each such Scheme Creditor held at the Record Time; (ii) 100% of the shares of Creditor SPV will be transferred to the Scheme Creditors holding the Old Notes; and (iii) the Company will cause TM Home to issue new TM Home Shares to Creditor SPV and the CB Shareholder according to the Creditor SPV Allocation and the CB Allocation, such that following 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. As a result of 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 Management SPV.

Subsequent to the Disposal, the Company will continue to operate TM Home up to 31 August 2024 under the TM Home Shareholders' Agreement despite only holding 20% equity interest in TM Home. The Disposal is conditional upon (1) the relevant courts sanctioning the New Schemes; (2) the Independent Shareholders' approval to be obtained at the Disposal EGM and the Rights Issue EGM; and (3) the Executive granting its consent to the Special Deals pursuant to Rule 25 of the Takeovers Code as the Disposal forms part of the Restructuring Consideration to be paid to the Scheme Creditors. For further details of the Disposal, please refer to the Board Letter.

As announced by the Company on 15 November 2023, the Cayman Scheme Meetings and HK Scheme Meetings were held on 14 November 2023. A total of 614 holders of the Old Notes holding Voting Scheme Claims in respect of the Old Notes of US$597,147,318 attended and voted by proxy at the Noteholders HK Scheme Meeting and the Noteholders Cayman Scheme Meeting. Of those present and voting at the aforementioned meetings, a total of 602 holders of the Old Notes holding Voting Scheme Claims of US$561,989,163 (representing 94.11% by value and 98.05% by number of holders of the Old Notes present and voting at the aforementioned meetings) voted in favour of the New Schemes. In addition, the CB Holder, holding Voting Scheme Claims in respect of the Convertible Note of HK$1,050,760,838.89 attended and voted by proxy in favour of the New Schemes at the CB Holder HK Scheme Meeting and the CB Holder Cayman Scheme Meeting. As such, both the HK Scheme and the Cayman Scheme have been approved by the requisite majorities of Scheme Creditors. The HK Scheme and the Cayman Scheme will be subject to the approval and sanction of the High Court and the Cayman Court, respectively. For details of the results of the Cayman Scheme Meetings and HK Scheme Meetings, please refer to the announcement of the Company dated 15 November 2023.

As further announced by the Company on 28 November 2023, (i) by an order made at the hearing held on 23 November 2023 (Hong Kong time), the High Court sanctioned the HK Scheme; (ii) by an order made at the hearing held on 24 November 2023 (Cayman Islands time), the Cayman Court sanctioned the Cayman Scheme; and (iii) all of the Scheme Conditions have been satisfied and the Scheme Effective Date occurred on 28 November 2023 (Hong Kong time) in respect of the HK Scheme and 27 November 2023 (Cayman Islands time) in respect of the Cayman Scheme. Each of the HK Scheme and the Cayman Scheme has therefore become effective in accordance with its terms.

LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

The Disposal constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As of the Latest Practicable Date, (1) Taobao China was a holder of 145,588,000 Shares, representing approximately 8.324% of the total issued share capital of the Company; and (2) the CB Holder, the TM Home Minority Shareholder and Taobao China were all wholly-owned subsidiaries of Alibaba Holding. As such, Taobao China, being an associate of the CB Holder and TM Home Minority Shareholder, is required to abstain from voting on the resolution(s) to be passed at the Disposal EGM pursuant to Rule 14.46 of the Listing Rules.

The Takeovers Code IBC, comprising Mr. Yang Yong, Mr. Song Jiajun, Mr. Chen Daiping, Mr. Zhang Bang, Mr. Zhu Hongchao, Mr. Wang Liqun and Mr. Li Jin, being all the non-executive Directors (save for Ms. Jiang Shanshan who is currently serving as the investment director at Alibaba Holding and may have conflict of interests in respect of the Special Deals) and all the independent non-executive Directors, has been established in accordance with Rule 2.8 of the Takeovers Code to give recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreements, the Underwriting Agreement and the transactions contemplated thereunder respectively, the Special Deals and the Whitewash Waiver, and as to the voting action therefor.

We, Maxa Capital Limited, have been appointed as the Independent Financial Adviser to advise the Takeovers Code IBC and the Independent Shareholders in respect of, amongst others, the Disposal, Special Deal 2 and Special Deal 3 and the transactions contemplated thereunder and as to the voting action therefor. Our appointment as the Independent Financial Adviser has been approved by the Takeovers Code IBC pursuant to Rule 2.1 of the Takeovers Code.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company and any of the Company's associates that could reasonably be regarded as relevant to our independence and accordingly, are qualified to give independent advice to the Takeovers Code IBC and the Independent Shareholders. Save for this appointment and our appointment (i) as the independent financial adviser to opine on the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Whitewash Waiver and the Special Deal 1, details of which were set out in the Rights Issue Circular; and (ii) to report on certain figures in connection with the Disposal that constitute profit forecast under Rule 10 and Rule 11 of the Takeover Code, details of which were set out in the VSD Announcement, there was no other engagement between the Company and us in the past two years. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We therefore consider ourselves suitable to give independent advice to the Takeovers Code IBC, as appropriate, pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things: (i) the Share Subscription Agreement; (ii) the Restructuring Support Agreement; (iii) the Restructuring Support Agreement (CB); (iv) the Valuation Report of CRIC and the Valuation Report of TM Home; (v) the summary of the Old Notes and Convertible Note and the consideration under the New Scheme; (vi) the annual reports of the Company for the years ended 31 December 2021 (the "**2021 AR**") and 2022 (the "**2022 AR**"); (vii) the financial information of the TM Home and the pro forma financial information of the Remaining Group as set out in the Appendix I and Appendix II to the Circular; and (viii) the interim report for the six months ended 30 June 2023 of the Company (the "**2023 IR**"). We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the "**Management**"). We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information contained in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the Disposal EGM. We have also discussed and reviewed the information provided to us by the Company, the Directors and the Management regarding the business and outlook of the Group. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representation and opinions expressed by the Company, its advisers, the Directors and the Management. 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 verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or prospects of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

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. 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. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

1. Background of the Disposal

1.1 Financial information of the Group

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 22 February 2010. The Company's shares have been listed on the Main Board of the Stock Exchange on 20 July 2018. The principal business of the Group is providing real estate transaction services in China, including real estate agency services in the primary market, real estate brokerage network services and real estate data and consulting services.

Set out below are the summarized financial information of the Group for the three years ended 31 December 2020 ("**FY2020**"), 31 December 2021 ("**FY2021**") and 31 December 2022 ("**FY2022**"), as extracted from the 2021 AR and 2022 AR and the six months ended 30 June 2022 ("**1H2022**") and 2023 ("**1H2023**") as extracted from the 2023 IR of the Company:

	For the year ended 31 December			**For the six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	**8,051,509**	**8,865,987**	**5,033,279**	**2,438,755**	**2,299,491**
– real estate agency services in the primary market	3,203,543	1,989,121	586,473	367,205	128,741
– real estate data and consulting services	987,022	916,682	559,814	296,297	222,043

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
– real estate brokerage network services	2,732,267	2,517,033	1,576,598	688,959	798,553
– digital marketing services	1,128,677	3,443,151	2,310,394	1,086,294	1,150,154
Profit/(loss) before tax	**691,593**	**(11,903,757)**	**(5,007,513)**	**(1,829,345)**	**(892,218)**
Profit/(loss) for the year/period	**439,222**	**(12,264,659)**	**(4,968,524)**	**(1,838,303)**	**(864,044)**

As disclosed in the 2021 AR, the revenue of the Group was approximately RMB8.9 billion for FY2021, representing an increase of approximately RMB814.5 million or 10.1% as compared to approximately RMB8.1 billion for FY2020, primarily due to more revenue derived from digital marketing services upon the acquisition of Leju which aggregated to approximately RMB3.4 billion. Revenue derived from (i) real estate agency services in the primary market decreased by approximately RMB1.2 billion primarily due to the decline of gross transaction value ("**GTV**") caused by the overall downturn in the real estate market; (ii) real estate data and consulting services decreased by approximately RMB70.3 million primarily due to the decrease of consulting services as real estate industry has been under severe conditions with transactions continuing to decrease and several property developers facing credit crisis; (iii) real estate brokerage network services decreased by approximately RMB215.2 million primarily due to decline of GTV caused by the overall downturn in the real estate market; and (iv) digital marketing services increased by approximately RMB2.3 billion primarily due to the acquisition of Leju in November 2020. In 2021, the real estate industry has been under severe conditions, with transactions continuing to decrease and several property developers were facing credit crisis. As the primary downstream service platform of China's real estate industry, the Group was also affected by the chain reaction of the industry. The loss for the year amounted to approximately RMB12.3 billion for FY2021 as compared to profit for the year of approximately RMB439.2 million for FY2020, which was primarily due to the increase in loss allowance on financial assets such as receivables at fair value through other comprehensive income ("**FVTOCI**"). Increase in the expected credit loss (the "**ECL**") primarily arises from the recognition of additional loss allowance on ECL of the Group's outstanding trade related receivables from certain of the Group's customers engaged in property development whose credit qualities have worsened.

As disclosed in the 2022 AR, the revenue of the Group was approximately RMB5.0 billion for FY2022, representing a decrease of approximately RMB3.8 billion or 43.2% as compared to approximately RMB8.9 billion for FY2021, primarily due to the transformation of China's real estate market and the business disruptions affected by the COVID-19 pandemic.

Revenue derived from (i) real estate agency services in the primary market decreased by approximately RMB1.4 billion, primarily due to the decline of GTV caused by the disposal of Shanghai Weijia Real Estate Consulting Co., Ltd. on 29 March 2022; (ii) real estate data and consulting services decreased by approximately RMB356.9 million primarily due to the overall downturn of real estate market; (iii) real estate brokerage network services decreased by approximately RMB940.4 million primarily due to decline of GTV caused by the overall downturn in the real estate market; and (iv) digital marketing services decreased by approximately RMB1.1 billion primarily due to decrease in revenue from e-commerce services and online advertising services. The loss for the year for FY2022 narrowed to approximately RMB5.0 billion comparing to loss of approximately RMB12.3 billion for FY2021, primarily due to the decline in the Group's business scale and operating cost resulting from the overall downturn in the real estate market.

For 1H2023, the Group's revenue amounted to approximately RMB2.3 billion, representing a decrease of approximately 5.7% as compared to that for 1H2022, which is mainly attributable to (i) the decrease in revenue derived from real estate agency services in the primary market of approximately 64.9%, primarily due to the decline of GTV caused by the disposal of Shanghai Weijia Real Estate Consulting Co., Ltd. on 29 March 2022; (ii) the decrease in revenue derived from real estate data and consulting services of approximately 25.1%, primarily due to a decrease in revenue from the Group's rating and ranking services and data services; and (iii) was partially offset by the increase in revenue derived from real estate brokerage network services of approximately 15.9% and the increase in revenue derived from digital marketing services of approximately 5.9%, primarily due to both the increase of GTV and commission rate and the increase of revenue from the information service platform of Tmall Haofang, respectively. The loss for the year for 1H2023 narrowed to approximately RMB864.0 million comparing to loss of approximately RMB1.8 billion for 1H2022, primarily due to the Group continued to focus on cost reduction and cash flow.

	As at 31 December			**As at 30 June**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Non-current assets	**5,320,806**	**4,575,158**	**3,034,903**	**2,821,566**
Right-of-use assets	542,331	350,755	299,622	203,555
Intangible assets	699,474	1,907,583	552,954	498,180
Other non-current assets	594,366	83,020	71,558	67,684
Current assets	**20,452,136**	**7,554,158**	**2,816,050**	**2,173,034**
Accounts receivables and bills receivables	1,066,285	223,639	23,589	20,968
Other receivables	2,322,991	621,624	512,143	373,240

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Receivables at FVTOCI (accounts receivables, bills receivables, and amounts due from related parties – accounts receivables)	6,965,579	2,251,496	696,368	439,457
Cash and cash equivalents	7,515,836	3,314,741	1,246,583	1,021,256
Total assets	**25,772,942**	**12,129,316**	**5,850,953**	**4,994,600**
Current liabilities	**9,230,113**	**8,586,131**	**10,077,408**	**10,222,489**
Accounts payables and other payables	2,351,528	1,908,540	1,995,447	2,111,734
Bank borrowings and other borrowings	3,593,738	3,669,351	4,529,234	4,650,226
Convertible note	–	–	870,833	928,584
Non-current liabilities	**5,049,178**	**3,553,180**	**801,417**	**679,660**
Bank borrowings and other borrowings	3,775,538	2,435,981	485,947	445,642
Convertible note	840,372	756,912	–	–
Total liabilities	**14,279,291**	**12,139,311**	**10,878,825**	**10,902,149**
Net current (liabilities)/assets	**11,222,023**	**(1,031,973)**	**(7,261,358)**	**(8,049,455)**
Net (liabilities)/assets	**11,493,651**	**(9,995)**	**(5,027,872)**	**(5,907,549)**

As disclosed in the 2021 AR, the Group had total assets of approximately RMB12.1 billion for FY2021, representing a decrease of approximately RMB13.6 billion or 52.9% as compared to that for FY2020, which was mainly attributable to the combined effects of (i) the decrease in receivables at FVTOCI, which includes accounts receivables and bills receivables and amounts due from related parties, by approximately RMB4.7 billion resulting from the disposal of receivables at FVTOCI through certain factoring arrangement; (ii) the decrease in cash and cash equivalents by approximately RMB4.2 billion, which was mainly due to the combined effect of loss for the year of approximately RMB12.3 billion and repayments of bank and other borrowings of approximately RMB3.8 billion; and (iii) a decrease in other receivables by approximately RMB1.7 billion due to the recognition of additional loss allowance on ECL of the Group's outstanding trade related receivables from certain of the Group's customers engaged in property development whose credit qualities have worsened. The Group had total liabilities of approximately RMB12.1 billion for FY2021, representing a decrease of approximately RMB2.1 billion or approximately 15.0% as compared to that for FY2020, which was mainly attributable to the combined effects of (i) the decrease in other borrowings by approximately RMB1.4 billion resulting from the repayment; and (ii) a decrease in other payables by approximately RMB261.5 million, which was primarily attributable to the decline in the Group's business scale. As of 31 December 2021, the gearing ratio of the Group, which is calculated by dividing total debt (all bank and other borrowings) by total assets (the

"**Gearing Ratio**") was approximately 56.6%, as compared with approximately 31.9% as of 31 December 2020. The Group recorded net assets of approximately RMB11.5 billion and net current assets of approximately RMB11.2 billion as at 31 December 2020 and deteriorated to net deficits of approximately RMB10.0 million and net current liabilities of approximately RMB1.0 billion respectively as at 31 December 2021, which indicates that the Company was facing severe liquidity and cash flow constraint.

As disclosed in the 2022 AR, the Group had total assets of approximately RMB5.9 billion for FY2022, representing a decrease of approximately RMB6.3 billion or 51.8% as compared to that for FY2021, which was mainly attributable to the combined effects of (i) the decrease in the intangible assets by approximately RMB1.4 billion resulting from the recognition of the impairment of exclusive cooperative rights on Leju and TM Home considering the operation may be discontinued from the Group subject to the Restructuring; (ii) a decrease in receivables at FVTOCI by approximately RMB1.6 billion, which was primarily attributable to the continued industry downturn during 2022 and the Group's inability to recover a substantial portion of its outstanding accounts receivables as certain of the Group's customers engaged in property development whose credit qualities have worsened since the first half of 2021; and (iii) the decrease in cash and cash equivalents by approximately RMB2.1 billion, which was mainly resulting from the net cash outflow from operating activities of approximately RMB1.1 billion for FY2022 against the background of unprecedented challenge and turmoil in China's real estate industry. The Group had total liabilities of approximately RMB10.9 billion for FY2022, representing a decrease of approximately RMB1.3 billion or approximately 10.4% as compared to that for FY2021, which was mainly attributable to the repayment of bank borrowings of approximately RMB1.5 billion. As at 31 December 2022, the Gearing Ratio was approximately 100.6%, representing an increase of approximately 44.0% as compared with approximately 56.6% as at 31 December 2021. The Group's net deficits further increased to approximately RMB5.0 billion from net deficits of approximately RMB10.0 million and the net current liabilities widened to approximately RMB7.3 billion as at 31 December 2022 from RMB1.0 billion as at 31 December 2021, demonstrating a further deterioration of the Group's financial position. The auditor of the Company did not express an opinion in the 2022 AR because of the significance of the material uncertainty relating to the going concern issue. The consolidated financial statements thereof were prepared on a going concern basis, the validity of which depends upon (i) the successful completion of various debt restructuring measures; (ii) the successful disposal of investment property and (iii) improvement of operating performance that certain measures to improve its financial position, to provide liquidity and cashflow.

As disclosed in the 2023 IR, the Group had total assets of approximately RMB5.0 billion for 1H2023, representing a decrease of approximately 14.6% as compared to that for FY2022, which was mainly attributable to the combined effects of (i) the decrease in other receivables and receivables at FVTOCI by approximately RMB138.9 million and approximately RMB256.9 million, respectively, which was primarily attributable to certain property developer customer had become overdue; and (ii) the decrease in cash and cash equivalents by approximately RMB225.3 million. The Group had total liabilities of approximately RMB10.9 billion for 1H2023, representing an increase of approximately RMB23.3 million as compared to that for FY2022, which was mainly attributable to the increase of accounts payables and other payables of approximately RMB116.3 million. As at 30 June 2023, the Gearing Ratio was approximately 120.6%, representing an increase of approximately 20.0% as compared with approximately 100.6% as at 31 December 2022. The increase was primarily due to the decrease of total assets.

If the Restructuring is not able to implement, we are of the view that the Group's net deficit position and liquidity issue will continue to hinder its normal operation, in particularly when the Group remained at net loss of RMB864.0 million in 1H2023.

1.2 Financial Information of TM Home (including CRIC and excluding Fangyou)

As stated in the Board Letter, TM Home will, upon completion of the Restructuring, hold and operate the Group's two lines of business, being (i) the real estate data and consulting services business currently operated under CRIC; and (ii) the online digital real estate marketing service business in partnership with Tmall Network, which also includes a controlling stake in Leju. TM Home will not operate or hold the Company's real estate brokerage network services conducted under the "Fangyou" brand name, which will continue to be operated by the Company after the Restructuring.

Set out below is a summary of the unaudited combined financial information of the TM Home for the two financial years ended 31 December 2021 and 2022 and the nine months ended 30 September 2022 ("**9M2022**") and 30 September 2023 ("**9M2023**"), as extracted from the "APPENDIX I – FINANCIAL INFORMATION OF THE GROUP" to this Circular:

	For the year ended 31 December		**For the nine months ended 30 September**	
	2021	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	4,337,874	2,898,786	1,959,429	1,991,559
Loss for the year/period	(1,156,768)	(1,138,857)	(836,098)	(389,073)

As illustrated in the table above, the total revenue was approximately RMB2.9 billion for FY2022, representing a decrease of approximately RMB1.4 billion as compared to that for FY2021, whereas the loss for the year for FY2022 was approximately RMB1.1 billion as compared to approximately RMB1.2 billion for FY2021. As discussed with the Management, such decrease in revenue is mainly attributable to the (i) the continued industry downturn during 2022 and the Group's inability to recover a substantial portion of its outstanding accounts receivables; (ii) the decrease in revenue from digital marketing services, primarily due to the decrease in revenue from e-commerce services and online advertising services as a result of COVID-19 related disruptions in economic activities and negative market sentiment; and (iii) decrease in demand on the real estate data and consulting services from real estate developers as a result of the continued industry downturn, which was also the reason for recording loss for the year.

The total revenue of TM Home was approximately RMB2.0 billion for 9M2023, representing an increase of approximately RMB32.1 million as compared to that for 9M2022, whereas the loss for 9M2023 was approximately RMB389.1 million as compared to loss of approximately RMB836.1 million for 9M2022. As discussed with the Management, such increase in revenue is mainly attributable to increase of revenue from digital marketing services. The loss for 9M2023 narrowed by approximately RMB447.0 million, primarily due to (i) the decrease of approximately RMB125.5 million in loss allowance on financial assets subject to ECL, net of reversal; and (ii) staff costs decreased by approximately RMB243.0 million.

	As at 31 December		**As at 30 September**
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Non-current assets	1,209,162	1,200,239	1,011,107
Current assets	3,274,901	1,521,981	1,303,460
Total assets	**4,484,063**	**2,722,220**	**2,314,567**
Non-current liabilities	285,074	280,904	177,464
Current liabilities	3,215,344	1,848,915	1,968,080
Total liabilities	**3,500,418**	**2,129,819**	**2,145,544**
Total equity	**983,645**	**592,401**	**169,023**

TM Home had total assets of approximately RMB2.7 billion as at 31 December 2022, representing a decrease of approximately RMB1.8 billion as compared to approximately RMB4.5 billion as at 31 December 2021. Such decrease in total assets was mainly attributable to the decrease in cash and cash equivalents of approximately RMB1.3 billion. TM Home had total liabilities of approximately RMB2.1 billion as at 31 December 2022, representing a decrease of approximately RMB1.4 billion as compared to that as at 31 December 2021, which was primarily attributable to the decrease of approximately RMB957.2 million in amounts due to related parties. Total equity decreased from approximately RMB1.0 billion as at 31

December 2021 to approximately RMB0.6 billion as at 31 December 2022, primarily due to the combined effect of the movement in the total asset and liabilities as mentioned above as well as the loss incurred for FY2022.

TM Home had total assets of approximately RMB2.3 billion as at 30 September 2023, representing a decrease of approximately RMB407.7 million as compared to approximately RMB2.7 billion as at 31 December 2022. Such decrease in total assets was mainly attributable to the decrease in cash and cash equivalents by approximately RMB523.6 million. TM Home had total liabilities of approximately RMB2.1 billion as at 30 September 2023, representing an increase of approximately RMB15.7 million as compared to that as at 31 December 2022, which was primarily due to the increase in the amounts due to related parties. Total equity decreased from approximately RMB0.6 billion as at 31 December 2022 to approximately RMB0.2 billion as at 30 September 2023, which is mainly attributable to the loss recorded for 9M2023.

1.3 Background information of the Restructuring

As disclosed in the RSA Announcement, as part of the Restructuring, the Company intends to propose the New Schemes to holders of the Old Notes and the CB Holder. On the Restructuring Effective Date, the Company will pay the restructuring consideration (the "**Restructuring Consideration**") to the participating Scheme Creditors consisting of the following:

(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 transferred 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 Creditor Claim 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 Claim held by the holders of the Old Notes and the CB Holder, 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., the Management SPV).

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 lines of business, being (i) the real estate data and consulting services business currently operated under CRIC; and (ii) the online real estate marketing service business in partnership with Tmall Network, and (b) hold a controlling stake in Leju, a company listed on the New York Stock Exchange and a leading online-to-offline real estate services provider in China that is 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 and such real estate brokerage network services will be transferred to the PRC Holdco before the completion of the Disposal. Accordingly, this is effectively a disposal by the Group of TM Home, CRIC, Leju and their respective subsidiaries and upon completion of the Disposal, TM Home, CRIC, Leju and their respective subsidiaries will cease to be subsidiaries of the Company while the Company's real estate brokerage network services conducted under the "Fangyou" brand name will continue to be operated by the Company.

As advised by the Management, the Restructuring serves as integral part of the Company's plan to restructure its outstanding offshore indebtedness and lower its gearing and it is an essential 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 the PRC. The outstanding offshore indebtedness of the Company consists of the principal and accrued interest of Old Notes and Convertible Note (the "**Total Outstanding Offshore Indebtedness**") with a total value of HK$6,328.5 million as of 30 June 2023, while the consideration payable in associate with the New Schemes with a total value of approximately HK$2,645.4 million consists 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 approximately HK$379.7 million (the "**Cash Consideration**"); and (ii) 65% equity interest in the share capital of TM Home (including business of CRIC and excluding business of Fangyou) will be held collectively by Creditor SPV, the CB Shareholder and the TM Home Minority Shareholder with a total value of approximately HK$2,265.7 million based on the valuation reports of TM Home and CRIC issued by the Valuer (the "**Equity Consideration**"). Set out below is the outstanding offshore indebtedness of the Company and the considerations under New Scheme:

Outstanding offshore indebtedness of the Company:

Type	Maturity	Value (HK$ in million)	
US$298,200,000 7.625% senior notes due 2022 (default)	18 April 2022	Principal	2,340.9
		Accrued interest	303.4
US$300,000,000 7.60% senior notes due 2023 (default)	10 June 2023	Principal	2,355.0
		Accrued interest	278.4

Outstanding offshore indebtedness of the Company:			
HK$1,031,900,000 2.0% convertible note due 2023 (cross-defaulted)	4 November 2023	Principal	1,031.9
		Accrued interest	18.9
Total Outstanding Offshore Indebtedness			**6,328.5**
Total Considerations under the New Schemes:			
Cash Consideration			379.7
Equity Consideration			2,265.7
Restructuring Consideration			**2,645.4**

Notes:

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

2. The accrued interest was calculated as of 30 June 2023.

As confirmed by the Management, the full amount of the Total Outstanding Offshore Indebtedness will be settled pursuant to the Restructuring, if becomes effective.

1.3.1 Cash Consideration

As illustrated in the table above, the Cash Consideration is approximately HK$379.7 million, which represents approximately 14.4% of the Restructuring Consideration under the New Schemes. As stated in the Rights Issue Circular, in order to fund the Cash Consideration, the Company proposes to issue 2,098,871,436 Rights Shares by way of the Rights Issue, on the basis of twelve (12) Rights Shares for every ten (10) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK$0.23 per Rights Share to raise approximately HK$483 million before expenses (assuming no new issue or repurchase of Shares on or before the Record Date). The estimated net proceeds from the Rights Issue, after deducting all necessary expenses, will be approximately HK$465 million (assuming no new issue or repurchase of Shares on or before the Record Date). The remaining part of the net proceeds, if any, will be used for working capital and general corporate purposes.

With reference to the 2023 IR, the Company had cash and cash equivalents of approximately RMB1.0 billion as at 30 June 2023 as compared to approximately RMB1.2 billion as at 31 December 2022 as disclosed in the 2022 AR, representing a decrease of approximately 18.1%. As discussed with the Management, the Company opted for the Rights Issue to fund the Cash Consideration considering (i) cash on hand is mostly onshore RMB, while the outstanding offshore indebtedness is denominated in United States dollar and Hong Kong dollar; and (ii) the cash on hand is required to support the Company's daily operations. According to the RSA Announcement, (i) the Company has been subject to restrictions on cash deployment and there has been tightening of supervision of cash balances by onshore and offshore banks which significantly reduced the Company's unrestricted cash and constrained its ability to remit cash offshore; and (ii) since the fourth quarter of 2021, many creditors of the Company, whether onshore or offshore, have also required the Company to enhance the security or provide cash deposit as a condition to maintain or extend the credit provided to the

Company. These measures have drastically reduced the amount of cash freely deployable by the Company for servicing its financial and other obligations. As such, we concur with the Management that the current fund-raising method by way of the Rights Issue to settle the Cash Consideration under the New Scheme is in the interest of the Company and its Shareholders as a whole.

Fundraising alternatives

For our due diligence purpose, we noted that:

(i) in terms of debt financing, we have reviewed the relevant covenants as set out in the principal terms of the Old Notes and noted that, the Old Notes will limit the ability of the Company to, among other things, incur or guarantee additional indebtedness and hence it is not practical for the Company to opt for bank borrowings as a fund-raising alternative. Furthermore, the addition of debt financing at a scale similar to the Rights Issue is not considered prudent given that the Group's Gearing Ratio has reached 100.6% as at 31 December 2022 and recorded loss for the year of approximately RMB5.0 billion for FY2022. With reference to the 2022 AR, the Group incurred finance costs of approximately RMB471.8 million for FY2022, among which approximately RMB400.4 million or 84.9% is interest on the Old Notes and Convertible Notes. Obtaining new bank and other borrowings will inevitably incur higher finance costs and may further exacerbate the financial condition of the Group. Given that the accrued interest on the Old Notes and Convertible Notes has accumulated to approximately HK$600.7 million as of 30 June 2023, the Company would be able to reduce its financing costs upon effective of the New Schemes. Further to the above, since new borrowings, if there were a lender, may require the provision of security and collaterals and creditors will rank before the Shareholders, which would not be beneficial to the Shareholders as a whole;

(ii) for placing of new Shares, it is relatively smaller in scale as compared to fundraising through the Rights Issue and it would dilute the shareholding of the existing Shareholders resulting from the placing of Shares to new investors, which is unfair to the other existing Shareholders as they will not be able to participate in the placing of new Shares, while the Rights Issue will offer Qualified Shareholders the opportunity to participate in the enlarged capital base of the Company and maintain their respective shareholdings in the Company on a pro rata basis. In addition, in light of the current bearish market sentiment, the Management also explored with financial institutions, including the Placing Agents, on the possibility of issuing new shares and was given the understanding that the willingness of potential investors to participate in equity placements has also been adversely affected and may not enable the Company to raise sufficient funds; and

(iii) while an open offer is similar to the Rights Issue, offering Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. As such, the Rights Issue is more favourable to Shareholders as they have the flexibility being able to sell their entitled nil-paid rights when they do not wish to take up the entitlements under the Rights Issue.

Having discussed with the Management including (i) the Cash Consideration represents a key component to the completion of the Restructuring; (ii) the tightening supervision of cash balances by onshore and offshore creditors; and (iii) the net deficit position of the Group; (iv) reduction in finance costs associated with the Old Notes and Convertible Notes upon completion of the Restructuring could improve future earnings, we concur with the Company and consider that the current fund-raising method by way of the Rights Issue is in the interest of the Company and its Shareholders as a whole.

In the event that the resolutions in relation to the approval of the Rights Issue are voted down by the Independent Shareholders at the Rights Issue EGM, the Company will not have sufficient funds to pay for the Cash Consideration. Failure of the Company in payment of the Cash Consideration means that the New Schemes will not become effective, and there is a possibility that the Scheme Creditors will commence legal proceedings to recover the outstanding liability of the Old Notes and the Convertible Note. In the event that the conditions under the Underwriting Agreement and the Placing Agreements are not satisfied or waived, the Company will consider using other means to raise funds to fulfill the Cash Consideration under the New Schemes. We understood from our discussion with the Management that the Company has no specific plans yet in relation to other equity fundraising for the time being should the Company cannot settle the Cash Consideration under the New Schemes.

Analysis of the Rights Issue

Having taken into account the following factors:

(i) the Subscription Price was determined at discounts to the prevailing market prices of the Share before the Rights Issue Announcement;

(ii) the Group was in loss-making position for FY2021 and FY2022 and the Group's liquidity position was deteriorating as the cash and bank balances of the Group decreased from approximately RMB7.5 billion as at 31 December 2020 to approximately RMB1.2 billion as at 31 December 2022 and the Group has changed from net current assets position of approximately RMB11.2 billion as at 31 December 2020 to net current liabilities position of approximately RMB7.3 billion as at 31 December 2022;

(iii) the genuine and imminent funding needs of the Group as discussed in above and the net proceeds from the Rights Issue would provide greater financial flexibility for the Group to proceed with the Restructuring; and

(iv) the Rights Issue will offer the Qualifying Shareholders an equal opportunity to subscribe for their Rights Shares to maintain their respective pro-rata shareholding interests in the Company.

We consider that the Subscription Price is fair and reasonable as far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

The Underwriting Arrangement for the Rights Issue

Given the Company's circumstances (including its financial conditions) and the terms of the underwriting arrangement which would have involved no underwriting fees or commissions, after several attempts to seek a financial institution that agrees to be an underwriter of the Rights Issue, the Company subsequently concluded that (i) it was impractical to engage a third party who is not related to the Company to be an underwriter of the Rights Issue; and (ii) Mr. Zhou Xin, being a founder and the single largest Shareholder of the Company, was the most appropriate and relevant stakeholder to be the underwriter. As discussed with the Management, the Company had explored with 2 other financial institutions, namely the Placing Agents, in respect of underwriting the Rights Issue. In view of the Company's current financial condition and ongoing Restructuring, none of them expressed interest in underwriting the Right Issues, except Mr. Zhou Xin who is more devoted to rescuing the Company and facilitating the implementation of the Restructuring by acting as the Underwriter.

Pursuant to the Underwriting Agreement, no underwriting commission would be charged. Although Mr. Zhou Xin is not engaged in the underwriting business, he has agreed to subscribe or designate a company wholly owned by him to subscribe for the Untaken Rights Shares in accordance with the terms and conditions of the Underwriting Agreement to show his strong support towards the restructuring of the Group under the New Schemes and confidence in its prospects.

Having considered that (i) no underwriting commission rate is being charged by the Underwriter; and (ii) the Company had encountered difficulty in securing independent securities brokers to act as underwriters of the Rights Issue, we concur with the Directors' view that the Underwriting Agreement is on normal commercial terms and is fair and reasonable as far as the Shareholders are concerned.

Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements and the Placing Agreements

We understand that the Compensatory Arrangements is at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Rights Issue. The Unsubscribed Rights Shares may be placed to independent placees under the Compensatory Arrangements which will expand the shareholders' base. Given that the Compensatory Arrangements would (i) provide a distribution channel of the Unsubscribed Rights Shares for the Company; (ii) broaden the diversity and base of the

Shareholders; (iii) potentially offer monetary benefits to the No Action Shareholders under the Net Gain arrangement; and (iv) facilitate the implementation of the Rights Issue, we are of the view that the Compensatory Arrangements are fair and reasonable to the Independent Shareholders.

Taking into account the factors mentioned above, we consider that the terms of the Rights Issue, the Underwriting Agreement and the Compensatory Arrangements are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

Potential dilution effect on the interests of the Independent Shareholders

Taking into account: (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and that the Qualifying Shareholders have their choice of whether to accept the Rights Issue or not; (ii) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the Subscription Price; (iii) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; (iv) the Rights Issue enable the Group to fund the Cash Consideration under restructuring plan of New Schemes and hence improve its financial position; and (v) the Compensatory Arrangements will provide a compensatory mechanism at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Rights Issue to address the concern that the Underwriter has the potential to increase its equity interests in the Company at a lower cost given the Subscription Price is at discounts to the recent prevailing market price, we are of the view that the potential dilution effect of the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned.

We consider that the implementation of the Rights Issue is beneficial to the Company and the Shareholders as a whole despite the potential dilution impact to the shareholding interests of the existing public Shareholders, who do not participate fully or partly in the Rights Issue, having regard to the potential mitigating measure such as the Compensatory Arrangements.

Financial effects of the Rights Issue

According to the unaudited pro formal financial information of the Group, assuming 2,098,871,436 Rights Shares are issued on the basis of twelve (12) Rights Shares for every ten (10) Shares in issue as at 30 June 2023 at the Subscription Price of HK$0.23 per Rights Share:

(i) Net assets

Upon Completion, the unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company (after deducting intangible assets of approximately RMB0.5 billion) would improve from net tangible liabilities of approximately RMB6.4 billion as at 30 June 2023 to approximately RMB6.0 billion as at 30 June 2023.

(ii) Liquidity

According to the 2023 IR, as at 30 June 2023, the Group had cash and bank balances of approximately RMB1.0 billion, current assets of approximately RMB2.2 billion and current liabilities of approximately RMB10.2 billion. Accordingly, the current ratio of the Group (being the current assets divided by the current liabilities) as at 30 June 2023 was approximately 0.21 times. Upon Completion, the cash and bank equivalents would be approximately RMB1.4 billion and the current ratio of the Group would be 0.25 times as at 30 June 2023.

(iii) Gearing ratio

According to the 2023 IR, the Gearing Ratio of the Group was 120.6% as at 30 June 2023. Upon Completion, the total assets of the Group will increase by approximately RMB0.4 billion. As a result, the Gearing Ratio of the Group is expected to reduce to 111.1% as at 30 June 2023.

Having considered that the Rights Issue will (i) improve the consolidated net tangible liabilities of the Group attributable to owners of the Company; and (ii) improve the overall liquidity and Gearing Ratio of the Group, we are of the view that the Rights Issue are fair and reasonable as far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purposes only and do not purport to represent the financial position of the Group upon Completion and due to its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Company as at 30 June 2023 or any future date.

For further details and our analysis of the Rights Issue, please refer to the Rights Issue Circular.

1.3.2 Equity Consideration

As illustrated in the table above, the market value of 65% equity interest in the share capital of TM Home (including business of CRIC and excluding business of Fangyou) as at 31 July 2023 (the “**Valuation Date**”) is approximately HK$2,265.7 million, representing approximately 85.6% of the Restructuring Consideration under the restructuring plan of New Schemes. The amount set out in the table above adopted the exchange rate (HK$1: RMB0.91437, being the median exchange rate on Valuation Date listed on the website of State Administration of Foreign Exchange). The Company has engaged Valuelink Management Consultants Limited, a registered valuer in the PRC, to conduct valuation on the subject entities of the Disposal and prepare the Valuation Report of TM Home (excluding the value of CRIC and the Company’s real estate brokerage network services conducted under the “Fangyou” brand name) and Valuation Report of CRIC, which set out the market valuation on the 100% equity interest of TM Home and the 100% equity interest of CRIC as at Valuation Date (together the “**Valuation**”). Details of the valuation reports are set out in the Appendix IVA and Appendix IVB to the Circular (the “**Valuation Reports**”).

As stated in the Valuation Reports (i) the market value of 100% equity interest in the share capital of TM Home is approximately RMB1,860.2 million; and (ii) the market value of 100% equity interest in CRIC is approximately RMB1,327.0 million. In addition, as stated in the Valuation Reports, based on Management's future estimation and the market data of comparable companies, the Valuer considers that the Valuation as at 3 January 2024 would not be materially different from the Valuation as of Valuation Date and the difference would be within 5%.

Valuer's qualification

As part of our due diligence, we have reviewed the Valuation Reports and interviewed relevant team members of the Valuer with particular attention to (i) Valuer's engagement letter with the Company; (ii) Valuer's qualification and experience in relation to the preparation of the Valuation Reports; and (iii) the steps and due diligence measures taken by the Valuer in performing the Valuation. Based on our review of the engagement letter entered into between the Company and the Valuer, we are satisfied that the terms of engagement between the Company and the Valuer are appropriate to the opinion the Valuer is required to give. The Valuer also confirmed that it is independent from the Company and its connected parties. Further to the above, we understand that the Valuer is a long-established professional valuation firm since 1993 with possession of relevant professional qualifications and experience required to perform the Valuation and the person in-charge of the Valuation, being Mr. William Chen, has over 20 years of experience in the financial sector and possesses the Accredited in Business Valuation credential. The team members are also qualified valuers who have two to six years relevant experience and obtained professional qualifications such as Certified Practising Valuer or Association of Chartered Certified Accountants credentials. They had also conducted equity valuation for a number of public companies listed in Hong Kong over the past three years. The Valuer also possesses the required securities and futures appraisal qualifications issued by the Ministry of Finance and China Securities Regulatory Commission. Based on the above, we consider that the Valuer is qualified and possesses relevant experience in performing the Valuation. We note that the Valuer mainly carried out its due diligence through discussions with the Management and conducted study on the market data of listed companies with same or similar businesses for reference and has relied on the operating and financial information provided by the Company. We were given to understand that the Valuer has also relied to a considerable extent on the projections by the Company in arriving at their opinion on the Valuation and has assumed the truth and accuracy of the information provided by the Company.

Background of TM Home and its Valuation

TM Home was incorporated on 28 January 2021 and conducts online real estate marketing activities through the Tmall platform of Alibaba. Its major revenue includes: 1) revenue from Tmall Haofang; and 2) revenue from Leju. In our review of the Valuation, we note that the valuation of TM Home was primarily based on the income approach involving the use of discounted cash flow. We have obtained the Valuation Report of TM

Home and reviewed the relevant worksheet in relation to the valuation of TM Home (the "**TM Home Worksheet**") and discussed with the Valuer the methodologies, key bases and assumptions adopted when preparing the Valuation. We note that the Valuer adopted the income approach for the Valuation given TM Home has been in stable operation for more than two years and has sufficient historical financial information to support the financial projection required to conduct the Valuation, the Management has provided financial forecast with adequate assumptions that could capture the future earning potential of TM Home. In view of the above, we concur with the Valuer that it is reasonable to adopt income approach for the valuation of TM Home.

We have discussed with the Independent Valuer and the Management and reviewed the key bases and assumptions they have adopted or considered when preparing the Valuation Report of TM Home. In our discussion with the Valuer and our review of the TM Home Worksheet, we understand that the equity value of TM Home is derived at by calculating the enterprise value of TM Home and adding the value of total surplus assets from the enterprise value. We note that the Valuer derived the enterprise value by (i) determining the enterprise free cash flows ("**FCFs**") for the five months ended 31 December 2023 and for the seven years ended 31 December 2030 after taking into account the operational information and financial forecast of TM Home including revenue, operating cost and expenses, finance costs, taxes, net profits, net working capital and capital expenditures; (ii) applied a perpetual growth rate each year for the FCFs after 2030 as it assumes that the enterprise operates on a going concern basis; (iii) applied a discount rate or the weighted average costs of capital ("**WACC**"), which was determined by TM Home's debt-to-equity ratio, effective tax rate, cost of debt and cost of equity, among which the Valuer arrive at the average cost of equity of comparable companies as the proxy for the cost of equity of TM Home using the capital asset pricing model ("**CAPM**"), a widely accepted model used to determine a theoretically appropriate required rate of return of an asset, after considering factors such as the risk-free rate, equity systematic risk measure, market risk premium, size premium and company specific risk premium; and (iv) the aforesaid FCFs were then discounted at the WACC of TM Home to convert into present value, which was summed up to arrive at the enterprise value of TM Home. For further details of the methodologies and assumptions adopted by the Valuer, please refer to the Valuation Report of TM Home set out in the Appendix IVA to the Circular.

Further to the above, in order to provide a general reference regarding the valuation of companies with a similar business scope of TM Home, we have conducted a search on companies (i) whose shares are listed on the Stock Exchange and were not subject to trading halt or suspension as at the Latest Practicable Date; (ii) whose business are principally engaged in real estate agency services; and (iii) whose business operations are in the PRC. Three comparable companies have been identified based on the above criteria, which is an exhaustive list and forms a representative sample to provide us with the recent market sentiment on the valuation of relevant companies. As the scope of the business of TM Home also includes (a) the online real estate marketing service business in partnership with Tmall Network; and (b) the controlling stake in Leju, which is a leading online-to-offline real estate services provider in China and provides complementary offline services to facilitate residential property transactions and all three comparable companies provide a combination of online and offline real estate and marketing services according to their respective annual reports or official websites, we consider such three companies are comparable with TM Home in terms of business operation and operation location. Since TM Home recorded loss for FY2022 and hence the price-to-earnings ratio is not applicable, we have adopted the price-to-book ratio (the "**P/B Ratio**") and the price-to-sales ratio (the "**P/S Ratio**") as the multiples for our analysis purpose, and these two methodologies are widely accepted for conducting comparable analysis. For avoidance of doubt, considering the difference in the market capitalization between that of the comparable companies and the valuation of TM Home, the range of P/B Ratios and P/S Ratios of the comparable companies are presented for illustration purposes only. Set out below is the summary of the three comparable companies of TM Home:

Company name	**Online/offline business**	**Market capitalisation as at the Latest Practicable Date** *(HK$ million except for TM Home)*	**Net Assets** *(RMB million)*	**Revenue** *(RMB million)*	**P/B Ratio**[1] *(times)*	**P/S Ratio**[2] *(times)*
Ke Holdings Inc. (2423.HK)	Beike, an integrated online and offline platform for housing transactions and services	142,230.6	72,703.5	60,668.8	1.78	2.13
Fortune Sun (China) Holdings Limited (0352.HK)	Integrate online and offline operation platform for big data analysis and marketing services	28.3	16.7	11.9	1.54	2.16
Hopefluent Group Holdings Limited (0733.HK)	AI Hopefluent, a platform adopting live broadcasting and other new media marketing approaches and internet technologies to integrate internet service models and on-site marketing approaches	822.5	1,773.3	1,378.7	0.42	0.54
Minimum					**0.42**	**0.54**
Average					**1.25**	**1.61**
Maximum					**1.78**	**2.16**
Median					**1.54**	**2.13**
TM Home		1,860.2	284.0	2,377.8	6.6[3]	0.8[4]

Source: Wind

Notes:

1. The P/B Ratios of comparable companies are calculated based on their respective market capitalisation on the Latest Practicable Date and net assets attributable to owners as announced in the most recent quarter.

2. The P/S Ratios of comparable companies are calculated based on their respective market capitalisation on the Latest Practicable Date and revenue for FY2022.

3. The implied P/B ratio of TM Home is calculated based on its total equity of approximately RMB284.0 million as at 30 June 2023 and its valuation of approximately RMB1,860.2 million as of Valuation Date.

4. The implied P/S Ratio of TM Home is calculated based on its revenue for FY2022 of approximately RMB2,377.8 million and its valuation of approximately RMB1,860.2 million as of Valuation Date.

As shown in the table above, (i) the P/B Ratios of the comparable companies ranged from approximately 0.42 times to approximately 1.78 times, with an average of approximately 1.25 times and a median of approximately 1.54 times; and (ii) the P/S Ratios of the comparable companies ranged from approximately 0.54 times to approximately 2.16 times, with an average of approximately 1.61 times and a median of approximately 2.13 times. Given that the implied P/S Ratio of TM Home as represented by its valuation is within the range of its comparable companies and the implied P/B Ratio is higher than the higher end of its comparable companies, we are of the view that the valuation of TM Home at approximately RMB1,860.2 million is fair and reasonable so far as the Shareholders are concerned.

On 27 December 2023, Leju, a subsidiary of the Company, announced that it has received a letter dated 28 November 2023 from the NYSE, notifying Leju that it is below compliance standards. As of 28 November 2023, Leju's 30 trading-day average market capitalization was approximately US$15.7 million and its stockholders' equity as of 30 June 2023, was approximately US$32.9 million, which are considered "below criteria" by the NYSE as its total market capitalization is less than US$50 million over a 30 trading-day period and its stockholders' equity is less than US$50 million. Accordingly, Leju is subject to the procedures as set forth in Sections 801 and 802 of the NYSE Listed Company Manual and is required to respond within 90 days of the letter with a business plan that demonstrates compliance with the continued listing standard within 18 months of receipt of the letter. Leju intends to comply with the applicable procedures and is considering its options to regain compliance. As advised by the Management, Leju is currently preparing the business plan required by NYSE in order to remain in compliance. The deadline for this is 90 days from receiving the letter, which is 25 March 2024. We also confirmed with the Valuer that the aforementioned compliance issue will not have material impact on the valuation of TM Home as at the Latest Practicable Date. Based on the above, we consider that the aforesaid compliance issue of Leju does not affect our view on the valuation of TM Home.

Background of CRIC and its Valuation

CRIC is China's real estate big data application service provider. As at 30 June 2023, CRIC recorded net liabilities of approximately RMB38.7 million. In our review of the Valuation, we note that the valuation of CRIC determined by the Valuer was primarily based on the market approach. We have obtained the Valuation Report of CRIC and reviewed the relevant worksheet in relation to the valuation of CRIC and discussed with the Valuer the methodologies, key bases and assumptions adopted for conducting the market approach. We note that the Valuer adopted the market approach as the main method for value analysis considering there are sufficient public companies in similar nature and business to that of CRIC and their market values are good indicators, hence the market approach is adopted as the main method for value analysis. In view of the above, we concur with the Valuer that it is reasonable to adopt market approach for the valuation of CRIC.

We have reviewed the exhaustive list of the four comparable companies, details of which can be referred to Appendix IVB to the Circular, identified from the following selection criteria by the Valuer in determining price-to-earnings multiple (the "**P/E Ratio**") of CRIC (the "**CRIC Comparable Companies**"): (i) the companies are publicly listed in Mainland China or Hong Kong; (ii) being in the same industry as the CRIC, i.e. mainly (over 40% of the total business revenue) engaged in digitalization services, data provision and IT consulting services, which are applied to the real estate/government/finance and other sectors and primary business descriptions/target client's industries stated in the comparable companies' official websites include the real estate sector; (iii) being accessible to public information for financial data; and (iv) estimated net profits for 2023 of comparable companies (except for Ming Yuan Cloud, one of the CRIC Comparable Companies) are available. As (i) the main business of the CRIC is to provide real estate big data systems and marketing analysis systems for real estate enterprises, government, finance and asset management enterprises, among others; and (ii) CRIC mainly operates its business in the PRC, we consider that the selection criteria adopted by the Valuer are appropriate and the CRIC Comparable Companies provide objective benchmarks for valuing the fair value of 100% equity interest of CRIC.

We noted that the Valuer has applied the average P/E Ratios of the CRIC Comparable Companies and the annualized net profit in 2023 of CRIC to arrive at the 100% equity value of CRIC after taking into account the adjustments of (i) a control premium, which is applied to reflect the lack of control in respect of the business strategy, financial management and profit distribution between CRIC Comparable Companies and CRIC; and (ii) a lack of marketability discount, which is applied to reflect the lack of liquidity of ownership interest for privately held companies. For further details of the methodologies and assumptions adopted by the Valuer, please refer to the Valuation Report of CRIC set out in the Appendix IVB to the Circular.

In order to provide a general reference regarding the valuation of companies with a similar business scope of CRIC, we have conducted a search on companies (i) whose shares are listing on the Stock Exchange and were not subject to trading halt or suspension as at the Latest Practicable Date; (ii) whose business are principally in IT service and software solution industries and who provides research or database services as well as consulting services; and (iii) whose business operations are primarily in the PRC. Three comparable companies have been identified based on the above criteria, which is an exhaustive list and forms a representative sample to provide us with the recent market sentiment on the valuation of relevant companies. As CRIC mainly (i) provides customers with a wide range of data services, leveraging the powerful CRIC systems; (ii) offers real estate rating and ranking services; and (iii) provides real estate consulting services that are tailored to meet the needs of property developer clients throughout the design, development and sales stages and address specific issues encountered by them, we consider such three companies are comparable with CRIC in terms of business operation and operation location. Since CRIC recorded (i) net loss of approximately RMB5.9 million for FY2022 and hence the price-to-earnings ratio is not applicable; and (ii) net liabilities of approximately RMB38.7 million and hence the P/B Ratio is not applicable, we have adopted the P/S Ratio as the multiple for our analysis purpose. For avoidance of doubt, considering the difference in the market capitalization between that of the comparable companies and the valuation of CRIC, the range of P/S Ratios of the comparable companies are presented for illustration purposes only. Set out below is the summary of the three comparable companies of CRIC:

Company name	**Market capitalisation as at the Latest Practicable Date**	**Revenue**	**P/S Ratio**[1]
	(HK$ million except for CRIC)	*(RMB million)*	*(times)*
Ming Yuan Cloud Group Holdings Limited (0909.HK)	4,816.9	1,816.4	2.41
Sinohealth Holdings Limited (2361.HK)	2,548.0	356.7	6.49
GDS Holdings Limited (9698.HK)	10,518.6	9,325.6	1.03
Minimum			**1.03**
Average			**3.31**
Maximum			**6.49**
Median			**2.41**
CRIC	1,327.0	527.0	2.52[2]

Source: Wind

Notes:

1. The P/S Ratios of comparable companies are calculated based on their respective market capitalisation on the Latest Practicable Date and revenue for FY2022.

2. The implied P/S Ratio of CRIC is calculated based on its revenue for FY2022 of approximately RMB527.0 million and its valuation of approximately RMB1,327.0 million as of Valuation Date.

As shown in table above, the P/S Ratios of the comparable companies ranged from approximately 1.03 times to approximately 6.49 times, with an average of approximately 3.31 times and a median of approximately 2.41 times. Given that the P/S Ratio of CRIC is within the range of that of the comparable companies, we are of the view that the valuation of CRIC at approximately RMB1,327.0 million is fair and reasonable so far as the Shareholders are concerned.

Further to the above, (i) the unaudited financial figures of TM Home for the six months ended 30 June 2023 as set out in the Appendix IVA headed "Valuation Report of TM Home" in the Circular, as the case may be, as well as the unaudited financial figures of CRIC for the six months ended 30 June 2023 as set out in Appendix IVB headed "Valuation Report of CRIC" in the Circular pursuant to Rule 14.58(7) of the Listing Rules; (ii) the gain expected to accrue to the Company as a result of the Disposal assuming the Disposal had completed on 30 September 2023; (iii) the adoption of the income approach (i.e., discounted cash flow method covering the period August 2023 to December 2030) on which the valuation of TM Home is based; (iv) the unaudited financial information of TM Home for the three years ended 31 December 2022 and the nine months ended 30 September 2022 and 30 September 2023 as set out in Appendix I to the Circular; and (v) the unaudited pro forma financial information of the Remaining Group for the nine months ended 30 September 2023 as set out in Appendix II to the Circular constitutes profit forecast ((i) to (v) collectively "**Profit Forecasts**") under Rule 10 of the Takeovers Code and under Rule 14.61 of the Listing Rules and is therefore required to be reported on by us pursuant to the Takeovers Code and Listing Rules, details of which are set out in Appendix VII to the Circular. In addition, the Auditor also reported on the Profit Forecasts, details of which are set out in Appendix V and VI to the Circular.

Taking into account the above work and steps we have conducted in relation to the relevant Valuation Reports, including but not limited to (i) interviewing the Valuer as to its expertise and its independence; (ii) reviewing the terms of engagement of the Valuer and assessing the appropriateness of its scope of work; and (iii) our review and cross-checking of the methodologies, key bases and key assumptions as set out in the Valuation Reports and worksheets prepared by the Valuer, together with our consideration of the opinion from the Auditor on the Profit Forecasts contained the Valuation Reports as set out in the Appendix V and VI to this Circular, we consider that the Valuation is fair and reasonable so far as the Shareholders are concerned.

2 Reasons for and benefits of the Disposal

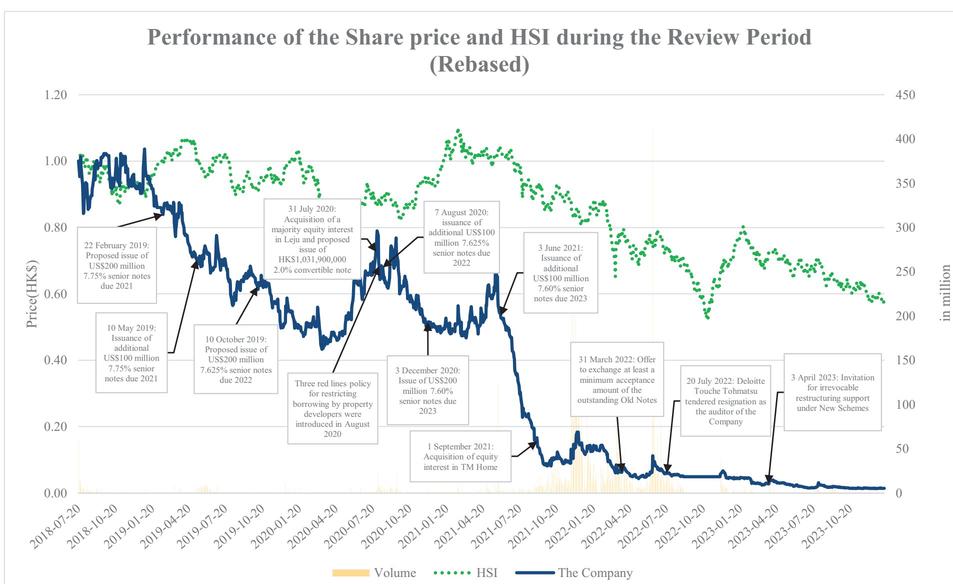
2.1 Rationale of the Disposal

The Restructuring, inclusive of the Disposal serve as integral parts of the Group's plan to restructure its debt obligations and the Restructuring is the most appropriate next step to meet the needs of all stakeholders. As stated in the RSA Announcement, the Company was 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 an effort to restructure the Company's debt obligations, including the Old Notes and the

Convertible Note, the Company proposes to implement the New Schemes. Through the Disposal, the shares in TM Home will be allotted and issued to the Creditor SPV on the Restructuring Effective Date, in addition to the Cash Consideration payable to the Scheme Creditors, which the Board believes is an essential step to facilitate the implementation of the New Schemes and the Restructuring.

2.1.1 Review of the historical share price performance

We have reviewed the daily closing prices of the Shares for the period from 20 July 2018 (being the listing date of the Company) to the Latest Practicable Date (the "**Review Period**"). We consider that such time frame is adequate to illustrate the historical price movement of the Shares since its listing on the Stock Exchange, particularly during the period of real estate turmoil in China and the financial struggles of the Company, and enable us to obtain a general understanding of the market's response to the changes in the Company's business operation and financial position as the Share price represents the fair market value of the Company perceived by the investors in general. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



Source: Wind

As illustrated in the chart above, despite some fluctuations during the Review Period, the Share price demonstrated a general decreasing trend and underperformed against the HSI, in particular since the period shortly after the announcement of issuance of additional US$100 million 7.60% senior notes due 2023 on 3 June 2021, where the Share price continued to underperform. In view of the above, we consider that the Share price has been severely affected by its financial position, poor sentiment on property related segment and the uncertainties on the progress of the New Schemes.

2.1.2 Financial conditions of the Group

As advised by the Management, sales for residential property in China slowed significantly and prices for residential units suffered a substantial reduction since mid-2021 and adversely affected the business of companies in the real estate related sectors. Against the background of an industry downturn and regulatory policy in the real estate industry, the Company has been negatively affected by this downturn in different aspects:

i. with reference to the National Real Estate Development and Sales in 2021 and 2022 published by the National Bureau of Statistics of China, in 2021, real estate development enterprises paid in RMB20,113.2 billion, among which domestic loans amounted to RMB2,329.6 billion, representing a decrease of 12.7% over the previous year; the utilized foreign capital was RMB10.7 billion, representing a significant decrease of 44.1%. In 2022, sales of commercial housing decreased by approximately 26.7%, while residential sales decreased by approximately 28.3%. Facing sharp decrease in sales and severe liquidity constraints, many leading property developers, including the majority of the Group's clients, defaulted on their external liabilities, which led to the Company's delays in collection of accounts receivables. Due to serious liquidity constraints caused by large amounts of unpaid accounts receivables, the Group announced in March 2022 an offshore debt restructuring with respect to its senior notes due 2022 and 2023;

ii. decreased cash flows which was mainly due to the decline in its business scale as a result of downturn in the overall real estate market with revenue of the Group decreased by approximately RMB3.8 billion for FY2022 as compared to that for FY2021;

iii. difficulty raising onshore and offshore financing, which has created significant pressure on its short-term liquidity to address the Total Outstanding Offshore Indebtedness. We have obtained and reviewed the credit rating reports of the Company and noted that, Lianhe Global downgraded the Group's global scale long-term issuer and issuance credit rating to "B" from "BB-" on 31 December 2021 and S&P Global Ratings lowered the long-term issue rating on the Company's outstanding senior unsecured notes to "CCC" from "B" on 23 Feb 2022. According to the announcements published by the Company on 11 June 2023 and 18 April 2022, the Company has failed to repay the 2023 Notes and the 2022 Notes on their respective maturity date, which cross-defaulted the Convertible Note; and

iv. facing multiple uncertainties relating to its going concern, including but not limited to, (a) high Gearing Ratio of approximately 100.6% as at 31 December 2022, representing an increase of approximately 44.0% as compared to approximately 56.6% as at 31 December 2021; (b) bank and other borrowings repayable within one year of approximately RMB4.5 billion, net current liabilities of approximately RMB7.3 billion and net deficits of approximately RMB5.0 billion as at 31 December 2022; and (c) loss for the year of approximately RMB5.0 billion for FY2022, all of which indicate the existence of a material uncertainty and may cast significant doubt on the Company's ability to continue as a going concern.

In view of the above, we consider that the Disposal, which forms an essential part of the Restructuring, represents an opportunity to settle the Group's major outstanding debt in relation to the Old Notes and the Convertible Note, which in turn strengthens the Group's financial position and reduce its interest burden.

2.2 Information of the Remaining Group

With reference to the Board Letter, upon the completion of the Restructuring and the Disposal, the Remaining 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, which primarily include integrating small and medium-sized secondary real estate brokerage stores in the PRC, and empowering them with rich resources to enhance their business operations, details of which are set out section headed BUSINESS PROSPECTS OF THE REMAINING GROUP in the Board Letter.

After the Disposal, the Group will focus its efforts on stabilising the revenue generated from the Remaining Businesses. Based on our discussion with the Management, upon completion of the Restructuring, the Company is still able to maintain a significant portion of the Group's core businesses for operation as a leading real estate service provider in China. With reference to the Board Letter, the Remaining Businesses are the Group's core business segments with a long operating history. The Group has been providing the real estate agency services since its inception in 2000 and has been carrying on the real estate brokerage network services since 2016.

With reference to the 2022 AR, China's real estate industry in 2022 had experienced unprecedented challenges and turmoil, partly as a result of COVID-19 related disruptions in economic activities and negative market sentiment. Many leading property developers, including the majority of the Group's clients, faced sharp decrease in sales and severe liquidity constraints and many of them defaulted on their external liabilities. This led to a substantial decline in the Group's revenue for FY2022, especially from real estate agency services in the primary market. However, despite the decline in the Group's business scale as a result of the overall downturn in the real estate market in FY2021 and FY2022, the Remaining Businesses still represents an average of approximately 55.8% of the revenue of the Group for the three years ended 31 December 2022. Accordingly, we concur with the Management that the Remaining Businesses still account for a large portion of the total revenue of the Group and remain to be the core business of the Group.

However, as mentioned above in the section headed "1.1 Financial information of the Group", all four business segments of the Group recorded declining revenue for FY2022. With reference to the Investment in Real Estate Development for January to November 2023 published by the National Bureau of Statistics of China, from January to November 2023, the funds for investment for real estate development enterprises were RMB11,704.4 billion, representing a year-on-year decrease of 13.4%. The sales of commercial buildings were

RMB10,531.8 billion, down by 5.2%, of which the sales of residential buildings decreased by 4.3%. We note that in November 2023, the national real estate climate index (RECI), which is a composite index reflecting the degree of prosperity and development trend of China's real estate market, stood at 93.42 as compared to 94.72 for April 2023. As discussed with the Management, in view of the downturn of the PRC real estate industry and the resulting liquidity constraints, the Group has sharply reduced its expenditures and focused on implementing cost-control measures, collection of receivables and continuing to operate the Remaining Businesses only to the extent that positive cash flow can be generated during the current period. Going forward, the Group's strategy is to control the scale and geographic scope of the Remaining Businesses according to industry environment. Expansion will be considered and carried out only if the industry shows substantial improvement in terms of market sentiment and transactional activities.

Shareholder should note that the Remaining Group is still subject to among others, business risks and liquidity risks as mentioned above and thus the operations remain challenging for the Group despite the Disposal could improve its financial burden from the Old Notes and the Convertible Note.

3 Financial effects of the Disposal

Upon completion of the Disposal ("**Completion**"), the Company will cease to have any interest in the Disposal Group and the financial information of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group. The analysis below is based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to the Circular (the "**Unaudited Pro Forma Financial Information of the Remaining Group**"). It should be noted that such analysis is for illustrative purposes only and does not purport to represent how the financial position of the Remaining Group will be upon the Completion.

3.1 Effects on net assets

As at 30 September 2023, the Group had unaudited net liabilities approximately RMB6,234.0 million. Based on the Unaudited Pro Forma Financial Information of the Remaining Group, the net assets of the Remaining Group would be approximately RMB46.4 million, representing an increase of approximately RMB6,280.4 million as compared to the net liabilities of the Group as at 30 September 2023.

3.2 Effects on liabilities

As at 30 September 2023, the Group had unaudited total liabilities of approximately RMB10,655.8 million. Based on the Unaudited Pro Forma Financial Information of the Remaining Group, the total liabilities of the Remaining Group would be approximately RMB3,820.4 million, representing a decrease of approximately RMB6,835.4 million as compared to the total liabilities of the Group as at 30 September 2023.

The Gearing Ratio of the Remaining Group would be 20.5% as at 30 September 2023, representing a substantial decrease from the Gearing Ratio of the Group of approximately 136.3% as at 30 September 2023.

3.3 Effects on working capital

As at 30 September 2023, the Group had a negative unaudited working capital of approximately RMB8,348.7 million. Based on the Unaudited Pro Forma Financial Information of the Remaining Group, the negative working capital of the Remaining Group would be approximately RMB2,359.1 million, representing an improvement of approximately RMB5,989.6 million as compared to that of the Group as at 30 September 2023.

As mentioned in the Appendix I to the Circular, the Directors, after due and careful inquiry, are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Group's internal resources, available banking facilities and the whole effect of the Disposal, the Group will have sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this Circular.

3.4 Effects on earnings

For FY2022, the Group recorded unaudited loss for the year of approximately RMB4,968.5 million. Based on the Unaudited Pro Forma Financial Information of the Remaining Group, the profit for the year of the Remaining Group would be approximately RMB1,417.3 million, mainly due to the gain expected to be recorded from the Restructuring, representing an increase of approximately RMB6,385.8 million as compared to loss for the year of the Company for FY2022.

Based on the above analysis, we are of the view that, although the Remaining Group would still suffer from insufficient working capital, the Disposal has overall positive financial effects on the Group's financial position and is in the interest of the Company and the Independent Shareholders as a whole.

4 Special Deals

Under the Takeovers Code, each of (i) the use of proceeds from the Rights Issue to pay the Restructuring Consideration to the CB Holder (being an associate of Taobao China and a Scheme Creditor) and other Scheme Creditors who may also be Shareholders ("**Special Deal 1**"); and (ii) on the Restructuring Effective Date, the issuance of new shares of TM Home to Creditor SPV (which will be owned by the Scheme Creditors who are holding the Old Notes and also be Shareholders), pro rata by reference to the proportion of the aggregate Scheme Creditor Claim held by the holders of the Old Notes at the Record Time ("**Special Deal 2**"); and (iii) on the Restructuring Effective Date, the issuance of new shares of TM Home to the CB Shareholder (being an associate of Taobao China), pro rata by reference to the proportion of the aggregate Scheme Creditor Claim held by the CB Holder at the Record Time ("**Special Deal 3**") would constitute a favourable condition not extended to all Shareholders and therefore special deals under Rule 25 of the Takeovers Code and require the consent of the Executive.

In relation to Special Deal 1, which effectively refers to the settlement by Cash Consideration, while Special Deal 2 and Special Deal 3, which together effectively refer to the settlement by Equity Consideration, as part of our due diligence purposes, we noted that:

(i) with reference to the table set out above in the section headed "1.2 Background information of the Restructuring", the Restructuring Consideration of approximately HK$2,645.4 million represents only approximately 41.8% of the Total Outstanding Offshore Indebtedness of approximately HK$6,328.5 million under the New Scheme. We consider the New Scheme is in favour of the Company and its Shareholders at a whole as the Company is able to offset its entire outstanding offshore indebtedness at a discount;

(ii) with reference to the table under section "2.1 Background of the Rights Issue", the market value of 65% equity interest in the share capital of TM Home (including business of CRIC and excluding business of Fangyou) as at Valuation Date of approximately HK$2,265.7 million, being the underlying amount represented by Special Deal 2 and Special Deal 3 will be used as part of the Restructuring Consideration, together with the Cash Consideration, to offset the Total Outstanding Offshore Indebtedness of approximately HK$6,328.5 million under the New Scheme, which is in favour of the Company and its Shareholders at a whole considering the financial difficulties currently facing by the Group and our analysis on the Valuation of TM Home and CRIC mentioned above;

(iii) as mentioned in the section headed "EFFECTS OF THE DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP" in the Circular, the Disposal will not generate any proceeds to the Company. However, for illustrative purpose only and assuming the Disposal had completed on 30 September 2023, it is expected that the Group will record a book gain of approximately RMB6.4 billion (equivalent to approximately HK$7.0 billion) from the Disposal, which primarily resulted from the derecognition of the carrying amounts of Old Notes and the Convertible Note and the accrued interests of approximately RMB5.9 billion. We understand that the Auditor was also engaged to report on the gain expected to accrue to the Company from the Disposal, details of which were set out in the Appendix VI to the Circular;

(iv) if the payment under the New Scheme cannot be proceed, it could lead to failure of the Restructuring. It would then create significant pressure on the Company's short-term liquidity to address the Total Outstanding Offshore Indebtedness of approximately HK$6,328.5 million in view of the level of cash and cash equivalents of approximately RMB1.0 billion as at 30 June 2023 and the net deficits position of approximately RMB5.0 billion and RMB5.9 billion as at 31 December 2022 and 30 June 2023, respectively, in which case the Company could become insolvent and its assets have to be liquidated to repay creditors with limitations on cash deployment as discussed above; and

(v) with reference to the 2022 AR, the Group incurred a loss of approximately RMB5.0 billion and net cash outflow from operating activities of approximately RMB1.1 billion for FY2022 and the Group had net current liabilities and net liabilities approximately RMB7.3 billion and approximately RMB5.0 billion respectively as at 31 December 2022, indicating the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. With reference to the independent auditor's report set out in the 2022 AR, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon (i) the successful completion of various debt restructuring measures; (ii) the successful disposal of investment property; and (iii) the improvement of operating performance that certain measures to improve its financial position, to provide liquidity and cash flows. That being the case, the successful completion of various debt restructuring measures represents one of the determinants factors toward the Group's ability to continue as a going concern. The Company's auditor considers that if there is no material change in the Company's financial status and on the basis that the Group successfully completes and implements the Company's plan to improve the Group's financial position, and to provide liquidity and cash flows, the disclaimer of opinion is expected to be removed from the Company's financial statements for the year ending 31 December 2023.

Given that (i) the Restructuring Consideration payable to Scheme Creditor represents only approximately 41.8% of the Total Outstanding Offshore Indebtedness under the New Scheme; (ii) the unsatisfactory and deteriorating financial conditions of the Group is unlikely to change if the New Scheme cannot become effective; and (iii) the successful completion of the Restructuring represents one of the determinants factors toward the Group's ability to continue as a going concern, we are of the view that the respective terms of the Special Deal 2 and Special Deal 3 are fair and reasonable and are in the interest of the Company and/or the Independent Shareholders.

5 Whitewash Waiver

Based on our analysis of the benefits and terms of the Rights Issue in the section headed "2 Reasons for the Rights Issue and the Use of Proceeds" in the Rights Issue Circular, we consider that the Rights Issue to be underwritten by Mr. Zhou Xin without incurring any commission is in the interests of the Company and the Independent Shareholders as a whole as it is an essential part to settle the cash proportion of consideration under the Restructuring. Besides, all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and that the Qualifying Shareholders have their choice of whether to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the Subscription Price. If the Whitewash Waiver is not approved by the Independent Shareholders at the Rights Issue EGM, the Rights Issue will not proceed and the Company will lose all the benefits that are expected to be brought by the Rights Issue, in particular the Restructuring may not be able to proceed. Accordingly, we consider that the Whitewash Waiver, which is to facilitate the implementation of the Rights Issue as well as the Restructuring, is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable as far as the Independent Shareholders are concerned for the purpose of proceeding with the Rights Issue.

The information contained in the VSD Circular as at the Latest Practicable Date does not affect our advice and recommendation as set out in the "LETTER FROM MAXA CAPITAL" in the Rights Issue Circular.

RECOMMENDATION

As discussed in the section headed "1.1 Financial information of the Group", the Company is experiencing severe liquidity and cash flow constraints as well as further deterioration of its financial position. As part of the Company's efforts to meet its financial commitments and cope with its financial distress, the Company conducts the Restructuring to manage default risk and address liquidity issues whilst alleviate its cashflow pressure and provide flexibility to operations, offering the Company necessary financial stability to continue as a going concern and to improve its overall financial position. Upon completion of the Restructuring, the Company is able to prioritize the stabilization of its operations on the Remaining Group and preserve the Company from liquidation.

If the relevant resolution(s) on the very substantial disposal in relation to (1) the Disposal; (2) Special Deal 2; and (3) Special Deal 3 and the transactions contemplated thereunder were not duly passed and the Cash Consideration is not satisfied by way of the Rights Issue and as a consequence the Restructuring did not become effective and was not successfully consummated, the Company might not be able to repay the indebtedness that has already defaulted, which is likely have a material negative impact on the Company's business operation and financial position going forward. Against the backdrop of real estate industry crisis, the Company may remain insolvent and is unlikely to overcome financial distress and improve its negative working capital and net deficit position.

We understand that one of the Takeovers Code IBC members, Mr. Song Jiajun, considered that the terms of Restructuring are not in the best interests of the Company and the Shareholders as a whole given: the Company will be giving up the majority interest (being 65%) of TM Home under the New Scheme. TM Home is currently a subsidiary of the Company operating a part of the Group's principal businesses but as a result of the Restructuring, it would no longer be an integral part of the Group and the Company can only retain 20% of TM Home, a very significant reduction. However, Management SPV, which is not a part of the Group, would be able to obtain 15% of TM Home after the Restructuring, which will result in it holding a similar level of interest as compared to that to be held by the Company.

Accordingly, Mr. Song Jiajun considers that the (1) the Disposal; (2) Special Deal 2; and (3) Special Deal 3 and the transactions contemplated thereunder, all being integral parts of the Restructuring, are not in the interests of Independent Shareholders.

Nonetheless, we are of the opinion that the (1) the Disposal; (2) Special Deal 2; and (3) Special Deal 3 and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole having taken into consideration the factors and reasons as stated above and summarised below:

(i) the Disposal, which forms an essential part of the Restructuring, represents an opportunity to settle the Group's major outstanding debt in relation to the Old Notes and the Convertible Note, which in turn strengthens the Group's financial position and reduces its interest burden. Upon Completion, the Management can focus resources on the Remaining Group;

(ii) the Valuation is fair and reasonable so far as the Shareholders are concerned and the Equity Consideration of approximately HK$2,265.7 million, being part of the Restructuring Consideration under the New Schemes together with the Cash Consideration to offset the outstanding offshore indebtedness of the Company of approximately HK$6,362.8 million, could facilitate the Restructuring;

(iii) the Group has experienced, among others, deteriorating cash flows and liquidity with loss amounted to RMB5.0 billion for FY2022, which indicates the existence of a material uncertainty and may cast significant doubt on the Company's ability to continue as a going concern. With current credit ratings and poor market sentiment, it has also encountered difficulties in raising onshore and offshore financing;

(iv) the Rights Issue are fair and reasonable as far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole for the reasons set out in section headed "Cash Consideration" above;

(v) the Underwriting Agreement with no underwriting commission being charged to the Company is on better commercial terms and is fair and reasonable as far as the Shareholders are concerned;

(vi) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and those who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and

(vii) the Special Deal 1, Special Deal 2 and Special Deal 3 are fair and reasonable for the reasons set out in the section headed "4. Special Deals".

Accordingly, we advise the Takeovers Code IBC to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of (i) the relevant resolution(s) on the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Whitewash Waiver and the Special Deal 1 to be proposed at the Rights Issue EGM; and (ii) the relevant resolution(s) on the very substantial disposal in relation to (1) the Disposal; (2) Special Deal 2; and (3) Special Deal 3 and the transactions contemplated thereunder to be proposed at the Disposal EGM.

THIS CIRCULAR MUST BE READ IN CONJUNCTION WITH THE CIRCULAR DATED 30 NOVEMBER 2023 IN RELATION TO THE RIGHTS ISSUE PUBLISHED BY THE COMPANY. SHAREHOLDERS SHOULD REVIEW THE AFOREMENTIONED CIRCULAR TOGETHER BEFORE MAKING THEIR DECISIONS AS TO VOTING AT THE RIGHTS ISSUE EGM AND THE DISPOSAL EGM.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Michael Fok
Managing Director

Mr. Michael Fok is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 23 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three financial years ended 31 December 2020, 2021 and 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.ehousechina.com), and can be accessed at the website addresses below:

The annual report of the Company for the financial year ended 31 December 2020, please see: https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042700463.pdf (pages 132 to 389)

The annual report of the Company for the financial year ended 31 December 2021, please see: https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1129/2022112900389.pdf (pages 110 to 339)

The annual report of the Company for the financial year ended 31 December 2022, please see: https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042501232.pdf (pages 148 to 347)

Details of the financial information of the Group for the nine months ended 30 September 2023 are disclosed below.

2. REVIEW OF FINANCIAL INFORMATION OF THE GROUP

中汇 ZHONGHUI

To the Board of Directors of E-House (China) Enterprise Holdings Limited

Introduction

We have reviewed the financial information set out on pages 94 to 116, which comprises the consolidated statements of financial position of E-House (China) Enterprise Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 31 December 2020, 2021 and 2022 and 30 September 2023 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2020, 2021 and 2022 and for the nine months ended 30 September 2023 (the "Relevant Periods") and explanatory notes (the "Financial Information"). The Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the disposal of the 64.21% equity interests in the TM Home Limited in accordance with Rule 14.68(2)(a)(i)(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Company are responsible for the preparation and presentation of the Financial Information of the Group in accordance with the basis of preparation set out in Note 2 to the Financial Information and Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error. The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on this Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review of the Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Disclaimer of Conclusion

As discussed in note 2 of the Financial Information concerning the adoption of the going concern basis on which the financial information has been prepared, the Group incurred a loss of approximately RMB1,192,476,000 and net cash outflow from operating activities of approximately RMB386,970,000 for the nine months ended 30 September 2023 and, as of that date, the Group had net current liabilities and net liabilities of approximately RMB8,348,736,000 and approximately RMB6,234,041,000, respectively.

These conditions indicate the existence of multiple uncertainties that cast a significant doubt on the Group's ability to continue as a going concern. The directors of the Company are undertaking certain measures to improve the Group's liquidity and financial position which are set out in note 2 to the Financial Information. The Financial Information have been prepared on a going concern basis, the validity of which depends upon (i) the successful completion of various debt restructuring measures; (ii) the successful disposal of investment property and (iii) the improvement of operating performance that certain measures to improve its financial position, to provide liquidity and cash flows. The Financial Information do not include any adjustments that would result from the failure to improve its financial position, to provide liquidity and cash flows. We consider that the material uncertainty has been adequately disclosed in the financial information. However, in view of the extent of the multiple uncertainty relating to the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Disclaimer of Conclusion

We do not express a conclusion on the Financial Information of the Group. Because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Conclusion section of our report, it is not possible for us to form an opinion on the Financial Information.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Li Shun Fai
Practising Certificate Number P05498
Hong Kong, 16 January 2024

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	As at 31 December			As at 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	8,051,509	8,865,987	5,033,279	3,423,442	3,346,667
Staff costs	(2,734,263)	(3,243,221)	(1,967,347)	(1,611,813)	(855,634)
Advertising and promotion expenses	(946,816)	(3,048,306)	(2,374,608)	(1,593,653)	(1,477,479)
Rental expenses for short-term leases, low-value assets leases and variable leases	(33,628)	(111,398)	(103,457)	(83,069)	(28,164)
Depreciation and amortisation expenses	(210,570)	(435,347)	(537,521)	(404,496)	(221,507)
Loss allowance on financial assets subject to expected credit loss ("ECL"), net of reversal	(172,548)	(8,963,718)	(995,959)	(501,181)	(79,911)
Loss on derecognition of receivables at fair value through other comprehensive income ("FVTOCI")	(14,651)	(5,651)	(38)	–	–
Impairment losses recognised on non-current assets	–	(858,534)	(1,034,791)	–	–
Consultancy expenses	(228,357)	(305,714)	(461,971)	(229,064)	(147,836)
Distribution expenses	(2,395,799)	(2,462,261)	(1,465,853)	(934,193)	(1,069,959)
Other operating costs	(359,388)	(717,743)	(458,984)	(311,001)	(273,105)
Other income	140,199	198,396	150,781	102,993	62,994
Other gains and losses	72,345	(214,741)	(316,944)	(382,345)	(133,791)
Other expenses	(15,583)	(29,667)	(5,174)	(3,269)	(8,839)
Share of results of associates	21,056	(33,039)	2,826	(1,149)	2,683
Finance costs	(481,913)	(538,800)	(471,752)	(353,675)	(345,915)
Profit/(loss) before taxation	691,593	(11,903,757)	(5,007,513)	(2,882,473)	(1,229,796)
Income tax (expense)/credit	(252,371)	(360,902)	38,989	27,170	37,320
Profit/(loss) for the year/period	439,222	(12,264,659)	(4,968,524)	(2,855,303)	(1,192,476)

	As at 31 December			As at 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other comprehensive income/(expense) for the year/period					
Items that may be reclassified subsequently to profit or loss:					
Fair value changes on receivables measured at FVTOCI	(119,196)	(4,671,979)	(635,581)	(135,392)	(54,268)
Net changes in ECL of receivables measured at FVTOCI	119,196	4,671,979	635,581	135,392	54,268
Exchange differences arising on translation of foreign operations	19,465	3,780	(6,109)	7,537	748
Other comprehensive income/(expenses) for the year/period, net of income tax	19,465	3,780	(6,109)	7,537	748
Total comprehensive income/(expense) for the year/period	458,687	(12,260,879)	(4,974,633)	(2,847,766)	(1,191,728)
Profit/(loss) for the year/period attributable to:					
– Owners of the Company	304,413	(11,642,687)	(3,896,299)	(2,313,684)	(1,004,714)
– Non-controlling interests	134,809	(621,972)	(1,072,225)	(541,619)	(187,762)
	439,222	(12,264,659)	(4,968,524)	(2,855,303)	(1,192,476)
Total comprehensive income/(expense) for the year/period					
– Owners of the Company	315,255	(11,640,065)	(3,900,590)	(2,308,391)	(1,004,047)
– Non-controlling interests	143,432	(620,814)	(1,074,043)	(539,375)	(187,681)
	458,687	(12,260,879)	(4,974,633)	(2,847,766)	(1,191,728)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property and equipment	1,077,120	1,109,694	1,040,388	976,797
Right-of-use assets	542,331	350,755	299,622	192,624
Investment properties	700,996	648,992	607,904	579,533
Goodwill	549,223	–	–	–
Intangible assets	699,474	1,907,583	552,954	463,931
Interests in associates	300,694	71,635	69,144	73,828
Amounts due from related parties	11,135	492	422	47
Deferred tax assets	845,467	402,987	392,911	399,315
Other non-current assets	594,366	83,020	71,558	66,230
	5,320,806	4,575,158	3,034,903	2,752,305
Current assets				
Accounts receivables and bills receivables	1,066,285	223,639	23,589	18,525
Other receivables	2,322,991	621,624	512,143	336,001
Amounts due from related parties	293,945	33,540	28,845	98,468
Receivables at FVTOCI				
– accounts receivables and bills receivables	4,813,186	1,985,190	566,655	217,715
– amounts due from related parties – accounts receivables	2,152,393	266,306	129,713	138,681
Contract assets	8,628	8,936	–	–
Financial assets at fair value through profit or loss ("FVTPL")	1,388,027	212,848	79,833	54,521
Restricted bank balances	284,943	132,198	228,689	107,671
Pledged bank deposits	605,902	755,136	–	–
Cash and cash equivalents	7,515,836	3,314,741	1,246,583	697,850
	20,452,136	7,554,158	2,816,050	1,669,432
Current liabilities				
Accounts payables	1,374,616	1,193,091	994,120	895,739
Advance from customers	721,827	652,744	571,976	387,539
Accrued payroll and welfare expenses	752,392	522,921	284,001	206,793
Other payables	976,912	715,449	1,001,327	1,167,458
Contract liabilities	156,368	181,394	130,256	176,249

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax payables	1,396,756	1,370,183	1,331,222	1,315,807
Amounts due to related parties	155,662	185,664	287,216	214,531
Bank borrowings	1,641,115	1,774,946	372,569	372,603
Other borrowings	1,952,623	1,894,405	4,156,665	4,293,946
Convertible note	–	–	870,833	940,563
Lease liabilities	101,842	95,334	77,223	46,940
	9,230,113	8,586,131	10,077,408	10,018,168
Net current assets/(liabilities)	11,222,023	(1,031,973)	(7,261,358)	(8,348,736)
Total assets less current liabilities	16,542,829	3,543,185	(4,226,455)	(5,596,431)
Non-current liabilities				
Deferred tax liabilities	201,058	162,210	138,520	115,281
Bank borrowings	580,188	546,519	485,947	420,421
Convertible note	840,372	756,912	–	–
Other borrowings	3,195,350	1,889,462	–	–
Lease liabilities	232,210	198,077	176,950	101,908
	5,049,178	3,553,180	801,417	637,610
NET ASSETS/(LIABILITIES)	11,493,651	(9,995)	(5,027,872)	(6,234,041)
EQUITY				
Share capital	116	116	116	116
Share premium	6,239,597	6,148,273	6,148,273	6,148,273
Reserves	4,024,462	(7,312,918)	(11,367,569)	(12,461,282)
Equity attributable to owners of the Company	10,264,175	(1,164,529)	(5,219,180)	(6,312,893)
Non-controlling interests	1,229,476	1,154,534	191,308	78,852
TOTAL EQUITY	11,493,651	(9,995)	(5,027,872)	(6,234,041)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Merger Reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Translation reserves *RMB'000*	Other reserves *RMB'000*	Retained profits/ (Accumulated losses) *RMB'000*	Sub-total *RMB'000*	Non controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2020	93	4,104,603	925,478	176,070	–	525,590	2,143,564	7,875,398	188,850	8,064,248
Profit for the year	–	–	–	–	–	–	304,413	304,413	134,809	439,222
Other comprehensive income for the year	–	–	–	–	10,842	–	–	10,842	8,623	19,465
Total comprehensive income for the year	–	–	–	–	10,842	–	304,413	315,255	143,432	458,687
Issuance of shares to Alibaba Subsidiary	8	713,151	–	–	–	–	–	713,159	–	713,159
Repurchase and cancellation of shares	(1)	(23,671)	–	–	–	–	–	(23,672)	–	(23,672)
Dividend recognised as distribution	–	(214,456)	–	–	–	–	–	(214,456)	(118,231)	(332,687)
Transferred to statutory surplus reserve	–	–	–	19,867	–	–	(19,867)	–	–	–
Deemed capital distribution arising from acquisition of subsidiaries from entities controlled by Mr. Zhou Xin, a substantial shareholder, chairman and executive director of the Company	–	–	–	–	–	(110,744)	–	(110,744)	–	(110,744)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	52,989	–	52,989	6,943	59,932
Exercise of share options	–	3,892	–	–	–	(1,044)	–	2,848	–	2,848
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	3,230	3,230
Acquisition of Leju Holdings Limited ("Leju")	16	1,656,078	–	–	–	–	–	1,656,094	1,002,556	2,658,650
Acquisition of additional interest in a subsidiary	–	–	–	–	–	(2,696)	–	(2,696)	2,696	–
At 31 December 2020 and 1 January 2021	116	6,239,597	925,478	195,937	10,842	464,095	2,428,110	10,264,175	1,229,476	11,493,651

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Merger Reserve RMB'000	Statutory surplus reserve RMB'000	Translation reserves RMB'000	Other reserves RMB'000	Retained profits/ (Accumulated losses) RMB'000	Sub-total RMB'000	Non controlling interests RMB'000	Total RMB'000
Loss for the year	–	–	–	–	–	–	(11,642,687)	(11,642,687)	(621,972)	(12,264,659)
Other comprehensive income for the year	–	–	–	–	2,622	–	–	2,622	1,158	3,780
Total comprehensive expense for the year	–	–	–	–	2,622	–	(11,642,687)	(11,640,065)	(620,814)	(12,260,879)
Dividend recognised as distribution	–	(91,324)	–	–	–	–	–	(91,324)	(123,741)	(215,065)
Deemed capital distribution arising from acquisition of TianJi Network from entities controlled by Mr. Zhou Xin, a substantial shareholder, chairman and executive director of the Company	–	–	–	–	–	(77,220)	–	(77,220)	–	(77,220)
Acquisition of TM Home Limited	–	–	–	–	–	403,528	–	403,528	626,884	1,030,412
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	3,523	–	3,523	10,786	14,309
Acquisition of additional interests in a subsidiary	–	–	–	–	–	(28,499)	–	(28,499)	28,499	–
Exercise of share options	–	–	–	–	–	1,353	–	1,353	–	1,353
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	2,600	2,600
Acquisition of other insignificant subsidiary	–	–	–	–	–	–	–	–	1,400	1,400
De-registration of subsidiaries	–	–	–	–	–	–	–	–	(556)	(556)
At 31 December 2021 and 1 January 2022	116	6,148,273	925,478	195,937	13,464	766,780	(9,214,577)	(1,164,529)	1,154,534	(9,995)
Loss for the year	–	–	–	–	–	–	(3,896,299)	(3,896,299)	(1,072,225)	(4,968,524)
Other comprehensive expense for the year	–	–	–	–	(4,291)	–	–	(4,291)	(1,818)	(6,109)
Total comprehensive expense for the year	–	–	–	–	(4,291)	–	(3,896,299)	(3,900,590)	(1,074,043)	(4,974,633)
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	(20,634)	(20,634)

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Merger Reserve RMB'000	Statutory surplus reserve RMB'000	Translation reserves RMB'000	Other reserves RMB'000	Retained profits/ (Accumulated losses) RMB'000	Sub-total RMB'000	Non controlling interests RMB'000	Total RMB'000
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	–	12,211	12,211
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	2,400	2,400
Capital injection to subsidiaries	–	–	–	–	–	(154,061)	–	(154,061)	154,061	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(37,221)	(37,221)
At 31 December 2022 and 1 January 2023	116	6,148,273	925,478	195,937	9,173	612,719	(13,110,876)	(5,219,180)	191,308	(5,027,872)
Loss for the period	–	–	–	–	–	–	(1,004,714)	(1,004,714)	(187,762)	(1,192,476)
Other comprehensive income for the year	–	–	–	–	667	–	–	667	81	748
Total comprehensive expense for the period	–	–	–	–	667	–	(1,004,714)	(1,004,047)	(187,681)	(1,191,728)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	–	9,492	9,492
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(96,176)	–	(96,176)	96,176	–
Partial disposal of interests in subsidiaries without loss of control	–	–	–	–	–	6,510	–	6,510	(6,510)	–
Dividends distribution to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(22,723)	(22,723)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(1,210)	(1,210)
At 30 September 2023	116	6,148,273	925,478	195,937	9,840	523,053	(14,115,590)	(6,312,893)	78,852	(6,234,041)
At 1 January 2022	116	6,148,273	925,478	195,937	13,464	766,780	(9,214,577)	(1,164,529)	1,154,534	(9,995)

	Attributable to owners of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Merger Reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Translation reserves *RMB'000*	Other reserves *RMB'000*	Retained profits/ (Accumulated losses) *RMB'000*	Sub-total *RMB'000*	Non controlling interests *RMB'000*	Total *RMB'000*
Loss for the period	–	–	–	–	–	–	(2,313,684)	(2,313,684)	(541,619)	(2,855,303)
Other comprehensive income for the year	–	–	–	–	5,293	–	–	5,293	2,244	7,537
Total comprehensive expense for the period	–	–	–	–	5,293	–	(2,313,684)	(2,308,391)	(539,375)	(2,847,766)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	–	9,071	9,071
Dividends distribution to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(590)	(590)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(36,414)	(36,414)
At 30 September 2022	116	6,148,273	925,478	195,937	18,757	766,780	(11,528,261)	(3,472,920)	587,226	(2,885,694)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	As at 31 December			As at 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities					
Profit/(loss) before taxation	691,593	(11,903,757)	(5,007,513)	(2,882,473)	(1,229,796)
Adjustments for:					
Amortisation of intangible assets	34,569	172,736	331,042	249,162	89,904
Depreciation of investment properties	20,623	36,223	34,869	26,151	26,230
Depreciation of property and equipment	41,124	93,287	84,394	75,542	64,512
Depreciation of right-of-use assets	114,254	133,101	87,216	53,641	40,861
Equity-settled share-based payment expenses	59,932	14,309	12,211	9,071	9,492
Fair value gain on convertible note	(37,582)	(109,730)	(12,915)	(4,535)	(1,593)
Finance costs	481,913	538,800	471,752	353,675	345,915
Gain on de-registration of subsidiaries	–	(92)	–	–	–
Gain on disposal of subsidiaries	–	–	(14,560)	(6,422)	2,316
Impairment losses recognised in non-current assets	–	858,534	1,034,791	–	–
Interest income	(67,193)	(43,588)	(48,672)	(23,236)	(9,058)
Loss allowance on financial assets subject to ECL, net of reversal	172,548	8,963,718	995,959	501,181	79,911
Loss on derecognition of receivables at FVTOCI	14,651	5,651	38	–	–
Net exchange (gain)/loss	(31,058)	6,563	239,616	324,629	111,332
Net fair value (gain)/loss on financial assets at FVTPL	(4,188)	324,663	111,597	79,013	25,312
Net gain on disposal of investment properties	(545)	(57)	(3,305)	(2,603)	–
Net gain on termination of right-of-use assets and lease liabilities	(317)	(2,852)	(3,031)	(7,075)	(6,015)
Net loss/(gain) on disposal of property and equipment	1,316	(3,833)	(459)	(662)	2,439
Net loss on disposal of interests in associates	29	79	1	–	–
Share of results of associates	(21,056)	33,039	(2,826)	1,149	(2,683)
Operating cash flows before movements in working capital	1,470,613	(883,206)	(1,689,795)	(1,253,792)	(450,921)
(Increase)/decrease in receivables at FVTOCI	(171,540)	(200,105)	927,641	769,081	285,704
(Decrease)/increase in amounts due to related parties	(104,058)	(96,535)	260,416	148,234	(77,157)
Decrease in other non-current assets	2,009	705,383	16,934	37,296	4,203
(Increase)/decrease in contract assets	(7,570)	(215)	9,465	8,936	–
Increase in restricted bank balances	(13,643)	(14,913)	(97,788)	(6,330)	(25,565)

	As at 31 December			As at 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Decrease/(increase) in accounts receivables and bills receivables	1,051,302	317,659	(34,507)	143,703	26,791
Decrease/(increase) in amounts due from related parties	14,705	39,801	(15,331)	(70,903)	(66,597)
Increase/(decrease) in contract liabilities	18,223	25,026	(51,138)	4,382	45,992
(Decrease)/increase in other payables	(514,352)	(80,994)	(55,566)	46,548	98,226
Decrease in advances from customers	(124,121)	(69,415)	(80,339)	(45,159)	(184,437)
Decrease in accrued payroll and welfare expenses	(238,856)	(238,472)	(105,985)	(197,498)	(77,211)
Increase/(decrease) in accounts payables	108,996	(183,641)	(144,941)	(329,403)	(98,344)
(Increase)/decrease in other receivables	(686,361)	(1,666,962)	(71,828)	(171,153)	131,026
Cash generated from/(used in) operations	805,347	(2,346,589)	(1,132,762)	(916,058)	(388,290)
Income tax paid	(45,834)	(67,895)	(2,084)	(10,471)	(7,738)
Interest received	67,193	43,588	48,672	23,236	9,058
Net cash generated from/(used in) operating activities	826,706	(2,370,896)	(1,086,174)	(903,293)	(386,970)
Cash flows from investing activities					
Withdrawal of pledged bank deposits	991,054	598,150	755,136	824,889	–
Repayments from related parties	3,019	20,134	15,199	11,052	7,175
Proceeds arising from disposal of financial assets measured at FVTPL	1,610,318	987,401	21,419	7,563	–
(Payments for)/withdrawal of rental deposits	(6,972)	4,030	16,179	(29,149)	12,202
Proceeds from disposal of investment properties	8,778	33,443	15,518	11,539	–
Proceeds from disposal of property and equipment	1,691	11,589	14,539	835	11,298
Proceeds arising from de-registration and disposal of interests in associates	–	239,517	–	–	–
Net cash outflow from disposal of subsidiaries	–	–	(74,225)	(77,278)	(2,790)
Cash dividend of associates received	1,864	–	–	–	–
Return of deposits from an independent sales agent for acquisition of Tangchao Grand Hotel	250,000	–	–	–	–
Return of deposits from shareholders of Shanghai Wanju for acquisition of Shanghai Wanju	250,000	–	–	–	–
Proceeds arising from collection of Repurchase Receivables measured at amortised cost	112,000	–	–	–	–
Purchase of and deposits placed for acquisition of property and equipment	(176,564)	(369,185)	(35,507)	(43,656)	(15,415)

	As at 31 December			As at 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Purchase of intangible assets	(288)	(647)	(170)	(170)	–
Advances to related parties	(15,985)	(1,158)	(12,575)	(32,231)	(4)
(Prepayment for)/withdrawal of proposed equity investment in a business management fund	(100,000)	100,000	–	–	–
Interest received on financial assets at FVTPL	18,186	15,783	–	–	–
Net cash (outflow)/inflow on acquisition of assets through acquisition of subsidiaries	(1,332,813)	12,439	–	–	–
Capital injection to an associate	–	(1,475)	–	–	(2,000)
Net cash inflow/(outflow) on acquisition of subsidiaries	1,919,282	(59,814)	–	–	–
Purchase of financial assets measured at FVTPL	(1,313,822)	(152,669)	–	–	–
Loan to third party	–	(372,264)	–	–	–
Placement of pledged bank deposits	(634,738)	(765,947)	–	–	–
Net cash generated from investing activities	1,585,010	299,327	715,513	673,394	10,466
Cash flows from financing activities					
New bank borrowings raised	2,763,775	1,941,641	492,000	265,000	257,000
Advances from related parties	17,467	26,583	59,328	98,107	5,273
Capital contribution from non-controlling shareholders	3,230	2,600	2,400	–	–
Collection of derecognised receivables under factoring arrangement	1,264,258	1,000,000	–	–	–
New other borrowings raised	2,036,920	639,720	–	–	–
Proceeds from exercise of share options	2,848	1,353	–	–	–
Repurchase and cancellation of shares of the Company	(23,672)	–	–	–	–
Issue of shares of the Company to Alibaba Subsidiary	713,159	–	–	–	–
Issue of convertible note	888,672	–	–	–	–
Factoring commission paid	(14,651)	(5,651)	(38)	–	–
Issue costs paid for senior notes issued	(30,090)	(8,636)	–	–	–
Dividends paid to shareholders	(214,456)	(91,324)	–	–	–
Repayment of derecognised receivables under factoring arrangement	(1,300,000)	(1,000,000)	–	–	–
Repayments of other borrowings	(12,046)	(1,971,390)	–	–	–
Dividends paid to non-controlling shareholders of subsidiaries	(118,231)	(123,741)	(20,634)	(590)	(22,723)
Interest paid	(375,765)	(445,692)	(64,441)	(58,161)	(53,413)
Repayments of lease liabilities	(118,546)	(119,561)	(105,103)	(59,496)	(36,730)
Repayments to related parties	(28,132)	(63,281)	(155,827)	(188,449)	(800)

	As at 31 December			As at 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Repayments of bank borrowings	(2,390,472)	(1,841,479)	(1,954,949)	(1,579,875)	(322,492)
Net cash generated from/(used in) financing activities	3,064,268	(2,058,858)	(1,747,264)	(1,523,464)	(173,885)
Net increase/(decrease) in cash and cash equivalents	5,475,984	(4,130,427)	(2,117,925)	(1,753,363)	(550,389)
Cash and cash equivalents at the beginning of the year/period	2,294,435	7,515,836	3,314,741	3,314,741	1,246,583
Effect of foreign exchange rate changes	(254,583)	(70,668)	49,767	55,052	1,656
Cash and cash equivalents at the end of the year/period	7,515,836	3,314,741	1,246,583	1,616,430	697,850

NOTES TO THE FINANCIAL INFORMATION OF THE GROUP

1. GENERAL INFORMATION

E-House (China) Enterprise Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 22 February 2010. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 July 2018. The addresses of the Company's registered office and the principal place of business are PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and 11/F, Qiushi Building, 383 Guangyan Road, Jing'an District, Shanghai 200072, the People's Republic of China (the "PRC"), respectively.

TM Home Limited (the "Target Company") is a directly non-wholly owned subsidiary of the Company and is a limited liability company incorporated in the Cayman Islands. The Target Company and its subsidiaries are engaged in the businesses of online real estate marketing and transaction platform operation. Shanghai E-House Real Estate Trading Service Co., Ltd ("Excluded Subsidiary") is a wholly-owned subsidiary of the Target Company, a limited liability company incorporated in the PRC prior to 27 September 2023. Excluded Subsidiary and its subsidiaries are collectively referred to as the "Excluded Subsidiary Group". The Excluded Subsidiary Group is engaged in the business of real estate brokerage network services.

As a condition precedent for the completion of the transaction, the Target Company has transferred the Excluded Subsidiary Group to other subsidiaries of the Company (the "Transfer") on 27 September 2023. Upon completion of the Transfer, Target Company will then exclude the Excluded Subsidiary Group (the "Target Group").

The Financial Information is presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in this circular. It does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 "Presentation of Financial Statements" issued by the International Accounting Standards Board nor an interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" and should be read in conjunction with the annual report of the Company for the year ended 31 December 2022.

The amounts included in the unaudited financial information for each of the three years ended 31 December 2022 and for the nine months ended 30 September 2022 and 2023 ("Relevant Periods") have been recognised and measured in accordance with the relevant accounting policies of the Company and its subsidiaries adopted in the preparation of the Company's annual consolidated financial statements, which conform with International Financial Reporting Standards issued by the International Accounting Standards Board.

Going concern basis

The Group incurred a loss of approximately RMB1,192,476,000 and net cash outflow from operating activities of approximately RMB386,970,000 for the nine months ended 30 September 2023 and, as of that date, the Group had net current liabilities and net liabilities approximately RMB8,348,736,000 and approximately RMB6,234,041,000, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, to provide liquidity and cash flows and sustain the Group as a going concern, the Group has been implementing a number of measures, including but not limited to:

(i) The Group is negotiating with creditors for debt restructuring;

(ii) The Group is looking for opportunity for disposal of investment property of the Group; and

(iii) The Group is implementing cost-saving measures to improve its operating cash flows and financial position.

The management of the Company are therefore of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. UNAUDITED COMBINED FINANCIAL INFORMATION OF THE TARGET GROUP

The directors of the Company consider presenting unaudited combined financial information would illustrate clearly the unaudited combined financial information of the Target Group for the Relevant Periods to the shareholders of the Company. Accordingly, the financial information of the Target Group as set out in this note has been prepared on a combined basis, as if the Transfer had been completed at the beginning of the Relevant Periods.

Set out below are the unaudited combined statements of financial position of the Target Group as at 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, and the unaudited combined statements of profit or loss and other comprehensive income, unaudited combined statements of changes in equity and unaudited combined statements of cash flows of the Target Group for the Relevant Periods.

The unaudited combined financial information is presented in RMB, which is also the functional currency of the Target Group. All historical financial information presented in RMB has been rounded to the nearest thousand (RMB'000) except otherwise stated.

UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE TARGET GROUP

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	2,022,856	4,337,874	2,898,786	1,959,429	1,991,559
Staff costs	(402,742)	(952,184)	(901,183)	(760,739)	(517,737)
Advertising and promotion expenses	(819,815)	(2,896,320)	(2,413,991)	(1,616,215)	(1,593,289)
Rental expenses for short-term leases, low-value assets leases and variable leases	(24,329)	(52,373)	(42,392)	(33,195)	(15,793)
Depreciation and amortisation expenses	(25,515)	(199,160)	(156,793)	(115,382)	(117,635)
(Loss allowance)/reversal of allowance on financial assets subject to expected credit loss, net of reversal	(19,641)	(731,214)	(118,794)	(99,922)	25,572
Consultancy expenses	(66,219)	(152,179)	(261,218)	(123,946)	(29,364)
Distribution expenses	–	–	–	–	(10,567)
Other operating costs	(196,184)	(413,381)	(304,601)	(195,920)	(170,153)
Other income	41,675	78,956	79,567	49,748	26,213
Other gains and losses	(30,033)	(7,838)	19,330	19,754	(4,685)
Other expenses	(3,403)	(3,321)	(1,307)	(952)	(5,000)
Impairment losses recognised on non-current assets	–	(267,505)	–	–	–
Share of result of an associate	(1,734)	(1,488)	(899)	(982)	(4,770)
Finance costs	(1,638)	(9,603)	(9,411)	(7,100)	(4,738)
Profit/(loss) before taxation	473,278	(1,269,736)	(1,212,906)	(925,422)	(430,387)
Income tax (expense)/credit	(114,440)	112,968	74,049	89,324	41,314
Profit/(loss) for the year/period	358,838	(1,156,768)	(1,138,857)	(836,098)	(389,073)
Other comprehensive income/(expense) for the year/period					
Items that may be reclassified subsequently to profit or loss:					
Fair value changes on receivables measured at FVTOCI	(2,229)	(8,815)	(4,650)	(3,264)	(4,178)
Net changes in ECL of receivables measured at FVTOCI	2,229	8,815	4,650	3,264	4,178
Exchange differences arising on translation of foreign operations	–	3,780	(6,109)	7,537	748
Other comprehensive income/(expense) for the year/period, net of income tax	–	3,780	(6,109)	7,537	748

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Total comprehensive income/(expense) for the year/period	358,838	(1,152,988)	(1,144,966)	(828,561)	(388,325)
Profit/(loss) for the year/period attributable to:					
– Owners of the Target Group	237,146	(644,076)	(876,966)	(630,284)	(295,734)
– Non-controlling interests	121,692	(512,692)	(261,891)	(205,814)	(93,339)
	358,838	(1,156,768)	(1,138,857)	(836,098)	(389,073)
Total comprehensive income/(expense) for the year/period attributable to:					
– Owners of the Target Group	237,146	(641,454)	(881,257)	(624,992)	(295,067)
– Non-controlling interests	121,692	(511,534)	(263,709)	(203,569)	(93,258)
	358,838	(1,152,988)	(1,144,966)	(828,561)	(388,325)

UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION OF THE TARGET GROUP

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Non-current assets				
Property and equipment	111,500	77,892	77,209	68,488
Right-of-use assets	170,953	98,019	141,490	55,893
Investment properties	15,403	3,101	2,637	–
Intangible assets	263,333	666,886	562,399	472,407
Interests in an associate	3,930	10,343	10,089	5,248
Deferred tax assets	279,912	343,113	392,911	399,315
Other non-current assets	9,595	9,808	13,504	9,756
	854,626	1,209,162	1,200,239	1,011,107
Current assets				
Accounts receivables and bills receivables	1,318,169	230,005	23,485	18,525
Other receivables	207,995	210,761	180,464	73,801
Amounts due from related parties	219,939	431,209	206,844	604,128
Receivables at FVTOCI				
– accounts receivables and bills receivables	392	6,896	15,046	10,042
– amounts due from related parties – accounts receivables	–	29	–	384
Contract assets	8,696	8,936	–	–
Financial assets at fair value through profit or loss ("FVTPL")	28,083	7,558	–	–
Restricted bank balance	7,944	13,385	29,744	53,829
Cash and cash equivalents	2,267,550	2,366,122	1,066,398	542,751
	4,058,768	3,274,901	1,521,981	1,303,460
Current liabilities				
Accounts payables	549,145	382,565	245,223	293,304
Advanced from customers	590,378	502,029	295,747	216,416
Contract liabilities	47,289	129,119	97,482	142,589
Accrued payroll and welfare expenses	229,650	224,570	189,688	122,323
Other payables	272,693	180,159	173,296	63,959
Tax payables	413,767	395,125	396,349	380,825
Amounts due to related parties	555,871	1,349,121	391,935	708,164
Bank borrowings	–	15,000	5,000	–
Lease liabilities	37,827	37,656	54,195	40,500
	2,696,620	3,215,344	1,848,915	1,968,080
Net current assets/(liabilities)	1,362,148	59,557	(326,934)	(664,620)
Total assets less current liabilities	2,216,774	1,268,719	873,305	346,487

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Non-current liabilities				
Deferred tax liabilities	56,060	160,666	136,830	115,281
Lease liabilities	143,334	124,408	144,074	62,183
	199,394	285,074	280,904	177,464
Net assets	2,017,380	983,645	592,401	169,023
Capital and reserves				
Share capital	60,753	59,881	59,881	54
Reserves	1,825,177	311,678	276,702	18,758
Equity attributable to owners of the Target Group	1,885,930	371,559	336,583	18,812
Non-controlling interests	131,450	612,086	255,818	150,211
Total equity	2,017,380	983,645	592,401	169,023

UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE TARGET GROUP

	Attributable to owners of the Target Group				
	Share capital	**Reserves**	**Sub-total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
At 1 January 2020	59,856	(274,828)	(214,972)	136,721	(78,251)
Total comprehensive income for the year	–	237,146	237,146	121,692	358,838
Capital injection from shareholders	7	–	7	–	7
Capital injection from non-controlling interests	–	–	–	290	290
Recognition of equity-settled share-based payment expenses	–	6,567	6,567	–	6,567
Inclusion of Leju Holdings Limited upon control by the Company	890	1,856,292	1,857,182	(13,922)	1,843,260
Dividend recognised as distribution	–	–	–	(113,331)	(113,331)
At 31 December 2020 and 1 January 2021	60,753	1,825,177	1,885,930	131,450	2,017,380
Loss for the year	–	(644,076)	(644,076)	(512,692)	(1,156,768)
Other comprehensive income for the year	–	2,622	2,622	1,158	3,780
Total comprehensive expenses for the year	–	(641,454)	(641,454)	(511,534)	(1,152,988)
Capital injection from shareholders	6	9,632	9,638	–	9,638
Capital contribution from non-controlling shareholders	–	–	–	1,890	1,890
Issuance of shares to the Company	12	1,167,870	1,167,882	1,058,766	2,226,648
Effect of Group reorganisation	(890)	(1,929,692)	(1,930,582)	7,451	(1,923,131)
Disposal of subsidiaries	–	–	–	28,432	28,432
Recognition of equity-settled share-based payment expenses	–	–	–	10,786	10,786
Dividend recognised as distribution	–	(119,855)	(119,855)	(115,155)	(235,010)
At 31 December 2021 and 1 January 2022	59,881	311,678	371,559	612,086	983,645
Loss for the year	–	(876,966)	(876,966)	(261,891)	(1,138,857)
Other comprehensive expense for the year	–	(4,291)	(4,291)	(1,818)	(6,109)
Total comprehensive expenses for the year	–	(881,257)	(881,257)	(263,709)	(1,144,966)
Capital injection from shareholders	–	50,000	50,000	–	50,000
Capital contribution from non-controlling shareholders	–	800,000	800,000	–	800,000
Disposal of subsidiaries	–	84,136	84,136	(84,136)	–
Recognition of equity-settled share-based payment expenses	–	–	–	12,211	12,211
Dividend recognised as distribution	–	(87,855)	(87,855)	(20,634)	(108,489)

	Attributable to owners of the Target Group				
	Share capital *RMB'000* *(unaudited)*	**Reserves** *RMB'000* *(unaudited)*	**Sub-total** *RMB'000* *(unaudited)*	**Non-controlling interests** *RMB'000* *(unaudited)*	**Total** *RMB'000* *(unaudited)*
At 31 December 2022 and 1 January 2023	59,881	276,702	336,583	255,818	592,401
Loss for the period	–	(295,734)	(295,734)	(93,339)	(389,073)
Other comprehensive income for the period	–	667	667	81	748
Total comprehensive expenses for the period	–	(295,067)	(295,067)	(93,258)	(388,325)
Capital injection from shareholders	29	–	29	–	29
Group reorganisation	(59,856)	59,856	–	–	–
Recognition of equity-settled share-based payment expenses	–	–	–	9,492	9,492
Dividend recognised as distribution	–	(22,733)	(22,733)	(21,841)	(44,574)
At 30 September 2023	54	18,758	18,812	150,211	169,023
At 1 January 2022	59,881	311,678	371,559	612,086	983,645
Loss for the period	–	(630,284)	(630,284)	(205,814)	(836,098)
Other comprehensive income for the period	–	5,292	5,292	2,245	7,537
Total comprehensive expenses for the period	–	(624,992)	(624,992)	(203,569)	(828,561)
Capital injection from shareholders	–	50,000	50,000	–	50,000
Capital contribution from non-controlling shareholders	–	800,000	800,000	–	800,000
Recognition of equity-settled share-based payment expenses	–	–	–	9,071	9,071
Dividend recognised as distribution	–	(21,488)	(21,488)	–	(21,488)
At 30 September 2022	59,881	515,198	575,079	417,588	992,667

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS OF THE TARGET GROUP

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Cash flows from operating activities					
Profit/(loss) before taxation	473,278	(1,269,736)	(1,212,906)	(925,422)	(430,387)
Adjustments for:					
Amortisation of intangible assets	16,713	145,254	101,007	88,552	91,088
Depreciation of property and equipment	2,995	17,272	19,231	7,606	6,545
Depreciation of right-of-use assets	5,807	36,634	36,555	19,224	20,002
Equity-settled share-based payment expenses	6,567	10,786	12,211	9,071	9,492
Finance costs	1,638	9,603	9,411	7,100	4,738
Loss/(gain) on disposal of property, plant and equipment	188	(528)	217	190	2,238
Loss/(gain) on disposal of investment properties	115	(3,460)	(2,577)	(2,501)	(1,284)
Impairment losses recognised on non-current assets	–	267,505	–	–	–
Loss allowance (reversal of loss allowance) on financial assets subject to ECL, net of reversal	19,641	731,214	118,794	99,922	(25,572)
Interest income	(16,511)	(22,820)	(17,472)	(27,400)	(13,749)
Net exchange loss/(gain)	27,305	8,049	(16,803)	(17,227)	5,136
Net fair value loss/(gain) on financial assets at FVTPL	326	2,631	(213)	(213)	–
Net loss/(gain) on termination of right-of-use assets and lease liabilities	2,099	1,147	47	(2)	(1,405)
Share of result of an associate	1,734	1,488	899	982	4,770
Operating cash flows before movements in working capital	541,895	(64,961)	(951,599)	(740,118)	(328,388)
Decrease/(increase) in other receivables	110,277	(39,849)	54,517	(62,938)	90,295
Decrease/(increase) in amounts due from related parties	825,191	–	438	(488,497)	(260,813)
Decrease/(increase) in other non-current assets	8,989	(341)	(6,097)	(5,238)	(3,695)
Decrease/(increase) in receivables at FVTOCI	51	(7,331)	(12,678)	4,112	177
(Increase)/decrease in contract assets	(7,731)	(152)	9,470	8,936	–
(Increase)/decrease in accounts receivables and bills receivables	(420,181)	427,875	55,142	245,531	31,050
Increase in restricted bank balance	(1,783)	(10,764)	(493)	(15,590)	(25,565)

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Decrease in advanced from customers	(156,668)	(88,370)	(206,282)	(195,703)	(79,331)
(Decrease)/increase in accounts payables	(76,258)	(168,696)	(137,343)	(74,437)	48,081
Decrease in accrued payroll and welfare expenses	(817)	(14,080)	(34,882)	(77,735)	(67,366)
Increase/(decrease) in other payables	76,394	(112,659)	(8,348)	(91,202)	(107,868)
Increase/(decrease) in contract liabilities	6,731	81,831	(31,638)	17,918	45,107
Increase/(decrease) in amount due to related parties	296,789	(179,730)	(39,065)	(1,663,558)	261,038
Cash generated from/(used in) operations	1,202,879	(177,227)	(1,308,858)	(3,138,519)	(397,278)
Income tax paid	(104,307)	(60,579)	(6,499)	(6,809)	(2,158)
Interest received	16,511	22,820	17,472	27,400	13,749
Net cash generated from/(used in) operating activities	1,115,083	(214,986)	(1,297,885)	(3,117,928)	(385,687)
Cash flows from investing activities					
Purchase of intangible assets	–	(440)	(170)	(623)	–
Proceeds arising from disposal of financial assets measured at FVTPL	663	17,893	7,772	7,772	–
Proceeds from disposal of property and equipment	1,507	5,067	1,054	582	10,690
Proceeds from disposal of investment properties	5,207	23,274	6,221	2,525	1,284
Proceeds from disposal of intangible assets	–	–	–	–	439
Advances to related parties	(762,350)	(415,798)	(40,368)	(559,238)	(318,541)
Repayments from related parties	3,579	214,470	257,084	1,042,328	182,070
Purchase of and deposits placed for acquisition of property and equipment	(3,363)	(20,821)	(19,818)	(3,197)	(8,116)
Net cash inflow/(outflow) on acquisition of assets through acquisition of subsidiaries	1,902,738	–	–	–	(22,957)
Net cash inflow on disposal of subsidiaries	–	–	–	–	22,950
(Payments for)/withdrawal of rental deposits	(16,031)	(2,226)	4,916	160	10,806
Net cash generated from/(used in) investing activities	1,131,950	(178,581)	216,691	490,309	(121,375)

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Cash flows from financing activities					
New bank borrowings raised	–	15,000	–	–	–
Interests paid	(5,733)	(3)	–	–	–
Capital injection from shareholders	7	9,639	50,000	50,000	29
Capital injection from non-controlling shareholders	–	1,890	800,000	800,000	–
Consideration paid for the acquisition of subsidiaries under common control	–	831,888	–	–	–
Dividends paid to non-controlling shareholders of subsidiaries	(113,331)	(115,155)	(20,634)	–	(21,841)
Dividend paid to shareholder	–	(119,855)	(87,855)	(21,488)	(22,733)
Purchase of non-controlling interest	290	–	–	–	–
Advance from related parties	295,901	2,750,254	2,096,623	2,573,146	5,085,013
Repayments to related parties	(514,081)	(2,831,832)	(3,007,625)	(1,916,192)	(5,029,822)
Repayments of lease liabilities	(42,386)	(43,413)	(45,919)	(27,363)	(25,481)
Repayments of bank borrowings	–	–	(10,000)	(10,000)	(5,000)
Net cash (used in)/generated from financing activities	(379,333)	498,413	(225,410)	1,448,103	(19,835)
Net increase/(decrease) in cash and cash equivalents	1,867,700	104,846	(1,306,604)	(1,179,516)	(526,897)
Cash and cash equivalents at beginning of year/period	380,382	2,267,550	2,366,122	2,366,122	1,066,398
Effect of foreign exchange rate changes	19,468	(6,274)	6,880	55,054	3,250
Cash and cash equivalents at end of year/period	2,267,550	2,366,122	1,066,398	1,241,660	542,751

3. INDEBTEDNESS STATEMENT

Debts and borrowings

As of 30 November 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness.

	As of 30 November, 2023 *(unaudited)* *RMB'000*
Non-current	
2022 Notes	2,117,015
2023 Notes	2,130,540
Convertible Notes	938,812
Lease liabilities	138,197
Amounts due to related parties	35,855
Bank borrowings – secured, guaranteed	206,000
Bank borrowings – secured, unguaranteed	583,883
Less: Current portion of non-current bank borrowings – secured, unguaranteed	(163,611)
Less: Current portion of non-current bank borrowings – secured, guaranteed	(206,000)
Less: Current portion of lease liabilities	(42,607)
Less: Current portion of amounts due to related parties	(35,855)
	5,702,229
Current	
Bank borrowings – secured, guaranteed	206,000
Bank borrowings – secured, unguaranteed	163,611
Lease liabilities	42,607
Amounts due to related parties	35,855
	448,073
Total	6,150,302

Save as disclosed above and apart from intra-group liabilities, at the close of business on 30 November 2023, the Group did not have any loan capital issued and outstanding or agreed to be issued, other debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other contingent liabilities.

The Directors confirmed that, save as disclosed above, there has been no material change in the indebtedness and contingent liabilities of the Group since 30 November 2023 up to the Latest Practicable Date.

4. WORKING CAPITAL STATEMENT

The Group was unable to confirm that it would have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular as required under paragraph 30 of Appendix D1B to the Listing Rules. The Group has the following plans to ensure that the it would have sufficient working capital for at least the next 12 months from the date of this circular:

- as part of the Restructuring, the Company has proposed the New Schemes to holders of the Old Notes and the CB Holder. As each of the New Schemes has been sanctioned by the relevant court and become effective, the Company will pay the Restructuring Consideration to the participating Scheme Creditors 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 Claim held by the holders of the Old Notes and the CB Holder, 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;

- the Company proposes to issue 2,098,871,436 rights shares by way of a rights issue, on the basis of twelve (12) rights shares for every ten (10) Shares held by the qualifying Shareholders on the record date at the subscription price of HK$0.23 per rights share to raise approximately HK$483 million before expenses (assuming no new issue or repurchase of Shares on or before the record date);

- the Group will look for opportunity for disposal of investment property of the Group; and

- the Group will implement cost-saving measures to improve its operating cash flows and financial position.

In the event that none of the above plans could be effectively implemented, the Company will consider and seek for other appropriate alternative plan(s), including but not limited to potential equity or debt fund raising exercise, in order to ensure that the Group will have sufficient working capital.

5. MATERIAL CHANGE

The Directors confirm that, save for the following information, there was no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

(i) as disclosed in the interim report for the six months ended 30 June 2023, the Group's revenue of approximately RMB2.3 billion for the six months ended 30 June 2023 ("1H2023"), representing a decrease of approximately RMB139.3 million or 5.7%, as compared to approximately RMB2.4 billion for the six months ended 30 June 2022 ("1H2022"). The decrease in revenue was mainly due to the decrease of revenue derived from real estate agency services in the primary market, which resulted from the decline of GTV caused by the disposal of Shanghai Weijia Real Estate Consulting Co., Ltd. on 29 March 2022. As disclosed in the interim report for the six months ended 30 June 2023, the Group recorded loss for the period attributable to owners of the Company of approximately RMB725.9 million for 1H2023 as compared to approximately RMB1.4 billion for 1H2022, which was primarily due to the decrease in staff cost by approximately RMB486.9 million primarily due to improved operational efficiency and the decrease in loss allowance on financial assets subject to expected credit loss ("ECL") by approximately RMB395.3 million primarily due to the decrease in provision/(reversal) for loss allowance on receivables at FVTOCI and accounts receivables and bills receivables;

(ii) as disclosed in the interim report for the six months ended 30 June 2023, the Group recorded net current liabilities of approximately RMB8.0 billion as at 30 June 2023 as compared to net current liabilities of approximately RMB7.3 billion as at 31 December 2022. The widening of net current liabilities was mainly due to (i) the decrease in receivables at FVTOCI – accounts receivables and bills receivables by approximately RMB256.0 million, mainly due to the Company focused on collection and derecognition of receivables; (ii) the decrease in cash and cash equivalents by approximately RMB225.3 million, which was mainly attributable to the repayment of bank loans and related interests and the provision of daily operation; and (iii) the increase in other payables by approximately RMB180.7 million mainly due to the increase in accrued interest on USD-denominated senior notes as well as the increase in other borrowings by approximately RMB165.0 million mainly due to the increase in exchange rate; and

(iii) on 27 December 2023, Leju, a subsidiary of the Company, announced that it has received a letter dated 28 November 2023 from the NYSE, notifying Leju that it is below compliance standards. As of 28 November 2023, Leju's 30 trading-day average market capitalization was approximately US$15.7 million and its stockholders' equity as of 30 June 2023, was approximately US$32.9 million, which are considered "below criteria" by the NYSE as its total market capitalization is less than US$50 million over a 30 trading-day period and its stockholders' equity is less than US$50 million. Accordingly, Leju is subject to the procedures as set forth in Sections 801 and 802 of the NYSE Listed Company Manual and is required to respond within 90 days of the letter with a business plan that demonstrates compliance with the continued listing standard within 18 months of receipt of the letter. Leju intends to comply with the applicable procedures and is considering its options to regain compliance.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a real estate transaction service provider in the PRC, mainly offering real estate agency services in the primary market, real estate data and consulting services and real estate brokerage network services, as at the Latest Practicable Date.

In 2022, China's real estate industry experienced unprecedented challenge and turmoil, partly as a result of COVID-19 related disruptions in economic activities and negative market sentiment. Many leading developers, including the majority of the Group's clients, faced sharply decreased sales and serious liquidity constraints and many of them defaulted on their external liabilities. This led to not only a substantial decline in the Group's revenues, especially from real estate agency services in the primary market, but further delays in collection of accounts receivables. Since late 2022, the Chinese government has removed substantially all COVID-19 control-related policies and restrictions. In July 2023, the Chinese government issued a series of policy statements aiming to stimulate the economy and stabilise the real estate industry in the PRC. Since then, more specific policies have been announced including the lowering of benchmark lending rates and down payment requirements for home purchases, and removal or relaxation of purchase restrictions by many large cities. These measures are expected to help improve both the economy and the real estate market in the PRC.

In response to the downturn of the PRC real estate industry and the resulting liquidity constraints, the Group has sharply reduced its expenditures and focused on implementing cost-control measures, collection of receivables and continuing to operate the Remaining Businesses only to the extent that positive cash flow can be generated during the current period. The Remaining Businesses are the Group's core business segments with a long operating history. Even at a reduced scale, the Remaining Businesses have maintained continuity, including brand reputation, client relationships, experienced core management team, operational knowhow, and internal management and control systems to ensure smooth operation. Going forward, the Group's strategy is to control the scale and geographic scope of the Remaining Businesses according to industry environment. Expansion will be considered and carried out only if the industry shows substantial improvement in terms of market sentiment and transactional activities. Positive cash flow will be the Group's primary focus and consideration when deciding the pace of its expansion.

After the Disposal, the Group will focus its efforts on stabilising the revenue generated from the Remaining Businesses, details of which are set out below:

- **Real estate agency services:** The Group's real estate agency services primarily include formulating and executing marketing and sales strategies for new real estate projects developed by its developer customers, managing the sales center and show room, and facilitating sales transactions. Once a development project is ready to enter the sales phase, the Group's sales staff specially trained for the project will be stationed at the project site until most of the units are sold. The Group's sales staff provide prospective buyers with a presentation on the property, recommend appropriate floor plans based on their purchase criteria and provide assistance in contract signing. While the Group's sales staff also pursue sales leads, in recent years the Group's real estate agency services have increasingly focused on the execution of sales transactions for new development projects. While this has been the Group's core business, the Group has substantially reduced the scale of operation since the financial year of 2021 in light of the challenging market conditions. Going forward, the Group will focus on development projects that have strong sales prospects and can promptly settle its commission to ensure positive cash flow.

- **Real estate brokerage network services:** The Group launched its real estate brokerage network services under the "Fangyou" brand in January 2016 to integrate small and medium-sized real estate brokerage firms that each operate one or several brokerage stores. The Group does not open or operate its own brokerage stores, but authorises the participating brokerage stores to use the "Fangyou" brand, and provides software, training and other related services to them. The Group does not charge the brokerage firms for these services, but charges service fees when a real estate transaction is completed through a transaction service centre managed by the Group. Although real estate brokerage stores in China traditionally focused almost exclusively on executing transactions in the secondary market, in recent years they have become an increasingly important sales channel for new development projects. Developers have become more dependent on brokerage stores to source potential buyers and bring them into the showroom and are willing to pay a channels fee to brokerage stores for a successful transaction. At the same time, brokerage stores also actively seek access to new development projects to bring their customers more choices and increase revenues through the channels fee. The Group leverages its relationship with real estate developers and offers access to new home projects to brokerage stores that participate in the Group's brokerage network services, helping them generate new home transactions. For this service, the Group keeps a portion of the channels fee paid by the developers and passes on the remainder to the Fangyou brokerage firms.

The Group has operated and will continue to operate the Remaining Businesses independently from the businesses to be disposed of by the Group upon completion of the Restructuring. The Group has been providing the real estate agency services since its inception in 2000 and has been carrying on the real estate brokerage network services since 2016. In contrast, the online digital marketing platform operated by TM Home was established only in 2021. TM Home and Leju complement the Remaining Businesses to the extent that when the Group markets itself to real estate developers, it can offer an array of online and offline services and provide one-stop shop for the developers' marketing requirements, but are not otherwise connected, essential to or indispensable for the Remaining Businesses. Given the long operating history, the specific business models of the Remaining Businesses as described above and the independence of the management team which looks after the Remaining Business from the management team which looks after the Disposal Business and Leju, there is clear delineation between the Remaining Business on one hand, and the Disposal Business and Leju on the other hand, the Disposal will only have minimal impact on the Group's operation of the Remaining Businesses. The Company confirms that, as at the Latest Practicable Date, it has no intention to dispose or downsize the Remaining Businesses in the near future after the Restructuring Effective Date.

7. EFFECTS OF THE DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Upon completion of the Disposal, TM Home will hold and operate the Group's two lines of business, being (i) the real estate data and consulting services business currently operated under CRIC and (ii) the online digital real estate marketing service business in partnership with Tmall Network, which also includes a controlling stake in Leju. TM Home will not operate or hold the Company's real estate brokerage network services conducted under the "Fangyou" brand name, which will continue to be operated by the Company after the Restructuring. As such, the relevant members of the TM Home Group will cease to be subsidiaries of the Company, and the financials of the relevant members of the TM Home Group will no longer be consolidated into the Group's consolidated financial statements. The Company will hold approximately 35% of the equity Interest in TM Home upon completion of the Disposal. The Disposal will not generate any proceeds to the Company. It is expected that the Group will record a disposal gain of approximately RMB6,440,711,000 (equivalent to approximately HK$7,019,083,000) from the Disposal assuming the Disposal had completed on 30 September 2023.

The disposal gain of RMB6,440,711,000 was calculated as follows:

		RMB'000
(a)	Derecognition of the carrying amounts of Old Notes and the Convertible Note and the accrued interests	5,870,462
(b)	Recognition of retained equity interests of the Disposal Group at fair value as at 31 July 2023	1,115,537
	LESS	
(c)	Cash Consideration	(352,608)
(d)	Derecognition of carrying amounts of assets and liabilities of the Disposal Group	(515)
(e)	Transaction costs	(89,131)
(f)	Estimated tax expense in connection with the Disposal	(103,034)
	Total	6,440,711

The pro forma financial effects of the Disposal on total assets, total liabilities and net assets of the Remaining Group as at 30 September 2023, as if the Disposal was completed on 30 September 2023, are as follows:

	Before Completion of the Disposal(*Note*)	**After Completion of the Disposal**
	RMB'000	*RMB'000*
Total Assets	4,421,737	3,866,772
Total Liabilities	10,655,778	3,820,378
Net (Liabilities)/Assets	(6,234,041)	46,394

Note: Based on the unaudited financial statements for the nine months ended 30 September 2023

It should be noted that the financial effects of the Disposal are presented on a pro forma basis for illustrative purposes only and are subject to the assumptions set out in Appendix II to this circular.

The above financial impact is shown for illustrative purpose only and the actual gain or loss as a result of the Disposal to be recorded by the Group is subject to, among other things, the audited net asset value of TM Home and CRIC on the day of completion of the Disposal and the audit to be conducted by the auditors of the Company upon finalization of the consolidated financial statements of the Group for the year ending 31 December 2023.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

On 2 April 2023, E-House (China) Enterprise Holdings Limited (the "Company") proposed the new scheme (the "New Scheme") to holders of senior notes with principal amount of US$200,000,000 issued by the Company on 18 October 2019, US$100,000,000 issued by the Company on 14 August 2020, US$200,000,000 issued by the Company on 10 December 2020 and US$100,000,000 issued by the Company on 11 June 2021 (collectively referred to as "Old Notes") and to holders of convertible note with principal amount of HK$1,031,900,000 issued by the Company on 4 November 2020 (the "Convertible Note"). The holders of Old Notes and Convertible Note are referred to as "Scheme Creditors". The restructuring new scheme consists of:

i) US$60 per US$1,000 of the outstanding principal amount of the Old Notes and Convertible Note and their accrued interests payable in cash (the "Cash Consideration");

ii) CRIC Holdings Limited ("CRIC"), the wholly-owned subsidiary of the Company, with its subsidiaries is restructured to be the subsidiary of TM Home Limited ("Target Company"), the non-wholly owned subsidiary of the Company. Shanghai E-House Real Estate Trading Service Co., Ltd ("Excluded Subsidiary") is a wholly-owned subsidiary of the Target Company, a limited liability company incorporated in the PRC prior to 27 September 2023. Excluded Subsidiary and its subsidiaries are collectively referred to as the "Excluded Subsidiary Group". Upon completion of the Transfer, Target Company will then exclude the Excluded Subsidiary Group (the "Target Group");

iii) On 15 August 2023, the Company had subscribed 50,209,195 shares of the Target Company with consideration of US$5,029.92. The percentage of equity interests of the Target Company held by the Company increased to 89.21%. The Company would further subscribe shares of the Target Company, the non-wholly owned subsidiary of the Company, in which the percentage of equity interests of the Target Company held by the Company would increase from 89.21% to 99.21%; and

iv) The Company will cause TM Home to issue new TM Home shares to Creditor SPV (a special purpose vehicle for the purpose of holders of the Old Notes) and Convertible Note holder. Following such issuance, Creditor SPV and Convertible Note holder will hold approximately 54.207% and 10.793% TM Home shares respectively. The remaining 35% of shares of TM Home will be held by the Company and its affiliates, upon completion of TM Home share issuance.

The equity interests of the Target Group to be held by the Company would be decreased from 99.21% to 35% in results from the above restructuring measures (the "Disposal").

The accompanying unaudited pro forma financial information of the remaining group (the "Remaining Group") has been prepared to illustrate the effect of the proposed Disposal of the 64.21% equity interests in the Target Group might have affected the financial information of the Company and its subsidiaries (collectively referred to as the "Group").

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022 are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2022 as extracted from the annual report of the Company for the year ended 31 December 2022 as if the Disposal had been completed on 1 January 2022.

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2023 is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2023 as extracted from the financial information of the Group in Appendix I for the nine months ended 30 September 2023 as if the Disposal had been completed on 30 September 2023.

The unaudited pro forma financial information of the Remaining Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Remaining Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Remaining Group that would have been attained had the Disposal actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Remaining Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular and other financial information included elsewhere in this circular.

For the purpose of this circular and unless otherwise specified, conversion of RMB into HK$ and RMB into US$ as at 30 September 2023 are based on the approximate exchange rate of RMB0.9176 = HK$1 and RMB7.18 = US$1 respectively and conversion of RMB into HK$ and RMB into US$ as at 1 January 2022 are based on the approximate exchange rate of RMB0.8176 = HK$1 and RMB6.3757 = US$1 respectively. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in HK$ or US$ or RMB have been, could have been or may be converted at such or any other rate or at all.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

		Unaudited pro forma adjustments				
	Unaudited condensed consolidated statement of financial position of the Group as at 30 September 2023	Further acquisition of equity interest of Target Group from 89.21% to 99.21%	Inclusion of inter-group balances	Exclusion of assets and liabilities of Target Group and estimated financial impact on the Disposal	Total pro forma adjustments in respect of the Disposal	Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(a)	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*		
Non-current assets						
Property and equipment	976,797	–	–	(68,488)	(68,488)	908,309
Right-of-use assets	192,624	–	–	(55,893)	(55,893)	136,731
Investment properties	579,533	–	–	–	–	579,533
Intangible assets	463,931	–	–	(463,457)	(463,457)	474
Interests in associates	73,828	–	–	1,110,289	1,110,289	1,184,117
Amounts due from related parties	47	–	–	–	–	47
Deferred tax assets	399,315	–	–	(399,315)	(399,315)	–
Other non-current assets	66,230	–	–	(9,756)	(9,756)	56,474
	2,752,305	–	–	113,380	113,380	2,865,685
Current assets						
Accounts receivables and bills receivables	18,525	–	–	(18,525)	(18,525)	–
Other receivables	336,001	–	–	(73,801)	(73,801)	262,200
Amounts due from related parties	98,468	–	790,214	(604,128)	186,086	284,554
Receivables at fair value through other comprehensive income ("FVTOCI")						
– accounts receivables and bills receivables	217,715	–	–	(10,042)	(10,042)	207,673
– amounts due from related parties – accounts receivables	138,681	–	–	(384)	(384)	138,297
Financial assets at fair value through profit or loss ("FVTPL")	54,521	–	–	–	–	54,521
Restricted bank balances	107,671	–	–	(53,829)	(53,829)	53,842
Cash and cash equivalents	697,850	–	–	(697,850)	(697,850)	–
	1,669,432	–	790,214	(1,458,559)	(668,345)	1,001,087

		Unaudited pro forma adjustments				
	Unaudited condensed consolidated statement of financial position of the Group as at 30 September 2023	**Further acquisition of equity interest of Target Group from 89.21% to 99.21%**	**Inclusion of inter-group balances**	**Exclusion of assets and liabilities of Target Group and estimated financial impact on the Disposal**	**Total pro forma adjustments in respect of the Disposal**	**Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(a)	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*		
Current liabilities						
Accounts payables	895,739	–	–	(293,304)	(293,304)	602,435
Advanced from customers	387,539	–	–	(216,416)	(216,416)	171,123
Accrued payroll and welfare expenses	206,793	–	–	(122,323)	(122,323)	84,470
Other payables	1,167,458	–	–	(309,520)	(309,520)	857,938
Contract liabilities	176,249	–	–	(142,589)	(142,589)	33,660
Tax payables	1,315,807	–	–	(380,825)	(380,825)	934,982
Amounts due to related parties	214,531	–	790,214	(708,164)	82,050	296,581
Bank borrowings	372,603	–	–	–	–	372,603
Other borrowings	4,293,946	–	–	(4,293,946)	(4,293,946)	–
Lease liabilities	46,940	–	–	(40,500)	(40,500)	6,440
Convertible note	940,563	–	–	(940,563)	(940,563)	–
	10,018,168	–	790,214	(7,448,150)	(6,657,936)	3,360,232
Net current liabilities	(8,348,736)	–	–	5,989,591	5,989,591	(2,359,145)
Total assets less current liabilities	(5,596,431)	–	–	6,102,971	6,102,971	506,540
Non-current liabilities						
Deferred tax liabilities	115,281	–	–	(115,281)	(115,281)	–
Bank borrowings	420,421	–	–	–	–	420,421
Lease liabilities	101,908	–	–	(62,183)	(62,183)	39,725
	637,610	–	–	(177,464)	(177,464)	460,146
Net (liabilities)/assets	(6,234,041)	–	–	6,280,435	6,280,435	46,394

	Unaudited condensed consolidated statement of financial position of the Group as at 30 September 2023	Unaudited pro forma adjustments				Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2023
		Further acquisition of equity interest of Target Group from 89.21% to 99.21%	Inclusion of inter-group balances	Exclusion of assets and liabilities of Target Group and estimated financial impact on the Disposal	Total pro forma adjustments in respect of the Disposal	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(a)	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*		
Capital and reserves						
Share capital	116	–	–	–	–	116
Share premium and reserves	(6,313,009)	1,805	–	6,430,871	6,432,676	119,667
Equity attributable to owners of the Company	(6,312,893)	1,805	–	6,430,871	6,432,676	119,783
Non-controlling interests	78,852	(1,805)	–	(150,436)	(152,241)	(73,389)
Total equity	(6,234,041)	–	–	6,280,435	6,280,435	46,394

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE REMAINING GROUP

	Consolidated statement of profit or loss and comprehensive income of the Group for the year ended 31 December 2022	Unaudited pro forma adjustments							Unaudited pro forma consolidated statement of profit or loss and comprehensive income of the Remaining Group for the year ended 31 December 2022
		Exclusion of the results of Target Group for the year ended 31 December 2022	Estimated incentive fee	Inclusion of inter-group transactions	Estimated gain in respect of the Disposal	Exclusion of various profit or loss impacts in relation to Target Group	Share of profit or loss from investment in an associate	Total pro forma adjustments in respect of the Disposal	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*	*Note 3(e)*	*Note 3(f)*		
Revenue	5,033,279	(2,898,786)	–	135,252	–	–	–	(2,763,534)	2,269,745
Staff costs	(1,967,347)	901,183	–	–	–	–	–	901,183	(1,066,164)
Advertising and promotion expenses	(2,374,608)	2,413,991	–	(51,024)	–	–	–	2,362,967	(11,641)
Rental expenses for short-term leases, low-value assets leases and variable leases	(103,457)	42,392	–	(18,680)	–	–	–	23,712	(79,745)
Depreciation and amortisation expenses	(537,521)	156,793	–	(1,557)	–	216,709	–	371,945	(165,576)
Loss allowance on financial assets subject to expected credit loss ("ECL"), net of reversal	(995,959)	118,794	–	–	–	–	–	118,794	(877,165)
Loss on derecognition of receivables at FVTOCI	(38)	–	–	–	–	–	–	–	(38)
Impairment losses recognised on non-current assets	(1,034,791)	–	–	–	–	1,034,791	–	1,034,791	–
Consultancy expenses	(461,971)	261,218	–	(27,190)	–	–	–	234,028	(227,943)
Distribution expenses	(1,465,853)	–	–	–	–	–	–	–	(1,465,853)
Other operating costs	(458,984)	304,601	–	(38,358)	–	–	–	266,243	(192,741)
Other income	150,781	(79,567)	–	–	3,659,413	–	–	3,579,846	3,730,627
Other gains and losses	(316,944)	(19,330)	–	–	–	343,911	–	324,581	7,637
Other expenses	(5,174)	1,307	(8,129)	–	–	–	–	(6,822)	(11,996)
Share of results of associates	2,826	899	–	–	–	–	(398,600)	(397,701)	(394,875)
Finance costs	(471,752)	9,411	–	–	–	400,423	–	409,834	(61,918)
(Loss)/profit before taxation	(5,007,513)	1,212,906	(8,129)	(1,557)	3,659,413	1,995,834	(398,600)	6,459,867	1,452,354
Income tax credit/(expense)	38,989	(74,049)	–	–	–	–	–	(74,049)	(35,060)
(Loss)/profit for the year	(4,968,524)	1,138,857	(8,129)	(1,557)	3,659,413	1,995,834	(398,600)	6,385,818	1,417,294

		Unaudited pro forma adjustments							
	Consolidated statement of profit or loss and comprehensive income of the Group for the year ended 31 December 2022	Exclusion of the results of Target Group for the year ended 31 December 2022	Estimated incentive fee	Inclusion of inter-group transactions	Estimated gain in respect of the Disposal	Exclusion of various profit or loss impacts in relation to Target Group	Share of profit or loss from investment in an associate	Total pro forma adjustments in respect of the Disposal	Unaudited pro forma consolidated statement of profit or loss and comprehensive income of the Remaining Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*	*Note 3(e)*	*Note 3(f)*		
Other comprehensive (expense)/income for the year									
Items that may be reclassified subsequently to profit or loss:									
Fair value changes on receivables measured at FVTOCI	(635,581)	(4,650)	–	–	–	–	–	(4,650)	(640,231)
Net changes in ECL of receivables measured at FVTOCI	635,581	4,650	–	–	–	–	–	4,650	640,231
Exchange differences arising on translation of foreign operations	(6,109)	6,109	–	–	–	–	–	6,109	–
Other comprehensive expense for the year, net of income tax	(6,109)	6,109	–	–	–	–	–	6,109	–
Total comprehensive (expense)/income for the year	(4,974,633)	1,144,966	(8,129)	(1,557)	3,659,413	1,995,834	(398,600)	6,391,927	1,417,294
(Loss)/profit for the year attributable to:									
Owners of the Company	(3,896,299)	876,966	(8,129)	(1,557)	3,659,413	1,623,262	(398,600)	5,751,355	1,855,056
Non-controlling interests	(1,072,225)	261,891	–	–	–	372,572	–	634,463	(437,762)
	(4,968,524)	1,138,857	(8,129)	(1,557)	3,659,413	1,995,834	(398,600)	6,385,818	1,417,294
Total comprehensive (expense)/income for the year attributable to:									
Owners of the Company	(3,900,590)	881,257	(8,129)	(1,557)	3,659,413	1,622,922	(398,600)	5,755,306	1,854,716
Non-controlling interests	(1,074,043)	263,709	–	–	–	372,912	–	636,621	(437,422)
	(4,974,633)	1,144,966	(8,129)	(1,557)	3,659,413	1,995,834	(398,600)	6,391,927	1,417,294

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT CASH FLOWS OF THE REMAINING GROUP

		Unaudited pro forma adjustments							
	Consolidated statement of cash flows of the Group for the year ended 31 December 2022	Exclusion of the results of Target Group for the year ended 31 December 2022	Further acquisition of equity interest of Target Group from 70.23% to 99.21% and incentive fee	Elimination of inter-group transactions	Estimated gain and payment in respect of the Disposal	Exclusion of various profit or loss impacts in relation to Target Group	Share of profit or loss from investment in an associate	Total pro forma adjustments in respect of the Disposal	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*	*Note 3(e)*	*Note 3(f)*		
Cash flows from operating activities									
(Loss)/profit before taxation	(5,007,513)	1,212,906	(8,129)	(1,557)	3,659,413	1,995,834	(398,600)	6,459,867	1,452,354
Adjustments for:									
Amortisation of intangible assets	331,042	(101,007)	–	–	–	(216,709)	–	(317,716)	13,326
Depreciation of investment properties	34,869	–	–	–	–	–	–	–	34,869
Depreciation of property and equipment	84,394	(19,231)	–	–	–	–	–	(19,231)	65,163
Depreciation of right-of-use assets	87,216	(36,555)	–	–	–	–	–	(36,555)	50,661
Equity-settled share-based payment expenses	12,211	(12,211)	–	–	–	–	–	(12,211)	–
Fair value gain on convertible note	(12,915)	–	–	–	–	12,915	–	12,915	–
Finance costs	471,752	(9,411)	–	–	–	(400,423)	–	(409,834)	61,918
Gain on disposal of subsidiaries	(14,560)	–	–	–	(3,659,413)	–	–	(3,659,413)	(3,673,973)
Impairment losses recognised in non-current assets	1,034,791	–	–	–	–	(1,034,791)	–	(1,034,791)	–
Interest income	(48,672)	17,472	–	–	–	–	–	17,472	(31,200)
Loss allowance on financial assets subject to ECL, net of reversal	995,959	(118,794)	–	–	–	–	–	(118,794)	877,165
Loss on derecognition of receivables at FVTOCI	38	–	–	–	–	–	–	–	38
Net exchange loss/(gain)	239,616	16,803	–	–	–	(356,826)	–	(340,023)	(100,407)
Net fair value loss on financial assets at FVTPL	111,597	213	–	–	–	–	–	213	111,810
Net gain on disposal of investment properties	(3,305)	2,577	–	–	–	–	–	2,577	(728)
Net gain on termination of right-of-use assets and lease liabilities	(3,031)	(47)	–	–	–	–	–	(47)	(3,078)
Net gain on disposal of property and equipment	(459)	(217)	–	–	–	–	–	(217)	(676)
Net loss on disposal of interests in associates	1	–	–	–	–	–	–	–	1
Share of results of associates	(2,826)	(899)	–	–	–	–	398,600	397,701	394,875

	Consolidated statement of cash flows of the Group for the year ended 31 December 2022	Unaudited pro forma adjustments: Exclusion of the results of Target Group for the year ended 31 December 2022	Further acquisition of equity interest of Target Group from 70.23% to 99.21% and incentive fee	Elimination of inter-group transactions	Estimated gain and payment in respect of the Disposal	Exclusion of various profit or loss impacts in relation to Target Group	Share of profit or loss from investment in an associate	Total pro forma adjustments in respect of the Disposal	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*	*Note 3(e)*	*Note 3(f)*		
Operating cash flows before movements in working capital	(1,689,795)	951,599	(8,129)	(1,557)	–	–	–	941,913	(747,882)
Decrease in receivables at FVTOCI	927,641	12,678	–	–	–	–	–	12,678	940,319
Increase in amounts due to related parties	260,416	39,065	–	402,458	–	–	–	441,523	701,939
Decrease in other non-current assets	16,934	6,097	–	–	–	–	–	6,097	23,031
Decrease in contract assets	9,465	(9,470)	–	–	–	–	–	(9,470)	(5)
Increase in restricted bank balances	(97,788)	493	–	–	–	–	–	493	(97,295)
Increase in accounts receivables and bills receivables	(34,507)	(55,142)	–	–	–	–	–	(55,142)	(89,649)
Increase in amounts due from related parties	(15,331)	(438)	–	(402,458)	–	–	–	(402,896)	(418,227)
Decrease in contract liabilities	(51,138)	31,638	–	–	–	–	–	31,638	(19,500)
Decrease in other payables	(55,566)	8,348	–	–	–	–	–	8,348	(47,218)
Increase/(Decrease) in advances from customers	(80,339)	206,282	–	–	–	–	–	206,282	125,943
Decrease in accrued payroll and welfare expenses	(105,985)	34,882	–	–	–	–	–	34,882	(71,103)
Decrease in accounts payables	(144,941)	137,343	–	–	–	–	–	137,343	(7,598)
Increase in other receivables	(71,828)	(54,517)	–	–	–	–	–	(54,517)	(126,345)
Cash used in operations	(1,132,762)	1,308,858	(8,129)	(1,557)	–	–	–	1,299,172	166,410
Income tax paid	(2,084)	6,499	–	–	–	–	–	6,499	4,415
Interest received	48,672	(17,472)	–	–	–	–	–	(17,472)	31,200
Net cash (used in)/generated from operating activities	(1,086,174)	1,297,885	(8,129)	(1,557)	–	–	–	1,288,199	202,025

		Unaudited pro forma adjustments							
	Consolidated statement of cash flows of the Group for the year ended 31 December 2022	Exclusion of the results of Target Group for the year ended 31 December 2022	Further acquisition of equity interest of Target Group from 70.23% to 99.21% and incentive fee	Elimination of inter-group transactions	Estimated gain and payment in respect of the Disposal	Exclusion of various profit or loss impacts in relation to Target Group	Share of profit or loss from investment in an associate	Total pro forma adjustments in respect of the Disposal	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*	*Note 3(e)*	*Note 3(f)*		
Cash flows from investing activities									
Withdrawal of pledged bank deposits	755,136	–	–	–	–	–	–	–	755,136
Repayments from/(to) related parties	15,199	(257,084)	–	–	–	–	–	(257,084)	(241,885)
Proceeds arising from disposal of financial assets measured at FVTPL	21,419	(7,772)	–	–	–	–	–	(7,772)	13,647
Withdrawal of rental deposits	16,179	(4,916)	–	–	–	–	–	(4,916)	11,263
Proceeds from disposal of investment properties	15,518	(6,221)	–	–	–	–	–	(6,221)	9,297
Proceeds from disposal of property and equipment	14,539	(1,054)	–	–	–	–	–	(1,054)	13,485
Net cash outflow from disposal of subsidiaries	(74,225)	(2,366,122)	–	–	(170,499)	–	–	(2,536,621)	(2,610,846)
Purchase of and deposits placed for acquisition of plant and equipment	(35,507)	19,818	–	–	–	–	–	19,818	(15,689)
Purchase of intangible assets	(170)	170	–	–	–	–	–	170	–
Advances to related parties	(12,575)	40,368	–	–	–	–	–	40,368	27,793
Net cash generated from/(used in) investing activities	715,513	(2,582,813)	–	–	(170,499)	–	–	(2,753,312)	(2,037,799)
Cash flows from financing activities									
New bank borrowings raised	492,000	–	–	–	–	–	–	–	492,000
Advances from/(to) related parties	59,328	(2,096,623)	–	–	–	–	–	(2,096,623)	(2,037,295)
Capital contribution from non-controlling shareholders	2,400	–	–	–	–	–	–	–	2,400
Advances to an associate	–	(850,000)	–	–	–	–	–	(850,000)	(850,000)
Factoring commission paid	(38)	–	–	–	–	–	–	–	(38)
Dividends paid from an associate	–	87,855	–	–	–	–	–	87,855	87,855
Dividends paid to non-controlling shareholders of subsidiaries	(20,634)	20,634	–	–	–	–	–	20,634	–
Interest paid	(64,441)	–	–	–	–	–	–	–	(64,441)
Repayments of lease liabilities	(105,103)	45,919	–	–	–	–	–	45,919	(59,184)
Repayments (to)/from related parties	(155,827)	3,007,625	–	–	–	–	–	3,007,625	2,851,798
Repayments of bank borrowings	(1,954,949)	10,000	–	–	–	–	–	10,000	(1,944,949)

	Consolidated statement of cash flows of the Group for the year ended 31 December 2022	Unaudited pro forma adjustments							Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022
		Exclusion of the results of Target Group for the year ended 31 December 2022	Further acquisition of equity interest of Target Group from 70.23% to 99.21% and incentive fee	Elimination of inter-group transactions	Estimated gain and payment in respect of the Disposal	Exclusion of various profit or loss impacts in relation to Target Group	Share of profit or loss from investment in an associate	Total pro forma adjustments in respect of the Disposal	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*	*Note 3(e)*	*Note 3(f)*		
Net cash used in financing activities	(1,747,264)	225,410	–	–	–	–	–	225,410	(1,521,854)
Net decrease in cash and cash equivalents	(2,117,925)	(1,059,518)	(8,129)	(1,557)	(170,499)	–	–	(1,239,703)	(3,357,628)
Cash and cash equivalents at the beginning of the year	3,314,741	–	–	–	–	–	–	–	3,314,741
Effect of foreign exchange rate changes	49,767	(6,880)	–	–	–	–	–	(6,880)	42,887
Cash and cash equivalents at end of the year, represented by bank balances and cash	1,246,583	(1,066,398)	(8,129)	(1,557)	(170,499)	–	–	(1,246,583)	–

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. (a) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2023 as set out in financial information of the Group for the nine months ended 30 September 2023 set out in the Appendix I to this circular.

   (b) The amounts are extracted from the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 as set out in the published annual report of the Group for the year ended 31 December 2022.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position as at 30 September 2023, assuming the Disposal had concurrently taken place on 30 September 2023:

   (a) Pursuant to the share subscription agreement ("SSA"), the Company would subscribe 50,209,195 shares (the "First TM Home Share Issuance") and 1,000,000 shares (the "Second TM Home Share Issuance") of TM Home. The First TM Home Share Issuance had been completed during the nine months ended 30 September 2023. The Company and the TM Home non-controlling shareholder directly hold approximately 89.21% and 10.79%, respectively, of the issued share capital of TM Home as at 30 September 2023. TM Home will undergo a reverse share split to convert each 1,000 of its shares into 1 share on or prior to the Second TM Home Share Issuance. Upon completion of the Second TM Home Share Issuance, it is expected that the Company and the TM Home non-controlling shareholder will directly hold 99.21% and 0.79%, respectively, of the issued share capital of TM Home. The total consideration for the First TM Home Share Issuance and Second TM Home Share Issuance are US$5,020.92 (approximately RMB37,000) and US$100,000 (approximately RMB718,000) respectively.

   The adjustment represents the amount of approximately RMB1,805,000 represents combined impacts from i) 10% (being 99.21% equity interests of TM Home deducting non-controlling interests of TM Home after the completion of the Second TM Home Share Issuance less 89.21% equity interests of TM Home after deducting non-controlling interests of TM Home held by the Group after the completion of the First TM Home Share Issuance) of net assets of Target Group of approximately RMB169,023,000 minus 10% of non-controlling interests of Target Group of RMB150,211,000; and ii) 0.79% of consideration of further acquisition of US$100,000 (approximately RMB718,000) through Second TM Home Share Issuance.

   (b) The adjustment represents the inclusion of intra-group balances between the Target Group and the Remaining Group which were eliminated on consolidation.

(c) The adjustment represents exclusion of assets and liabilities the estimated gain on the Disposal credited to profit or loss, assuming the Disposal had concurrently taken place on 30 September 2023 and calculated as follows:

	Notes	*RMB'000*
Derecognition of the carrying amounts of Old Notes and the Convertible Note and their accrued interests as at 30 September 2023	*(i)*	5,870,462
Recognition of retained equity interests of the Target Group at fair value	*(ii)*	1,115,537
Less:		
Cash Consideration	*(iii)*	(352,608)
Derecognition of carrying amounts of assets and liabilities of the Target Group as at 30 September 2023	*(iv)*	(515)
Transaction costs		
Estimated professional costs attributable to the Disposal	*(v)*	(73,410)
Estimated stamp duty attributable to the Disposal	*(vi)*	(1,029)
Estimated instruction fee in relation to the Disposal	*(vii)*	(14,692)
Estimated net pre-tax gain for the Disposal		6,543,745
Less:		
Estimated tax expense in connection with the Disposal	*(viii)*	(103,034)
Estimated unaudited net gain on Disposal		6,440,711

Notes:

(i) Pursuant to the New Schemes, the Company proposes to give the participating Scheme Creditors a combination of cash and a controlling equity interest in Target Company to settle the principal amount of Old Notes, Convertible Note and their unpaid interests. As at 30 September 2023, the carrying amount of the other borrowings (the Old Notes) of approximately RMB4,293,946,000, the carrying amount of the Convertible Note of approximately RMB940,563,000 and their accrued interests of approximately RMB635,953,000 included in "other payables" will be derecognised, assuming the Disposal had concurrently taken place on 30 September 2023.

(ii) The amount represents the recognition of the retained equity interests as investment in an associate upon the Disposal, with reference to the valuation of Target Group (Excluding Subsidiary Group and CRIC) and CRIC as at 31 July 2023, calculated as follows:

		RMB'000
Valuation of entire equity interests of Target Group (Excluding Subsidiary Group and CRIC)	a	1,860,235
Valuation of entire equity interests of CRIC	b	1,327,014
Total valuation of entire equity interests of the Target Group	c = a+b	3,187,249
Percentage of equity interests of Target Group upon Disposal	d	35%
Total estimated fair value at the retained equity interests of Target Group as at 30 September 2023	e = c*d	1,115,537

(iii) Pursuant to the New Schemes, each Scheme Creditor is entitled to claim US$60 in cash per US$1,000 (the "Scheme Creditor Claim") of the Old Notes holder and Convertible Note holder. The amount represents the Cash Consideration that the Company will pay to the participating Scheme Creditors, calculated as follows:

	RMB'000
Outstanding principal amount of the Old Notes as at 30 September 2023	4,293,946
Unpaid interests on the Old Notes as at 30 September 2023	613,911
Outstanding principal amount of the Convertible Note as at 30 September 2023	946,903
Unpaid interests on the Convertible Note as at 30 September 2023	22,042
Total	5,876,802
Percentage of the Scheme Creditor Claim	6%
Estimated Cash Consideration as at 30 September 2023	352,608

The carrying amount of the Convertible Note of approximately RMB940,563,000 is different from the principal amount of the Convertible Note of approximately RMB946,903,000, as the carrying amount of the Convertible Note was calculated after discounting with effective interest rate of 9.09% per annum.

(iv) The following information represents the breakdown of financial impact on the proposed Disposal, assuming the Disposal had concurrently taken place on 30 September 2023.

	Exclusion of assets and liabilities of Target Group as at 30 September 2023	**Financial impact from inter-company balance and further acquisition of Target Group from 89.21% to 99.21%**	**Subtotal of financial information of Target Group as at 30 September 2023**	**Recognition of interests in associates and derecognition of Old Notes and Convertible Notes and their accrued interests through the Disposal**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (iv)(a)	*Note (iv)(b)*		*Note (iv)(c)*	
Non-current assets					
Property and equipment	(68,488)	–	(68,488)	–	(68,488)
Right-of-use assets	(55,893)	–	(55,893)	–	(55,893)
Intangible assets	(472,407)	8,950	(463,457)	–	(463,457)
Interests in associates	(5,248)	–	(5,248)	1,115,537	1,110,289
Deferred tax assets	(399,315)	–	(399,315)	–	(399,315)
Other non-current assets	(9,756)	–	(9,756)	–	(9,756)
	(1,011,107)	8,950	(1,002,157)	1,115,537	113,380
Current assets					
Accounts receivables and bills receivables	(18,555)	–	(18,555)	–	(18,555)
Other receivables	(73,771)	–	(73,771)	–	(73,771)

	Exclusion of assets and liabilities of Target Group as at 30 September 2023	Financial impact from inter-company balance and further acquisition of Target Group from 89.21% to 99.21%	Subtotal of financial information of Target Group as at 30 September 2023	Recognition of interests in associates and derecognition of Old Notes and Convertible Notes and their accrued interests through the Disposal	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (iv)(a)	*Note (iv)(b)*		*Note (iv)(c)*	
Amounts due from related parties	(604,128)	–	(604,128)	–	(604,128)
Receivables at FVTOCI					
– accounts receivables and bills receivables	(10,042)	–	(10,042)	–	(10,042)
– amounts due from related parties-accounts receivables	(384)	–	(384)	–	(384)
Restricted bank balances	(53,829)	–	(53,829)	–	(53,829)
Cash and cash equivalents	(542,751)	(718)	(543,469)	(154,381)	(697,850)
	(1,303,460)	(718)	(1,304,178)	(154,381)	(1,458,559)
Current liabilities					
Accounts payables	(293,304)	–	(293,304)	–	(293,304)
Advanced from customers	(216,416)	–	(216,416)	–	(216,416)
Accrued payroll and welfare expenses	(122,323)	–	(122,323)	–	(122,323)
Other payables	(63,959)	–	(63,959)	(245,561)	(309,520)
Contract liabilities	(142,589)	–	(142,589)	–	(142,589)
Tax payables	(380,825)	–	(380,825)	–	(380,825)
Amounts due to related parties	(708,164)	–	(708,164)	–	(708,164)
Other borrowings	–	–	–	(4,293,946)	(4,293,946)
Lease liabilities	(40,500)	–	(40,500)	–	(40,500)
Convertible note	–	–	–	(940,563)	(940,563)
	(1,968,080)	–	(1,968,080)	(5,480,070)	(7,448,150)
Non-current liabilities					
Deferred tax liabilities	(115,281)	–	(115,281)	–	(115,281)
Lease liabilities	(62,183)	–	(62,183)	–	(62,183)
	(177,464)	–	(177,464)	–	(177,464)
	(169,023)	8,232	(160,791)	6,441,226	6,280,435
Non-controlling interests			150,436	–	150,436
Release of exchange reserve upon disposal			9,840	–	9,840
			(515)	6,441,226	6,440,711

Note (iv)(a): The adjustment represents the exclusion of assets and liabilities of Target Group as at 30 September 2023, assuming the Disposal had concurrently taken place on 30 September 2023. The assets and liabilities of Target Group are extracted from the unaudited consolidated statement of financial position as at 30 September 2023 set out in Appendix I to this circular.

Note (iv)(b): The adjustment represents i) elimination of intangible assets through inter-company transaction of approximately RMB8,950,000; and ii) increase in cash and cash equivalents in TM Home through further acquisition of TM Home stated in Note 2(a) above.

Note (iv)(c): The amounts represent i) recognition of the retained equity interests as investment in an associate upon the Disposal, with reference to the valuation of the Target Group as at 31 July 2023 (Note 2(c)(ii)); ii) derecognition of Old Notes and Convertible Notes and their accrued interests as at 30 September 2023 (Note 2(c)(i)); and cash settlement of approximately RMB154,381,000 (with unpaid amount of approximately RMB390,392,000 as payables (repayable on demand)) for Cash Consideration of approximately RMB352,608,000 (Note 2(c)(iii)), professional costs of approximately RMB73,410,000 (Note 2(c)(v)), stamp duty of approximately RMB1,029,000 (Note 2(c)(vi)), instruction fee of approximately RMB14,692,000 (Note 2(c)(vii)) and tax expense in relation to the Disposal of approximately RMB103,034,000 (Note 2(c)(viii)), assuming the Disposal had concurrently taken place on 30 September 2023.

Note (iv)(d): The carrying amount of assets and liabilities of the Target Group as at 30 September 2023 are calculated as follows, assuming the Disposal had concurrently taken place on 30 September 2023.

	Target Group
	RMB'000
Net assets as at 30 September 2023	160,791
Non-controlling interests as at 30 September 2023 *(note A)*	(150,436)
Exchange reserves of the Target Group as at 30 September 2023	(9,840)
Net assets of Target Group to be disposed of as at 30 September 2023	515

Note A:

The non-controlling interests of the Target Group to be disposed of through the Disposal is calculated as below:

a)	10.79% of net assets of Target Group (RMB169,023,000) minus non-controlling interests of Target Group (RMB150,211,000) as at 30 September 2023 prior to further acquisition stated in Note 2(a)	2,030
b)	Non-controlling interests of Target Group as at 30 September 2023	150,211
c)	Impact from further acquisition as at 30 September 2023 stated in Note 2(a)	(1,805)
		150,436

(v) The amount represents proposed fees to professional advisors based on management's budget, including financial advisor, independent financial adviser, valuers, printers, legal advisors, the auditors of the Company and other miscellaneous costs.

(vi) The estimated stamp duty in relation to the Disposal represents the stamp duty calculated based on the People's Republic of China (the "PRC") tax rate of 0.05% to the consideration.

(vii) In accordance with the terms of the restructuring support agreement entered between the Company and the Convertible Note holder, the Convertible Note holder will be entitled to an instruction fee in a total amount equal to 0.25% of the aggregate outstanding principal amount of the Old Notes and Convertible Note plus accrued and unpaid interest on the Old Notes and Convertible Note up to (but excluding) 30 September 2023, calculated as follows:

	RMB'000
Outstanding principal amount of the Old Notes as at 30 September 2023	4,293,946
Unpaid interests on the Old Notes as at 30 September 2023	613,911
Outstanding principal amount of the Convertible Note as at 30 September 2023	946,903
Unpaid interests on the Convertible Note as at 30 September 2023	22,042
Total	5,876,802
Percentage of instruction fee	0.25%
Estimated instruction fee as at 30 September 2023	14,692

(viii) The amount represents the estimated income tax paid to the PRC tax authority in relation to the gain on the Disposal, which is calculated based on a tax rate of 10%.

(ix) The actual amounts of the adjusted consideration and the gain on the Disposal recorded can only be determined at completion, which may be substantially different from the estimated amounts used in the preparation of the unaudited pro forma financial information.

(e) The fair value of entire equity interests of Target Group as at 30 September 2023 are assumed to be approximated to their fair value as at 31 July 2023.

3. The following pro forma adjustments have been made to the unaudited pro forma a consolidated income statement and unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022, assuming the Disposal had concurrently taken place on 1 January 2022:

(a) The adjustment represents the exclusion of the results and cash flows of Target Group for the year ended 31 December 2022, assuming the Disposal had concurrently taken place on 1 January 2022. The results and cash flows of Target Group for the year ended 31 December 2022 are extracted from the unaudited combine statement of profit or loss and other comprehensive income and the unaudited statement of cash flows of Target Group set out in Appendix I to this circular.

(b) The Incentive Fee amounted to US$1,275,000 (approximately RMB8,129,000) will be paid by the Company to TM Home non-controlling shareholder on the date of the completion of the First TM Home Share Issuance and will be paid in cash, in consideration for the TM Home non-controlling shareholder electing not to subscribe for additional shares in TM Home. The Incentive Fee is expected to be recognised as expense and payable in cash.

(c) The adjustment represents the inclusion of the intra-group transactions between the Target Group and the Remaining Group which were eliminated on consolidation.

(d) The adjustment represents the estimated gain on the Disposal charged to profit or loss, assuming the Disposal had concurrently taken place on 1 January 2022 and is calculated as follows:

	Notes	*RMB'000*
Derecognition of the carrying amounts of Old Notes and the Convertible Note and their accrued interests as at 1 January 2022	*(i)*	4,578,657
Recognition of retained equity interests of the Target Group at fair value	*(ii)*	1,115,537
Less:		
Cash Consideration	*(iii)*	(279,926)
Derecognition of carrying amounts of assets and liabilities of the Target Group as at 1 January 2022	*(iv)*	(1,595,670)
Transaction costs		
Estimated professional costs attributable to the Disposal	*(v)*	(65,408)
Estimated stamp duty attributable to the Disposal	*(vi)*	(1,029)
Estimated instruction fee in relation to the Disposal	*(vii)*	(11,664)
Estimated net pre-tax gain for the Disposal		3,740,497
Less:		
Estimated tax expense in connection with the Disposal	*(viii)*	(81,084)
Estimated unaudited net gain on Disposal		3,659,413

Notes:

(i) Pursuant to the New Schemes, the Company proposes to give the participating Scheme Creditors a combination of cash and a controlling equity interest in TM Home to settle the principal amount of Old Notes, Convertible Note and their unpaid interests. As at 1 January 2022, the carrying amount of the other borrowings (Old Notes) of approximately RMB3,783,867,000, the carrying amount of the Convertible Note of approximately RMB756,912,000, and their accrued interests of approximately RMB37,878,000 will be derecognised, assuming the Disposal had concurrently taken place on 1 January 2022.

(ii) The amount represents the recognition of the retained equity interests as investment in an associate upon the Disposal, with reference to the valuation of the Target Group (Excluding Subsidiary Group and CRIC) and CRIC as at 31 July 2023, calculated as follows:

		RMB'000
Valuation of entire equity interests of the Target Group (Excluding Subsidiary Group and CRIC)	a	1,860,235
Valuation of entire equity interests of CRIC	b	1,327,014
Total valuation of entire equity interests of the Target Group	c = a+b	3,187,249
Percentage of equity interests of the Target Group upon Disposal	d	35%
Total estimated fair value at the retained equity interests of Target Group as at 1 January 2022	e = c*d	1,115,537

(iii) Pursuant to the New Schemes, each Scheme Creditor is entitled to claim US$60 in cash per US$1,000 of the Old Notes holder and Convertible Note holder. The amount represents the Cash Consideration that the Company will pay to the participating Scheme Creditors, calculated as follows:

	RMB'000
Outstanding principal amount of the Old Notes as at 1 January 2022	3,783,868
Unpaid interests on the Old Notes as at 1 January 2022	37,877
Outstanding principal amount of the Convertible Note as at 1 January 2022	843,681
Total	4,665,426
Percentage of the Scheme Creditor Claim	6%
Estimated Cash Consideration as at 1 January 2022	279,926

The carrying amount of the Convertible Note of approximately RMB756,912,000 is different from the principal amount of the Convertible Note of approximately RMB843,681,000, as the carrying amount of the Convertible Note was calculated after discounting with effective interest rate of 9.09% per annum.

(iv) The carrying amount of assets and liabilities of the Target Group as at 1 January 2022 are calculated as follows, assuming the Disposal had concurrently taken place on 1 January 2022.

	Target Group *RMB'000*
Net assets as at 1 January 2022 *(note A)*	2,224,140
Non-controlling interests as at 1 January 2022 *(note B)*	(615,006)
Exchange reserves of the Target Group as at 1 January 2022	(13,464)
Net assets of Target Group to be disposed of as at 1 January 2022	1,595,670

Note A:

The net assets of Target Group to be disposed of through the Disposal is calculated as below:

a)	Net assets of Target Group as at 1 January 2022	983,645
b)	Intangible assets recognised in the Company's consolidation level as at 1 January 2022	1,251,500
c)	Elimination of intangible assets through inter-company transaction as at 1 January 2022	(11,675)
d)	Increase in net assets of Target Group through further acquisition of the Target Group as at 1 January 2022	670
		2,224,140

Note B:

The non-controlling interests of Target Group to be disposed of through the Disposal is calculated as below:

a)	29.77% of net assets of Target Group (RMB983,645,000) minus non-controlling interests of Target Group (RMB612,086,000) as at 1 January 2022 prior to further acquisition	110,613
b)	Non-controlling interests of Target Group as at 1 January 2022	612,086
c)	Impact from further acquisition (i) 28.98% of net assets of Target Group of approximately RMB983,645,000 minus 28.98% of non-controlling interests of Target Group of RMB612,086,000; and ii) 0.79% of consideration of further acquisition of RMB670,000)	(107,693)
		615,006

(v) The amount represents proposed fees to professional advisors based on management's budget, including financial advisor, independent financial adviser, valuers, printers, legal advisors, the auditors of the Company and other miscellaneous costs.

(vi) The estimated stamp duty in relation to the Disposal represents the stamp duty calculated based on the PRC tax rate of 0.05% to the consideration.

(vii) In accordance with the terms of the restructuring support agreement entered between the Company and the Convertible Note holder, the Convertible Note holder will be entitled to an instruction fee in a total amount equal to 0.25% of the aggregate outstanding principal amount of the Old Notes and Convertible Note plus accrued and unpaid interest on the Old Notes and Convertible Note up to (but excluding) 30 September 2023, calculated as follows:

	RMB'000
Outstanding principal amount of the Old Notes as at 1 January 2022	3,783,868
Unpaid interests on the Old Notes as at 1 January 2022	37,877
Outstanding principal amount of the Convertible Note as at 1 January 2022	843,681
Total	4,665,426
Percentage of instruction fee	0.25%
Estimated instruction fee as at 1 January 2022	11,664

(viii) The amount represents the estimated income tax paid to the PRC tax authority in relation to the gain on the Disposal, which is calculated based on a tax rate of 10%.

(ix) The adjustment represents the cash payments/payables related to the Disposal for the year ended 31 December 2022, assuming the Disposal had concurrently taken place on 1 January 2022, calculated as follows:

	RMB'000
Cash Consideration	279,926
Estimated professional costs	65,408
Estimated stamp duty	1,029
Estimated instruction fee	11,664
Estimated tax expense in connection with the Disposal	81,084
Cash outflow/payables from TM Home in related to further acquisition	670
	439,781
Cash outflow	170,499
Payables (repayable on demand)	269,282
	439,781

(x) The actual amounts of the adjusted consideration and the gain on the Disposal recorded in "accumulated losses" can only be determined at completion, which may be substantially different from the estimated amounts used in the preparation of the unaudited pro forma financial information.

(e) The following proforma adjustments represent the exclusion of various profit or loss impacts in relation to Target Group:

(i) The adjustment of RMB1,034,791,000 represents the exclusion of impairment losses on intangible assets of TM Home at the Group's consolidation level for the year ended 31 December 2022, assuming the Disposal had concurrently taken place on 1 January 2022.

(ii) The adjustment of RMB216,709,000 represents the exclusion of amortization of intangible assets of TM Home at the Group's consolidation level for the year ended 31 December 2022, assuming the Disposal had concurrently taken place on 1 January 2022.

(iii) The adjustment of RMB343,911,000 represents the exclusion of fair value gain on Convertible Note of the Group of approximately RMB12,915,000 and the exclusion of exchange loss of the Group of approximately RMB356,826,000, respectively, for the year ended 31 December 2022. The exclusion of exchange loss of the Group consisted of exchange loss on other borrowings of approximately RMB284,851,000 and Convertible Note of approximately RMB71,975,000, respectively, for the year ended 31 December 2022, assuming the Disposal had concurrently taken place on 1 January 2022.

(iv) The adjustment of RMB400,423,000 represents the exclusion of interest expenses on other borrowings (Old Notes) of approximately RMB327,922,000 and Convertible Note of the Group of approximately RMB72,501,000 for the year ended 31 December 2022, assuming the Disposal had concurrently taken place on 1 January 2022.

(f) The adjustment represents the share of profit or loss from 35% equity interests of the Target Group as an associate of the Company for the year ended 31 December 2022, assuming the Disposal had concurrently taken place on 1 January 2022. It is assumed that the share of profit or loss consists of 35% of profit or loss of the Target Group for the year ended 31 December 2022.

(g) The fair value of entire equity interests of Target Group as at 1 January 2022 are assumed to be approximated to their fair value as at 31 July 2023.

(h) Apart from notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022 for the purpose of preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022.

(i) Except for the pro forma adjustment Note 3(f) of share of profit or loss from investment in an associate, the above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group.

F. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

16 January 2024

The Board of Directors
E-House (China) Enterprise Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of E-House (China) Enterprise Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of financial position as at 30 September 2023, the pro forma statement of profit or loss for the year ended 31 December 2022, the pro forma statement of cash flow for the year ended 31 December 2022 and related notes as set out on pages 124 to 145 of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on page 124 to 125.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed disposal of the 64.21% equity interest in TM Home Limited on the Group's financial position as at 30 September 2023 as if the transaction had been taken place at 30 September 2023, and on the Group's financial performance and cash flows for the year ended 31 December 2022 as if the transaction had been taken place at 1 January 2022. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's audited consolidated financial statements as included in the annual report for the year ended 31 December 2022, on which an audit report has been published, and unaudited interim consolidated financial statements as included in the Circular for the nine months ended 30 September 2023, on which a review report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 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 ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Management

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 behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or 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 29(7) of Chapter 4 of the Listing Rules, on the 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 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 plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" 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 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 event or transaction at 1 January 2022 and 30 September 2023 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 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 Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma 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:

(a) the pro forma financial information has been properly compiled 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 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

The following discussion should be read in conjunction with the financial information of the Group and the historical financial information and operating data included in this circular. The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards.

Set out below is the management discussion and analysis of the business, financial results and position of the Remaining Group for each of the financial years ended 31 December 2020, 2021 and 2022 and for the nine months ended 30 September 2023 prepared on the basis that the TM Home Group is not consolidated, and the Company has no ownership interest in the TM Home Group.

1. FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

Revenue decreased by RMB61.4 million, or approximately 4.0%, from RMB1,561.6 million for the nine months ended 30 September 2022 to RMB1,500.2 million for the nine months ended 30 September 2023. The decrease was primarily due to the decrease of revenue derived from real estate agency services in the primary market.

Revenue derived from real estate agency services in the primary market decreased by 48.5% from RMB477.3 million for the nine months ended 30 September 2022 to RMB246.0 million for the nine months ended 30 September 2023, primarily due to the decline of GTV caused by the disposal of a subsidiary in March 2022.

Revenue derived from real estate brokerage network services increased by 17.0% from RMB1,032.2 million for the nine months ended 30 September 2022 to RMB1,207.7 million for the nine months ended 30 September 2023. This increase was primarily due to both the increase of GTV and commission rate.

Revenue derived from real estate data and consulting services decreased by 13.3% from RMB52.2 million for the nine months ended 30 September 2022 to RMB45.2 million for the nine months ended 30 September 2023.

(a) Other Operating Costs

The Remaining Group's other operating costs decreased by 5.5% from RMB106.1 million for the nine months ended 30 September 2022 to RMB100.2 million for the nine months ended 30 September 2023, primarily due to the decrease of travel expense.

(b) Other Income

The Remaining Group's other income decreased by 30.9% from RMB53.2 million for the nine months ended 30 September 2022 to RMB36.8 million for the nine months ended 30 September 2023, primarily due to the decrease in bank and other interest income.

(c) Other Gains and Losses

The Remaining Group recognized net other gains of RMB92.0 million for the nine months ended 30 September 2022 and net other gains of RMB15.2 million for the nine months ended 30 September 2023. The net other gains were primarily attributable to the foreign exchange gains and losses.

(d) Other Expenses

The Remaining Group's other expenses increased from RMB2.3 million for the nine months ended 30 September 2022 to approximately RMB3.8 million for the nine months ended 30 September 2023, primarily attributable to the expenses related to termination of leasing agreements in advance.

(e) Finance Costs

The Remaining Group's finance costs decreased by 45.7% from RMB50.0 million for the nine months ended 30 September 2022 to RMB27.2 million for the nine months ended 30 September 2023, primarily due to the decrease in the weighted average balances of interest bearing loans.

(f) Income Tax Expense

The Remaining Group's income tax expense was RMB62.2 million for the nine months ended 30 September 2022, compared to income tax expense of RMB4.0 million for the nine months ended 30 September 2023, primarily due to the loss before taxation.

(g) Loss for the period

As a result of the foregoing, the loss for the period amounted to RMB300.7 million for the nine months ended 30 September 2023, compared to loss for the period of RMB1,058.6 million for the nine months ended 30 September 2022.

(h) Liquidity and Financial Resources

During the nine months ended 30 September 2023, the Remaining Group funded its cash requirements principally from cash generated from its operations and external borrowings. The Remaining Group had cash and cash equivalents of RMB180.2 million and RMB155.1 million as of 31 December 2022 and 2023, respectively. The Remaining Group generally deposits its excess cash in interest bearing bank accounts and current accounts.

During the nine months ended 30 September 2023, the Remaining Group's principal uses of cash have been for the funding of required working capital and other recurring expenses to support the expansion of its operations. Going forward, the Remaining Group's liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings and other funds raised from the capital markets from time to time.

Capital Expenditures

	For the nine months ended 30 September	
	2023	**2022**
	RMB'000	*RMB'000*
Purchase of and deposits placed for property and equipment	7,299	20,447
Purchase of intangible assets	–	170
Total	7,299	20,617

The Remaining Group's capital expenditures are primarily related to purchases of property, equipment, and intangible assets and capitalised prepayment. Leasehold improvements mainly including capitalised decoration and maintenance costs, account for the majority of property and equipment purchases.

(i) Significant Investments Held

As of 30 September 2023, the Remaining Group did not hold any significant investments in the equity interests of any other companies (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 30 September 2023).

(j) Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies of the Remaining Group

For the nine months ended 30 September 2023, the Remaining Group did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies.

(k) Employee and Remuneration Policy

As at 30 September 2023, the total number of full-time employees employed by the Remaining Group was 1,186. Its employees are based in our headquarters in Shanghai and various other cities in China according to our business strategies.

The success of the Remaining Group depends on its ability to attract, retain and motivate qualified personnel. As part of its retention strategy, the Remaining Group offers employees performance-based cash bonuses and other incentives in addition to base salaries. The total remuneration expenses, including share-based compensation expense, for the nine months ended 30 September 2023 were RMB361.4 million, representing a year-on-year decrease of 57.5%.

(l) Foreign Exchange Risk and any Related Hedge

The Remaining Group's functional currency is Renminbi, but certain of its cash and cash equivalent, USD-denominated senior notes and conditional investment fund received are denominated in foreign currency and are exposed to foreign currency risk. The Remaining Group currently does not have a foreign currency hedging policy. It will continue to monitor foreign exchange exposure and will take actions when necessary.

(m) Pledge of Assets

As at 30 September 2023, the Group's bank borrowings of RMB793.0 million was secured by Wanju Property (carrying amount of RMB553.3 million), Tangchao Grand Hotel (carrying amount of RMB496.9 million) and 2 units in Hangzhou PingLan business center (carrying amount of RMB16.7 million).

(n) Contingent Liabilities

As of 30 September 2023, the Remaining Group did not have any material contingent liabilities (30 September 2022: nil).

2. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Revenue decreased by RMB2,432.8 million, or approximately 51.7%, from RMB4,702.6 million in 2021 to RMB2,269.7 million in 2022. Such decrease was primarily due to transformation of China's real estate market and the business disruptions affected by the COVID-19 pandemic.

Revenue derived from real estate agency services in the primary market decreased by 70.3% from RMB2,014.7 million in 2021 to RMB598.6 million in 2022, primarily due to the decline of GTV caused by the disposal of a subsidiary.

Revenue derived from real estate brokerage network services decreased by 38.7% from RMB2,620.1 million in 2021 to RMB1,607.2 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 data and consulting services decreased by 5.7% from RMB67.8 million in 2021 to RMB64.0 million in 2022.

(a) Other Operating Costs

The Remaining Group's other operating costs decreased by 32.6% from RMB293.8 million in 2021 to RMB197.9 million in 2022, primarily due to the company's reduction of cost.

(b) Other Income

The Remaining Group's other income decreased by 32.1% from RMB104.8 million in 2021 to RMB71.2 million in 2022, primarily due to the decrease of interest income.

(c) Other Gains and Losses

The Remaining Group recognized net other gains of RMB7.7 million in 2022 and net other losses of RMB568.9 million in 2021. The net other gains recognised in 2022 was primary due to the disposal of investment properties. The net other losses in 2021 were primarily attributable to the fair value losses on holding of shares of other companies listed on the Stock Exchange.

(d) Other Expenses

The Remaining Group's other expenses decreased from RMB6.3 million in 2021 to approximately RMB3.9 million in 2022. The other expenses in 2022 primarily attributable to the expenses related to termination of leasing agreements in advance.

(e) Finance Costs

The Remaining Group's finance costs decreased by 59.0% from RMB150.6 million in 2021 to RMB61.8 million in 2022, primarily due to the decrease in the weighted average balances of interest bearing loans.

(f) Income Tax Expense

The Remaining Group's income tax expense decreased by 92.2% from RMB451.7 million in 2021 to RMB35.1 million in 2022, primarily due to the valuation allowance of defer tax assets in 2021.

(g) Loss for the year

As a result of the foregoing, the loss for the year amounted to RMB1,777.8 million in 2022, compared to profit for the year of RMB10,417.7 million in 2021.

(h) Liquidity and Financial Resources

During the year ended 31 December 2022, the Remaining Group funded its cash requirements principally from cash generated from its operations and external borrowings. The Remaining Group had cash and cash equivalents of RMB948.6 million and RMB180.2 million as of 31 December 2021 and 2022, respectively. The Remaining Group generally deposits its excess cash in interest bearing bank accounts and current accounts.

During the year ended 31 December 2022, the Remaining Group's principal uses of cash have been for the funding of required working capital and other recurring expenses to support the expansion of its operations. Going forward, the Remaining Group's liquidity requirements will be satisfied by using funds from a combination of internally generated cash and external borrowings.

(i) Capital Expenditures

	For the financial year ended 31 December	
	2022	**2021**
	RMB'000	*RMB'000*
Purchase of and deposits placed for property and equipment	15,019	347,012
Purchase of intangible assets	–	207
Total	15,019	347,219

The Remaining Group's capital expenditures are primarily related to purchases of property, equipment, and intangible assets and capitalised prepayment. Leasehold improvements, mainly including capitalised decoration and maintenance costs, account for the majority of property and equipment purchases.

(j) Significant Investments Held

As of 31 December 2022, the Remaining Group did not hold any significant investments in the equity interests of any other companies (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2022).

(k) Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies of the Remaining Group

For the year ended 31 December 2022, the Remaining Group did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies.

(l) Employee and Remuneration Policy

As at 31 December 2022, the total number of full-time employees employed by the Remaining Group was 2,656. Its employees are based in our headquarters in Shanghai and various other cities in China according to our business strategies.

The success of the Remaining Group depends on its ability to attract, retain and motivate qualified personnel. As part of its retention strategy, the Remaining Group offers employees performance-based cash bonuses and other incentives in addition to base salaries. The total remuneration expenses, including share-based compensation expense, for the year ended 31 December 2022 were RMB893.7 million, as compared to RMB2,266.1 million for the year ended 31 December 2021, representing a year-on-year decrease of 60.6%.

(m) Foreign Exchange Risk and any Related Hedge

The Remaining Group's functional currency is Renminbi, but certain of its cash and cash equivalent, USD-denominated senior notes and conditional investment fund received are denominated in foreign currency and are exposed to foreign currency risk. The Remaining Group currently does not have a foreign currency hedging policy. It will continue to monitor foreign exchange exposure and will take actions when necessary.

(n) Pledge of Assets

As at 31 December 2022, the Group's bank borrowings of RMB853.5 million were secured by Wanju Property (carrying amount of RMB578.9 million), Tangchao Grand Hotel (carrying amount of RMB515.3 million) and 2 units in Hangzhou PingLan business center (carrying amount of RMB17.3 million).

For further details of Wanju Property and Tangchao Grand Hotel, please refer to the announcements of the Company published under the titles "Discloseable Transaction – Acquisition of Shanghai Wanju" and "Discloseable Transaction – Acquisition of Shanghai Juanpeng", respectively, on 22 March 2020.

(o) Contingent Liabilities

As of 31 December 2022, the Remaining Group did not have any material contingent liabilities (31 December 2021: nil).

3. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Revenue of the Remaining Group decreased by 23.2% from RMB6,119.4 million in 2020 to RMB4,702.6 million in 2021. The decrease was primarily due to the decrease of revenue derived from real estate agency services.

Revenue derived from real estate agency services in the primary market decreased by 37.3% from RMB3,211.7 million in 2020 to RMB2,014.7 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 6.6% from RMB2,804.0 million in 2020 to RMB2,620.1 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 34.6% from RMB103.7 million in 2020 to RMB67.8 million in 2021.

(a) Other Operating Costs

The Remaining Group's other operating costs increased by 77.8% from RMB165.2 million in 2020 to RMB293.8 million in 2021, primarily due to the increase of travel expenses.

(b) Other Income

The Remaining Group's other income increased by 6.4% from RMB98.5 million in 2020 to RMB104.8 million in 2021, primarily due to the increase in government grant received from various PRC government authorities.

(c) Other Gains and Losses

The Remaining Group recognized net other losses of RMB568.9 million in 2021 and net other losses of RMB71.9 million in 2020. The net other losses in 2021 were primarily attributable to the fair value losses on holding of shares of other companies listed on the Stock Exchange.

(d) Other Expenses

The Remaining Group's other expenses decreased from RMB12.2 million in 2020 to approximately RMB6.3 million in 2021. The decrease was primarily due to the decrease in donation.

(e) Finance Costs

The Remaining Group's finance costs decreased by 46.9% from RMB283.5 million in 2020 to RMB150.6 million in 2021, primarily due to the decrease in the weighted average balances of interest bearing loans.

(f) Income Tax Expense

The Remaining Group's income tax expense increased by 221.0% from RMB140.7 million in 2020 to RMB451.7 million in 2021, primarily due to the valuation allowance of defer tax assets in 2021.

(g) Loss for the Year

As a result of the foregoing, the loss for the year amounted to RMB10,417.7 million in 2021, compared to profit for the year of RMB112.6 million in 2020.

(h) Liquidity and Financial Resources

During the year ended 31 December 2021, the Remaining Group funded its cash requirements principally from cash generated from its operations and external borrowings. The Remaining Group had cash and cash equivalents of RMB5,248.3 million and RMB948.6 million as of 31 December 2020 and 2021, respectively. The Remaining Group generally deposits its excess cash in interest bearing bank accounts and current accounts.

During the year ended 31 December 2021, the Remaining Group's principal uses of cash have been for the funding of required working capital and other recurring expenses to support the expansion of its operations. Going forward, the Remaining Group's liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, and other funds raised from the capital markets from time to time.

(i) Capital Expenditures

	For the financial year ended 31 December	
	2021	**2020**
	RMB'000	*RMB'000*
Purchase of and deposits placed for property and equipment	347,012	152,554
Purchase of intangible assets	207	–
Total	347,219	152,554

The Remaining Group's capital expenditures are primarily related to purchases of property, equipment, and intangible assets and capitalised prepayment. Leasehold improvements, mainly including capitalised decoration and maintenance costs, account for the majority of property and equipment purchases.

(j) Significant Investments Held

Save as disclosed in the section headed "Material Acquisition and/or Disposals of Subsidiaries and Affiliated Companies of the Remaining Group", as of 31 December 2021, the Remaining Group did not hold any significant investments in the equity interests of any other companies (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2020).

(k) Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies of the Remaining Group

The Remaining Group did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies for the year ended 31 December 2021.

(l) Employee and Remuneration Policy

As at 31 December 2021, the total number of full-time employees employed by the Remaining Group was 8,534. Its employees are based in our headquarters in Shanghai and various other cities in China according to our business strategies.

The success of the Remaining Group depends on its ability to attract, retain and motivate qualified personnel. As part of its retention strategy, the Remaining Group offers employees performance-based cash bonuses and other incentives in addition to base salaries. The total remuneration expenses, including share-based compensation expense, for the year ended 31 December 2021 were RMB2,266.1 million, as compared to RMB2,331.5 million for the year ended 31 December 2020, representing a year-on-year decrease of 2.8%.

(m) Foreign Exchange Risk and any Related Hedge

The Remaining Group's functional currency is Renminbi, but certain of its cash and cash equivalent, USD-denominated senior notes and conditional investment fund received are denominated in foreign currency and are exposed to foreign currency risk. The Remaining Group currently does not have a foreign currency hedging policy. It will continue to monitor foreign exchange exposure and will take actions when necessary.

(n) Pledge of Assets

As at 31 December 2021, the Group's bank borrowings of RMB1,646.5 million were secured by a bank deposit of US$118.4 million (equivalent to approximately RMB755.1 million), the Wanju Property (carrying amount of RMB612.9 million), Tangchao Grand Hotel (carrying amount of RMB539.8 million) and 2 units in Hangzhou PingLan business center (carrying amount of RMB18.2 million).

For further details of the Wanju Property and Tangchao Grand Hotel, please refer to the announcements of the Company published under the titles "Discloseable Transaction – Acquisition of Shanghai Wanju" and "Discloseable Transaction – Acquisition of Shanghai Juanpeng", respectively, on 22 March 2020.

(o) Contingent Liabilities

As of 31 December 2021, the Remaining Group did not have any material contingent liabilities (31 December 2020: nil).

4. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(a) Liquidity and Financial Resources

During the year ended 31 December 2020, the Remaining Group funded its cash requirements principally from cash generated from its operations, external borrowings, and the issue of USD-denominated senior notes due 2021, 2022 and 2023. The Remaining Group had cash and cash equivalents of RMB5,248.3 million as of 31 December 2020. The Remaining Group generally deposits its excess cash in interest bearing bank accounts and current accounts.

During the year ended 31 December 2020, the Remaining Group's principal uses of cash have been for the funding of required working capital and other recurring expenses to support the expansion of its operations and to finance the purchases in March 2020 and July 2020 as particularized under the section headed "Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies of the Remaining Group" below.

(b) Significant Investments Held

Save as disclosed in the section headed "Material Acquisition and/or Disposals of Subsidiaries and Affiliated Companies of the Remaining Group", as of 31 December 2020, the Remaining Group did not hold any significant investments in the equity interests of any other companies (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2020).

(c) Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies of the Remaining Group

On 20 March 2020,

(i) the Group entered into the following share transfer agreements (collectively, the "Connected Acquisition Agreements"), including:

(1) a share transfer agreement between Shanghai Fangjia Information Technique Co, Ltd. (上海方加信息技術有限公司) ("**Shanghai Fangjia**") and Shanghai Jingshun Education Technology Co., Ltd. (上海璟舜教育科技有限公司) ("**Shanghai Jingshun**"), pursuant to which Shanghai Fangjia agreed to transfer the entire equity interest in Shanghai Fangjiao Information Technology Co., Ltd. to Shanghai Jingshun, for a total consideration of RMB51,000,000;

(2) a share transfer agreement between E-House (China) Enterprise Management Group Ltd. (易居(中國)企業管理集團有限公司) ("**E-House Management**") and Shanghai Jingshun, pursuant to which E-House Management agreed to transfer its 80% equity interest Shanghai Yijin Culture Development Co., Ltd. (上海易進文化發展有限公司) ("**Yijin Culture**") to Shanghai Jingshun, for nil consideration;

(3) share transfer agreements between Shanghai Jingshun and each of the three individual shareholders of Yijin Culture, all of whom are third parties independent of the Company, to acquire their respective 7%, 3% and 2% equity interest in Yijin Culture, all for nil consideration;

(4) a share transfer agreement between E-House Management and Shanghai Louyu Enterprise Management Co., Ltd. (上海樓煜企業管理有限公司) ("**Shanghai Louyu**"), pursuant to which E-House Management agreed to transfer the entire equity interest in Shanghai Shanglin Property Management Co., Ltd. (上海尚林物業管理有限公司) to Shanghai Louyu, for a total consideration of RMB84,920,000; and

(5) a share transfer agreement between E-House Management and Shanghai Louyu, pursuant to which E-House Management agreed to transfer the entire equity interest in Shanghai Shangyou Property Management Co., Ltd. to Shanghai Louyu, for a total consideration of RMB199,260,000.

For further details of the Connected Acquisition Agreements, please refer to the announcement of the Company published under the title "Connected Transactions in relation to the Acquisition Agreements" on 22 March 2020 and the supplemental announcement of the Company dated 15 May 2020.

(ii) The PRC Holdco, Shanghai Fangjia (the "**Nominee**"), Jiaxing Weitai and Suzhou Yuhang entered into a series of agreements (the "**Wanju Acquisition Agreements**"), pursuant to which the PRC Holdco and the Nominee have agreed to purchase and Jiaxing Weitai and Suzhou Yuhang have agreed to sell the entire partnership interest in Shanghai Wanju Investment Partnership Enterprise (Limited Partnership) for a total consideration of RMB660.0 million.

For further details of the Wanju Acquisition Agreements, please refer to the announcement of the Company published under the title "Discloseable Transaction – Acquisition of Shanghai Wanju" on 22 March 2020.

(iii) The PRC Holdco, Jiaxing Hengzhen, Shanghai Junwei and Shanghai Juanpeng Enterprise Co., Ltd. (the "**Shanghai Juanpeng**") entered into a series of agreements (the "**Juanpeng Acquisition Agreements**"), pursuant to which the PRC Holdco has conditionally agreed to purchase and Jiaxing Hengzhen and Shanghai Junwei have conditionally agreed to sell the entire equity interest in the Shanghai Juanpeng for a total consideration of RMB600.00 million.

For further details of the Juanpeng Acquisition Agreements, please refer to the announcement of the Company published under the title "Discloseable Transaction – Acquisition of Shanghai Juanpeng" on 22 March 2020.

On 31 July 2020,

(iv) the Company entered into the following equity transfer agreements pursuant to which it has agreed to acquire an aggregate 56.19% interest in the issued share capital of Leju (or 5.40% on a fully diluted basis assuming all outstanding options and awards under Leju's employee equity schemes are issued and/or vest, as the case may be).

Equity transfer agreement I was entered into by and among, SINA Parties and the Company, pursuant to which the Company conditionally agreed to purchase 24,438,564 ordinary shares and 36,687 ADSs (each representing one ordinary share) of Leju from the SINA Parties for a total consideration of USD93,600,000 (approximately HK$725,400,000) which will be satisfied by the Company allotting and issuing 78,676,790 consideration shares to the SINA Parties at the issue price of HK$9.22 per consideration share (the "**Equity Transfer Agreement I**").

Equity transfer agreement II was entered into by and among, the Zhou Parties and the Company, pursuant to which the Company conditionally agreed to purchase 49,686,192 ordinary shares and 2,239,804 ADSs (each representing one ordinary share) of Leju from the Zhou Parties for a total consideration of USD198,579,099 (approximately HK$1,538,988,015) which will be satisfied by the Company allotting and issuing 166,918,440 consideration shares to the Zhou Parties at the issue price of HK$9.22 per consideration share (the "**Equity Transfer Agreement II**").

(v) the Company entered into a share subscription agreement (the "**Share Subscription Agreement**") with Taobao China Holding Limited (the "**Alibaba Subsidiary**") pursuant to which the Alibaba Subsidiary has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 118,300,000 subscription shares at the subscription price of HK$7.00 per subscription share for a total subscription amount of HK$828,100,000.

(vi) the Company entered into a note subscription agreement (the "**Note Subscription Agreement**") with Alibaba.com Hong Kong Limited (the "**Alibaba Noteholder**") pursuant to which the Alibaba Noteholder has conditionally agreed to subscribe for the convertible note in the principal amount of HK$1,031,900,000. The convertible note matures on the third anniversary of the date of issue, carries an interest rate of 2% per annum, and is convertible into the conversion shares at the initial conversion price of HK$10.37, subject to customary adjustments.

(vii) the Company entered into a business cooperation agreement with Alibaba (China) Technology Co., Ltd., pursuant to which the parties agreed to cooperate to build an online real estate marketing and transaction platform as well as to jointly explore new business opportunities. The Alibaba Group will provide the Company and Leju with technological empowerment for their respective businesses.

Completion of the Equity Transfer Agreement I, Equity Transfer Agreement II, Share Subscription Agreement and Note Subscription Agreement took place on 4 November 2020. For further details, please refer to the announcement of the Company dated 31 July 2020 (as supplemented by the clarification announcement of the Company dated 21 August 2020), the circular and the announcement of the Company dated 4 November 2020.

Save as disclosed in this circular, the Remaining Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2020.

(d) Employee and Remuneration Policy

As at 31 December 2020, the total number of full-time employees employed by the Remaining Group was 18,464. Its employees are based in our headquarters in Shanghai and various other cities in China according to our business strategies.

The success of the Remaining Group depends on its ability to attract, retain and motivate qualified personnel. As part of its retention strategy, the Remaining Group offers employees performance-based cash bonuses and other incentives in addition to base salaries.

(e) Foreign Exchange Risk and any Related Hedge

The Remaining Group's functional currency is Renminbi, but certain of its cash and cash equivalent, USD-denominated senior notes and conditional investment fund received are denominated in foreign currency and are exposed to foreign currency risk. The Remaining Group currently does not have a foreign currency hedging policy. It will continue to monitor foreign exchange exposure and will take actions when necessary.

(f) Pledge of Assets

As at 31 December 2020, the Remaining Group's bank borrowings of RMB1,225.1 million was secured by the bank deposit of USD92.9 million (equivalent to approximately RMB605.9 million), Wanju Property (carrying amount of RMB646.9 million) and Tangchao Grand Hotel (carrying amount of RMB564.3 million).

Details of Wanju Property and Tangchao Grand Hotel are set out in the announcements of the Company published under the titles "Discloseable Transaction – Acquisition of Shanghai Wanju" and "Discloseable Transaction – Acquisition of Shanghai Juanpeng", respectively, on 22 March 2020.

(g) Contingent Liabilities

As of 31 December 2020, the Remaining Group did not have any material contingent liabilities (31 December 2019: RMB53.2 million).

蓝策评估
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Consultation Report

Target of value analysis: TM Home Limited
Subject of value analysis: 100% equity interests
Client: E-House (China) Enterprise Holdings Limited
Report No.: Lan Ce Zi Bao Zi R2023-0393-SH-SHZY

Latest edited on: 3 January 2024

E-House (China) Enterprise Holdings Limited

Dear sirs/madams,

1. TRANSMITTAL LETTER

In accordance with the terms, conditions and purposes of the agreement (hereinafter referred to as the "Agreement") entered into between E-House (China) Enterprise Holdings Limited ("E-House" or the "Company") and ValueLink Management Consultants Limited ("ValueLink"), the Company appointed us to conduct value analysis on 100% equity interests of TM Home Limited ("TM Home" or the "Target Company") as of 31 July 2023 (the "Valuation Date") for internal reference by the Company.

This report is for the internal reference by the Company only. Without our prior written consent, this report shall not be used in any legal or litigation proceedings, be disseminated or seen in any published publications, announcements or annual reports, or be copied in part or in whole for other purposes. The contents contained in this report are strictly confidential and, to the extent permitted by laws, shall not be disclosed in part or in whole to any third party other than the Company without our prior written consent.

We understand that the Company will conduct independent consideration and assessment before making any business decision and will not solely rely on our report, and the report issued by us will not replace other analysis and investigation work that should be carried out by the client in reaching the business decision. Our report does not include specific purchase and sale recommendations.

To the maximum extent permitted by laws, ValueLink assumes no duty of care for this report and/or any relevant information or explanations (collectively referred to as the "information") to any third parties. Correspondingly, to the extent permitted by laws, ValueLink undertakes no obligations (whether based on contracts, infringement (including negligence) or others) for any action taken or omission made by any third parties other than the Company based on the information.

The information we used in this report is derived from various data sources indicated in this report. This report is based on the financial information, the financial forecast provided by the Company and on its behalf and open industrial resources. The Company has undertaken to us that it will assume full responsibilities to the judgments and results of the abovementioned financial information, the financial forecast and relevant key assumptions. Please note that the procedures and enquiries undertaken by us in preparing this report do not include any audit work, nor do they constitute an examination made in accordance with generally accepted auditing standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us, except where otherwise stated herein, and no assurance is given.

For the information and materials on which all or part of the value analysis conclusions in this report are based and provided by other parties, we assumed that they are reliable and did not carry out verification. We made no guarantees on the accuracy of such information and materials.

We do not accept any responsibility for the changes in market conditions and have no obligations to modify our report due to events or conditions after the issuing of the report.

Value analysis is not an accurate science in substance. In many cases, the conclusions of value analysis inevitably involve subjective and personal judgments. Although the suggestions expressed by us in the report are arrived based on the methods and conclusions appropriate to this project in our opinion, we cannot guarantee that the value or the range of value in the report will be recognized by other parties.

We are not interested, either presently or expectedly, in the analyzed entity contained in the value analysis report. We are not interested, either presently or expectedly, in relevant concerned parties, and not biased against relevant concerned parties.

Based on the information provided by the Company and the restrictions on our working procedures and the scope of our work as well as relevant basic and particular assumptions, we conducted analysis and estimation on the indicative value of the market value of 100% equity interests in the Target Company as of the Valuation Date by using the income approach and the results were RMB1,860,235,000.

		RMB'000
Enterprise value		1,360,214
Add: Surplus assets		
Cash and cash equivalents		755,457
Restricted bank balance		39,962
Operating cash		(205,275)
Other receivables		386,029
Deferred tax assets		393,193
Investment property		2,636
Interests in associates		6,774
Right-of-use assets		36,160
Other non-current assets		8,306
Less: Surplus liabilities		
Other payables		(606,189)
Lease liabilities		(20,472)
Lease liabilities (non-current)		(66,389)
Minority shareholders' interests (Leju)	44.30%	(230,171)
Total surplus assets/liabilities		500,020
Equity value		1,860,235

Based on the Target Company's financial performance, the management's future estimation and the market data of comparable companies, we consider that the value of the Target Company as at 3 January 2024, would not be materially different from the market value of the Target Company as of the Valuation Date and the difference would be within 5%.

In addition, we consider the compliance issue of Leju will not have material impact on the valuation of the Target Company as at 3 January 2024.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Sincerely,

William Chen
ABV, CFA, CPA (US), MBA

On behalf of
ValueLink Management Consultants Limited

Thank you for appointing ValueLink as the valuation consultant of the Company. If you have any suggestions or doubts, please immediately contact Ms. Cindy Liu or Mr. William Chen (Tel.: 861065978211).

2. INTRODUCTION

2.1 Purpose and Subject of Value Analysis

Based on the information provided by the management of E-House (China) Enterprise Holdings Limited ("E-House" or the "Company"), we understand that the Company will conduct restructuring. As a result, the Company appointed us to conduct value analysis on all shareholders' interests of TM Home Limited ("TM Home" or the "Target Company") for internal reference by the Company.

The subject of the value analysis is the market value of 100% equity interests of the Target Company as of 31 July 2023 (the "Valuation Date").

Note: The scope of 100% equity interests of the Target Company includes a) the online real estate marketing service business in partnership with Tmall Network; b) the controlling interest in Leju, which as a leading real estate O2O integrated services platform serves in three major areas: new houses, second-hand houses and home furnishing, and its business includes e-commerce, online advertising, listing services for second-hand houses and others. For details, please refer to Section 3 Company Overview.

2.2 Valuation Date

As confirmed with the management of the Company, the Valuation Date is 31 July 2023.

2.3 Basis of Value

The basis of value in the value analysis is the "market value".

The market value is defined as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

2.4 Valuation Methodology

As TM Home is under rapid expansion and is at early stage as of the Valuation Date, considering the current scale of business and performance, it cannot find comparable companies with identical operation size, risks and stages and the market approach was not applicable. Considering that the management can provide financial forecast and could capture the future earning potential of TM Home, we adopted the income approach as the main method for value analysis.

2.5 Work Procedures

Based on the business agreement, we have completed the following work:

- Learning about the information on the finance and operation of the Target Company based on the information provided to us and our discussions with the management of the Company;
- Obtaining the operating and financial data of the Company as of June 2023;
- Obtaining the operating and financial information of the Target Company provided by the Company, analyzing relevant basic materials and information about the Target Company, including but not limited to the historical operating performance, future strategic frameworks and business plans of the Target Company;
- Discussing with the management of the Company on key matters in the finance and operation and obtaining their explanations to relevant materials;
- Conducting study on the market data of listed companies with same or similar businesses for reference;
- Obtaining the financial forecast of the Company on the Target Company for 2023 to 2030 and learning about the future operation and development plans of the Target Company;
- Estimating the indicative value of the market value of the Target Company by using the income approach; and
- Recording our work procedures, findings and conclusions, major assumptions and restrictions in this report.

We have no reason to believe that any material information has been withheld from us. We had no reason to doubt the truth and accuracy of the information provided to us by the Company.

Based on our research, analysis and discussion with the management regarding the bases and assumptions applied in the profit forecast, we are of the view that the Company's basis of preparation of the Target Company's financial forecast is reasonable, the projection represents the best estimate of economic conditions and the Target Company's operations as of the Valuation Date. We have relied to a considerable extent on the projections by the Company in arriving at our opinion of value.

2.5.1 Limitation of scope

Whilst we have endeavored to collect and analyze relevant financial and operating information of the Target Company related to the value analysis business, we would like to draw your attention to the limitations described hereunder when considering the results of our work:

- Our understanding of the Target Company and its operating conditions is mainly based on the financial information and the financial forecast provided by the management as well as the understanding of the management on the operation strategies and development prospects of the Target Company. We did not conduct any audit or prudent surveys on the truthfulness, accuracy and reliability of the information obtained during the period of this project. We do not accept any responsibility for the accuracy and completeness of the information provided by the Company, nor do we express any opinions on any such information.

- Our work includes interviews, telephone discussions and on-site inquiries with the management as well as limited industrial analysis. As a result, our calculation is based on the materials provided by the Target Company and recognized by the Company.

- Although we have communicated with the Company on key operating and financial matters of the Target Company learnt in the work process, our work cannot replace other matters which may affect the decision-making judgment and may be identified in other professional services (including but not limited to the audit, due diligence and other businesses) to be considered by the Company in making management decisions and judgments.

- The report issued by us will not replace other analysis and investigation work to be implemented in making business decisions by the client. Our report does not include particular purchase and sale suggestions.

- It is the responsibility of the Company to determine the acceptable price and the asset structure for use. For the selection of the acceptable price in any transactions, factors other than the information provided by us shall be considered. Due to changes in the environment of transactions or different perceptions and motives of the buyer and the seller, the actual trading price may be significantly higher or lower than the results of our valuation and calculation.

- We did not conduct audit or other assurance work in accordance with the professional standards issued by the relevant institutes of certified public accountants in carrying out the service. Therefore, we do not provide audit opinions, certifications or other forms of assurance opinions on related services or information we rely on.

- We do not accept any responsibility for any subsequent matters or conditions after the date of the report.

- Our work does not constitute the statutory evaluation business required under the PRC Asset Valuation Standards or the evaluation report required for approval of transactions. Our work is not for the purpose of financial reporting.

- If we are required to further conduct additional work procedures and obtain more materials and information, the results of our value analysis may change.

2.5.2 Work not carried

The scope of our work does not include the following work:

- Financial and tax due diligence;

- Due diligence on legal affairs;

- Review of pricing strategies on transfer;

- Commercial, operational or market due diligence;

- Technology due diligence;

- Statutory evaluation;

- Macroeconomic forecast;

- The external marketplace (market size), segmentation, growth trends, the competitive environment (key competitors, market shares);

- Audit on the financial/taxation information of the Target Company (review on the accounting/taxation principles used in the valuation analysis);

- Consultation on restructuring related to transactions (taxation and/or accounting issues);

- Analysis on the strategic positioning of the Company;

- IT due diligence (if any);

- Consultation on human resources management; and

- Any investment or pricing decisions.

2.6 Source of Information

We relied on the following relevant information provided to us by the management as well as the publicly available information that we gathered through our own research:

- Business registration;
- Unaudited financial statements of TM Home as of 30 June 2023;
- Audited financial statements of Leju for years 2020-2022 as well as the unaudited financial statement as of 30 June 2023;
- Other operational and market information in relation to TM Home;
- 8-year (from August 2023 to December 2030) financial forecasts of TM Home;
- Various explanations provided by the management with regard to the underlying assumptions and financial information associated with the above 8-year financial forecasts through discussions and email correspondences during the course of this engagement;
- The desktop research which utilized information and statistics published by government departments, industry associations, publications, public companies' annual reports;
- Various market information on the comparable companies;
- Various market information extracted from the S&P Capital IQ (a financial data platform that provides detailed research and analysis of the stock market, which was founded in 1999 by S&P Global Inc.) (an American publicly traded corporation which was founded in 1860 and its primary areas of business are financial information and analytics);
- Research reports on China real estate industry and economy in general.

3. COMPANY OVERVIEW

3.1 TM Home Limited

On 1 September 2021, E-House and TM Home Limited entered into an agreement, pursuant to which TM Home Limited will subscribe for the entire equity interest in EH International and 55.7% equity interest in Leju. EH International indirectly holds the 100% equity interest in Tianji Network and Fangyou Business. After the completion of the transaction, E-House will hold 70.23% equity interest in TM Home Limited and Alibaba Investment will hold 29.77% equity interest in TM Home Limited.

Tianji Network is a technology services provider that specialises in online networks and data analytical services in the real estate industry in China. Tianji Network operates (a) real estate intermediary and e-commerce services, which provides internet service tools and marketing solutions to businesses and operates an e-commerce platform for offline-merge-online real estate and e-commerce integration; (b) real estate dictionary, which offers a database platform (and underlying technology and systems) that stores, catalogues and sorts residential and non-residential real estate information; (c) data mall, which provides real estate data, data reports, data services and systems to individuals and enterprises; and (d) EBaas (or Estate Blockchain as a Service), which focuses on research and development and innovation in blockchain technology and applications with the aim to facilitate the real estate industry in four major areas: real estate transactions, finance, data, and certificate storage and exchange.

The Fangyou Business comprises the provision of real estate brokerage network services under the Fangyou brand of integrating small and medium-sized secondary real estate brokerage stores in China.

Leju is a leading online-to-offline real estate services provider in China, offering real estate e-commerce, online advertising, and online listing services through its online platform, which comprises local websites covering more than 370 cities and various mobile applications. Leju integrates its online platform with complementary offline services to facilitate residential property transactions. Leju has been listed on the New York Stock Exchange with stock ticker LEJU since April 2014.

On 27 December 2023, Leju announced that it has received a letter dated 28 November 2023 from the New York Stock Exchange (the "NYSE"), notifying Leju that it is below compliance standards. As of 28 November 2023, Leju's 30 trading-day average market capitalization was approximately US$15.7 million and its stockholders' equity as of 30 June 2023, was approximately US$32.9 million, which are considered "below criteria" by the NYSE as its total market capitalization is less than US$50 million over a 30 trading-day period and its stockholders' equity is less than US$50 million. Accordingly, Leju is subject to the procedures as set forth in Sections 801 and 802 of the NYSE Listed Company Manual and is required to respond within 90 days of the letter with a business plan that demonstrates compliance with the continued listing standard within 18 months of receipt of the letter. Leju intends to comply with the applicable procedures and is considering its options to regain compliance.

TM Home Limited was incorporated on 28 January 2021 with the purpose to develop the online real estate marketing and transaction platform through Tmall Haofang, its indirectly wholly-owned subsidiary. TM Home Limited (through Tmall Haofang) has the exclusive right to operate the online real estate marketing and transaction platform of Tmall Haofang.

TM Home Limited has developed software system products relating to the Tmall Haofang business, including an online real estate marketing platform and a digital full-link trading platform that connect home buyers, real estate companies, and the upstream and downstream ecosystems of the real estate market. TM Home Limited is also engaged in the research and development of real estate-related financial products.

According to the management of the Company, the Company proposes to terminate the cooperation with Alibaba's Tmall Haofang in the exclusive operation. After the termination, the Target Company proposes to change its name into Tianji Haofang and will continue to carry out online real estate marketing on the platform of Alibaba.

According to the management of the Company, the Company has stripped the Fangyou Business off TM Home Limited.

The scope of the value analysis includes a) the online real estate marketing service business in partnership with Tmall Network; b) the controlling interest in Leju, which as a leading real estate O2O integrated services platform serves in three major areas: new houses, second-hand houses and home furnishing, and its business includes e-commerce, online advertising, listing services for second-hand houses and others; and excludes the Fangyou Business.

3.2 Historical Financial Data

3.2.1 Balance sheet

	Unit: RMB'000 **Unaudited** **30 June 2023**
Property and equipment	66,047
Investment properties	2,636
Goodwill	–
Intangible assets	483,111
Interests in associates	6,774
Amounts due from related parties	–
Deferred tax assets	393,193
Other non-current assets	8,306
Right-of-use assets	36,160
Total non-current assets	996,227

	Unit: RMB'000 **Unaudited 30 June 2023**
Accounts and bills receivables	20,968
Other receivables	60,669
Amounts due from related parties	325,360
Restricted bank balances	39,962
Cash and cash equivalents	755,457
Total current assets	1,202,416
Accounts payables	294,628
Advance from customers	373,984
Accrued payroll and welfare expenses	58,902
Other payables	85,584
Income tax payables	371,623
Amounts due to related parties	520,604
Lease liabilities	20,472
Total current liabilities	1,725,800
Deferred tax liabilities	122,461
Lease liabilities	66,389
Total non-current liabilities	188,850
Capital and reserves	–
Paid-up share capitals	10,111
Reserves	129,402
Treasury shares	–
Equity attributable to owners of the Company	139,512
Non-controlling interests	144,481
Total equity	283,994

3.2.2 Profit statement

	Unit: RMB'000
	Unaudited
	1 January 2023 – 30 June 2023
Revenue	1,150,161
Staff costs	(225,676)
Other income	12,283
Other expenses	(801)
Other gains and losses	4,707
Consultancy expenses	(13,155)
Distribution expenses	(8,243)
Advertising and promotion expenses	(1,116,965)
Rental expenses for short-term leases, low-value asset leases and variable leases	(3,054)
Depreciation and amortisation expenses	(69,830)
Loss allowance for financial assets exposed to expected credit losses	24,357
Other expenses	(80,326)
Share of results of associates	69
Finance costs	(3,343)
Income tax fees	29,160
Net profit	(300,656)
Minority shareholders' interests	57,695
Net profit-attributable to the parent company	(242,961)

4. ECONOMIC OVERVIEW

For the analysis of the overall national economy, it mainly considers the gross domestic product (GDP), the current inflation rate and exchange rate as well as the changes. The overall national economy of China is a key aspect in the value analysis. The following discussions on the economy are abstracted from the Economic and Financial Outlook for the Third Quarter of 2023 issued by the BOC Research Institute.

4.1 Economic Growth

In the first half of 2023, the impact of the COVID-19 pandemic in China has decreased significantly, the pressures of supply shock, demand contraction and weakening expectations have eased. The contribution of domestic demand to economic growth increased. China's GDP grew by 4.5% in the first quarter, stronger than the market expectation. Entering the second quarter, the momentum of economic recovery has slowed down due to weak internal impetus and insufficient demand. GDP growth in the second quarter is estimated to be around 6%, which is higher than the first quarter and is mainly attributable to the relatively low base in the same period last year.

Looking ahead to the second half, China's economic growth will still mainly depend on how well the domestic demand recovers. Driven by policies to promote consumption and accelerated release of service consumption, consumption is expected to maintain a moderate recovery, infrastructure investment will continue to grow rapidly, and investment in high-tech industries will be a support for the growth of manufacturing investment, the real estate market will gradually bottom out. GDP in general is expected to grow by about 4.9% in the third quarter, and by around 5.4% for the year.

4.2 Inflation

Household consumption remained low in the first half, the property market was still at the bottom and exports were weaker than the same period of last year. The PMI of new orders, new export orders and orders on hand in May stood at 48.3%, 47.2% and 46.1%, respectively, maintaining shrinkage for two consecutive months. Production and price were sluggish on the whole due to the insufficient demand. First, industrial productions slowed down, and domestic-demand-related industries showed lackluster performance. The added value of industrial enterprises above a designated size increased by 3.6% year on year from January to May, representing a month-on-month declining trend in the average two-year growth from 2022 to 2023. In terms of structure, on the one hand, the production in upstream industries, such as steel and building materials, slowed down due to the modest property market recovery. The cumulative growth in the added value of ferrous metal ore mining, non-metallic minerals and ferrous metal processing industries in January to May declined by 1.6, 0.8 and 0.5 percentage points, respectively, as compared with that of January to April. On the other hand, the downstream manufacturing of consumer goods suffered because of the weak commodity consumption. From January to May, the added value of agriculture and related industries, textile, furniture and pharmaceutical industries recorded a year-on-year decrease of 1.5%, 3%, 10.3% and 5.4%, respectively. Second, price levels remained low. CPI and PPI in China gained 0.8% and shed 2.6% from January to May, respectively. On the one hand, the year-on-year CPI growth decreased month on month mainly as pork and energy price kept going down. The lifting of travelling restrictions after the pandemic drove the significant price recovery of travel-related services, but the prices of other commodities and services remained low as a result of the slow income recovery. The core CPI recorded a year-on-year increase of 0.7% from January to May, lower than the average growth of 1.9% in the same period from 2017 to 2019. On the other hand, as a result of the downward international oil prices amid fluctuations, the relatively weak market demand for domestic and overseas industrial products and the overall sufficient supply as well as the high base of the previous year, the prices of the upstream mining industry as well as raw materials and industrial products witnessed a year-on-year decrease of 4.6% and 4% from January to May, expanding the decrease in PPI.

4.3 Exchange Rate

In the first half of 2023, the USD-RMB exchange rate surged to around 6.7 before remaining range-bound between 6.8 and 7, followed by a decline to around 7.1 in mid-June, showing a general pattern of two-way fluctuations. As of 20 June 2023, the spot exchange rate of USD against RMB was quoted at 7.17.

Three main factors explain the recent depreciation in RMB. First, the US Dollar Index (DXY) was higher in a short term. DXY rose to about 104 in early June as the US core inflation remained high and the market expectation of US tightening was further elevated. Second, the China-US interest rate spread became more inverted. Since mid-May, the inverted spread between the China 10-year Government Bond yield and the US Treasury 10-year yield widened due to a rising of US Treasury 10-year yield and a falling of China 10-year Government Bond yield. As of 20 June, the spread between the China 10-year Government Bond yield and the US Treasury 10-year yield further expanded from -61 BPs in early May to -109 BPs. Third, the domestic economic recovery remained fragile and the sluggish foreign demand undermined exports, affecting the current account surplus and exchange balance. According to the General Administration of Customs of China (GACC), China's trade surplus in May was US$65.8 billion, down 16% from the same period of 2022. According to the State Administration of Foreign Exchange (SAFE) data, the banks' surplus in forex settlement and sale in May was US$3.3 billion, down 39% from the previous month. The banks' surplus in forex settlement and sale on behalf of customers under the current account fell by US$3.8 billion to US$12.9 billion.

Although the two-way swings of RMB value have widened recently, DXY can hardly remain strong after the Fed released a clear signal at its June FOMC meeting, then the China-US interest rate spread will become less inverted. Second, the domestic economic growth will pick up steadily. With the concerted macro-policy efforts in place, China's economy will keep recovering. The internal growth momentum will continue to improve, the consumer confidence will be further restored and the economic fundamentals will play an increasing role in supporting the foreign exchange market. Third, cross-border capital flows will be generally stable. China's foreign exchange market shows rational and well-ordered trading on both supply and demand sides, and the market resilience has been significantly improved. Exchange rate expectations remain stable, foreign exchange reserves are reasonably abundant and the balance of payments is basically in equilibrium. Fourth, China has a variety of macro policy tools about exchange rate. In May 2023, the China Foreign Exchange Market Steering Committee (CFXC) announced at a meeting that PBOC and SAFE would correct pro-cyclical and one-sided behaviors where necessary to curb speculation. PBOC has a rich policy toolbox for stabilizing the exchange rate, such as "counter-cyclical factors", forex risk reserves and forex reserve requirements, which provides a guarantee for the correction of RMB exchange rate overshoots in the future.

5. INDUSTRY OVERVIEW

According to the Outlook on China's Real Estate Industry released in March 2023 by China Chengxin International Credit Rating Co., Ltd. (CCXI), a leading Chinese credit rating and financial securities consulting service provider, it is summarized as follows:

5.1 Industrial Fundamentals

Due to the impacts of the credit risk accumulation of real estate enterprises, the weak demand, the pandemic prevention and control measures, the suspension or interruption of loans as well as other factors, the year-on-year growth in monthly commodity housing sales has been declining for 17 consecutive months since July 2021. The commodity housing sales reached RMB13.3 trillion throughout 2022 across the whole country, representing a significant decrease of 26.7% year on year. It is noteworthy that since the fourth quarter of 2021, major regulatory authorities have released various policies to support the healthy development of the real estate industry. With the implementation of policies on lowering down payment ratios and interest rates of housing loans and the lifting of restrictions on housing purchase and sale, as well as the guidance of the central bank and the CBIRC on improving the liquidity of premium real estate developers, the decrease in commodity housing sales started to narrow from August 2022. Based on the statistics released by China Index Academy, the year-on-year decrease in total sales of top 100 real estate developers has narrowed to 4.8% in January to February 2023.

In terms of changes in the demand, the statistics of the National Bureau of Statistics showed that the proportion of the group aged 65 and above in the total population increased by less than 0.4% each year from 2008 to 2016 and has increased to 14.9% in 2022. The continuous declining birth rate and the accelerated aging population indicated weaker basic housing needs. As of the end of 2022, China's urbanization rate was nearly 65% and there was still certain room compared with that of 70% to 80% in developed countries. However, the marginal improvement will slow down and the urbanization in China will slow markedly in the future. The basic housing needs cannot support the continuous expansion of the real estate market. In terms of the capability and willingness on housing consumption, despite the significant optimization of policies on the domestic pandemic prevention and control in the end of 2022, the pandemic may affect the labors in certain period and it takes time for the recovery in the growth of residents' disposable income. In addition, due to the continuous financial turmoil of real estate developers, there are uncertainties in the delivery and quality of houses, which makes it difficult for the recovery of residents' willingness in housing purchase. The demand changes also facilitated changes in the sales structure of commodity houses. At the beginning of 2022, there was a remarkable scissors gap between the year-on-year growth in the sales areas of uncompleted and completed houses in China and the gap continuously expanded during the year. CCXI believed that under various external adverse factors, the property sales declined significantly in 2022 and the sales in the industry is undergoing recovery currently.

Under the keynote of policies that "housing is for living in, not for speculation", the regulatory policies on the real estate industry have been increasingly stricter in general since the end of 2016 and growth in the sales price of real estate showed a declining trend. According to the statistics of the National Bureau of Statistics, the growth in the price indices of newly constructed commercial residential buildings in 70 large and medium-sized cities (hereinafter referred to as the "Housing Price Indices") continued to decrease from 2017 to 2022, representing a decrease from 10.69% in January 2017 to 1.98% at the end of December 2021. Despite the declining trend in the increase of the Housing Price Indices, it maintained the expectation on the surging housing prices. However, the Housing Price Indices of second-hand and newly constructed residential buildings in the remaining areas except tier-1 cities entered the range of declining and the decrease has continuously expanded since 2022, breaking the expectations on the value preservation and appreciation of assets. In terms of the tiers of cities, tier-1 cities maintained strong price resilience thanks to the scarcity of resources and relatively sufficient demands and maintained a growth trend in three years. Their Housing Price Indices recorded a slight year-on-year increase in 2022 with a price performance significantly better than tier-2 and tier-3 cities. The Housing Price Indices of tier-2 and tier-3 cities both began to decrease in 2022. As the prices in tier-3 cities started to decrease earlier than tier-2 cities with larger decreases, they enjoyed the weakest price support. In terms of inventories, due to the sluggishness of the sales market in 2022, the de-stocking of commodity housing further slowed down and the area of commodity housing for sales surged to 560 million square meters, representing a year-on-year increase of 10.5% and hitting a new high since 2019. CCXI believed that the changes in the real estate market environment further expanded the differentiation of tiers of cities and the trend of surging inventories may continue in the future. The keynote of regulatory policies on the real estate industry and the recovery of the demand and the market will determine the trend of housing prices in the future.

In addition, the changes in the external environment also changed the competitive landscape of the industry. Based on the sales concentration of the top 100 real estate developers, the industrial concentration showed a reverse "V-shaped" trend in the latest real estate cycle. From 2016 to 2020, the intensified competitions in the industry resulted in the surging concentration in the industry. The proportion of the sales of top 100 real estate developers in the total real estate sales increased from 44% in 2016 to 63% in 2020. Due to the tightening financing environment, the weak demand and other factors in the second half of 2021, the credit risk of the industry gradually exposed and leading private real estate developers recorded risk events, marking the breaking of the Matthew Effect, the phenomenon that the strong gets stronger and the weak gets weaker, thereby contributing to the declining concentration in the industry. The sales concentration of top 100 real estate developers decreased to 50% in 2022. In addition, there was a significant differentiation in the sales of top 100 real estate developers with different natures. According to the statistics of the CRIC platform, the total sales value of state-owned and central enterprises among the top 100 real estate developers recorded a year-on-year decrease of approximately 15% while the total sales value of private enterprises recorded a year-on-year decrease of approximately 52% in 2022. The decrease in sales of private enterprises continuously expanded since June 2022 due to the tightening cash flows and insufficient supply of private enterprises. The suspension or interruption of loans in the third quarter further weakened the brand recognition of non-state-owned enterprises, resulting in the higher decrease of non-state-owned enterprises than the average of the top 100 real estate developers. On the contrary, the sales decrease of real estate developers with state-owned background was better than the average of the top 100 real estate developers and they enjoyed more competitive advantages under the adverse effects of the external environment. CCXI believed that leveraging on their shareholders' background and the convenient financing conditions, enterprises with state-owned background enjoy more competitive advantages and the competitive landscape with enterprises with state-owned background as major participants has gradually taken shape.

In general, the real estate sales have plunged to the bottom in recent years in 2022 due to the effects of various factors. Although the recovery of the real estate industry was affected by the diminishing demographic dividend, the expected weaker expectation on assets and revenue and the slower urbanization, the sales in the industry has been under recovery underpinned by supportive real estate policies.

As a result of the sluggish real estate sales market and the frequent credit risk events since 2022, the cash generating capacity of real estate developers was continuously deteriorated. Most real estate developers turned to more prudent development and investment strategies instead of the previous debt-driven expansion model and the overall land investment and project development showed a declining trend. In addition, the declining of the Housing Price Indices resulted in uncertainties in the profitability and de-stocking of projects in the future. The willingness and capability of real estate developers in land purchase and investment both plunged significantly.

In terms of centralized land supply in different areas, the centralized land supply was more flexible and normalized in 2022. Unlike only three batches of land supply each year, Wuxi, Suzhou, Nanjing, Shenzhen and Beijing completed the fourth and fifth batches of centralized land supply and Wuhan completed the sixth batch of centralized land supply in the fourth quarter of 2022. In terms of the scale of land supply and based on the statistics of China Index Academy, a total of 1,688 lots of land were under centralized supply in 2022 with 1,506 lots traded. The trading volume decreased 21.39% year on year to RMB1,776.2 billion. Due to the year-on-year decrease in the size of land supply in 2022, the rate of bidding failures was only 10.27%. Based on the trading of land in 100 cities, the trading volume of land in 100 cities was approximately RMB3.78 trillion in 2022, hitting a new low in recent three years and representing a year-on-year decrease of 26%. The premium rate of land traded continuously maintained a low level and the average premium rate for the whole year declined from 10.84% to 3.29%.

In terms of participants in land acquisition, central and local state-owned enterprises (SOEs) remained major participants in land transfer in 2022 and played the role as ballasts in the land transfer market. The land acquisition by non-state-owned enterprises in all batches of centralized land supply was below 20%. Specifically, the land acquisition by central enterprises in the first and second batches of centralized land supply was over 40% while the land acquisition by local SOEs in the third to fifth batches of centralized land supply increased significantly to over 50%. As certain local SOEs in land acquisition are not real estate developers with insufficient development experience and capability, they are unwilling to start construction after land acquisition. In September 2022, the Ministry of Finance released the Circular on Strengthening the Management of the Three Public Expenses and Strictly Controlling General Expenses and the land acquisition by local SOEs in the sixth batch of centralized land supply decreased significantly. On the whole, central and state-owned enterprises will remain major participants in the land market in the following period.

In terms of real estate development and construction, the investment in real estate development reduced as a result of the continuous sluggishness of the industry and other adverse factors such as the pandemic in 2022. The new construction area of properties and the real estate development investment recorded a year-on-year decrease of approximately 39% and 10% in 2022, respectively. The real estate development investment witnessed a year-on-year decrease for the first time since the outbreak of the pandemic in 2020 and plummeted to a new low in recent five years. With the alleviation of credit risk in the industry and the gradual showing of effects of supportive policies on the real estate industry in 2023, the investment in real estate development is likely to recover from the bottom this year.

In terms of the financing end and under the keynote of policies that "housing is for living in, not for speculation", major regulatory authorities have released a series of policies and guided financial institutions to meet the reasonable financing demands of real estate developers since the fourth quarter of 2021. It has developed a pattern with "three arrows" to support financing by real estate developers recently. But the recovery of the industry remains to be seen. In terms of bank credit, after the Financial Stability and Development Committee of the State Council convened a special meeting in March 2022, the margin of credit policies of financial institutions on the real estate industry was improved. The total amount of domestic loans and personal mortgage loans recovered after reaching the bottom in August and the decrease started to narrow. On 13 November 2022, the central bank and the CBIRC jointly released the Notice on Providing Financial Support for the Stable and Healthy Development of the Real Estate Market (hereinafter referred to as the "16 Measures"), which encourages banks to provide reasonable lending to real estate developers, relaxes financial management policies on two caps on real estate loans and individual housing loans for certain period and lifts the restrictions on real estate investment with trust funds. Subsequently, the CBIRC, the Ministry of Housing and Urban-Rural Development and the PBOC jointly issued the Circular on Issuing Letters of Guarantee by Commercial Banks to Replace Pre-sale Regulatory Funds, which supports high-quality real estate developers to reasonably use the pre-sale regulatory funds and promote the virtuous cycle and healthy development of the real estate industry. However, based on the absolute amount, the total amount of domestic development loans and mortgage loans in 2022 was only that of a half of 2020. CCXI believed that financial institutions are more willing to grant loans under the favorable credit policy environment. With the gradual recovery of sales, the investment activities in the real estate industry will gradually increase and more investment targets will be released in the market. It is expected that the absolute amount of development loans and personal mortgage loans will recover this year.

In terms of the bond market, due to the tightening financing and the declining collection of sales in 2022, bond issuers in the real estate industry experienced frequent credit risk incidents. Non-state-owned real estate developers generally face tight liquidity and real estate developers with state-owned background are major participants in the bond issuance market. In 2022, 69 bond issuers in the real estate industry experienced credit risk incidents and the number of credit risk incidents was 2.71 times of that of 2021. As of the end of 2022, the amount of domestic and overseas credit bonds issued by real estate developers with liquidity difficulties accounted for 43% of the credit bonds of all real estate developers and a great majority of real estate developers with liquidity difficulties are private enterprises. The amount of credit bonds with private real estate developers involved accounted for 67% of the balance of the credit bonds of all private real estate developers. With the increase in the default of domestic bonds, there were also frequent defaults of overseas USD-denominated bonds issued by real estate developers. Public information shows that it recorded defaults of overseas bonds with approximately US$36.979 billion (approximately RMB250.348 billion) issued by a total of 43 real estate developers throughout 2022. It is noteworthy that some real estate developers in risks have successfully promoted the overall debt restructuring since the second half of 2022, showing the recovery of creditors' confidence. Currently, the solutions on domestic and overseas debts of real estate developers in risks are generally under the initial discussion stage and the progress of debt restructuring is noteworthy. The frequent credit risk events in the domestic and overseas bond markets for real estate developers seriously weakened investors' confidence. Throughout 2022, the net financing of real estate developers through domestic bonds was RMB-52.6 billion while the net financing of private real estate developers was RMB-164.834 billion. With the significant increase in the size of due overseas USD-denominated bonds issued by real estate developers, the size of issuance shrank sharply. The net financing recorded a net outflow of US$33.991 billion. Unlike the frustration in refinancing in the open market for non-state-owned enterprises, the bonds issued by real estate developers with state-owned background surged (with a net inflow of RMB112.2 billion) in 2022, reaching the peak since 2017. The refinancing channels for a great majority of state-owned real estate developers in the bond market were smooth. In terms of the maturity of bonds, the maturity (including the sell-back) of bonds issued by real estate developers will reach the peak (with RMB356 billion) in 2023 in the following three years and over half of the bonds will face maturity (including the sell-back) in the first half. About half of the bonds facing maturity (including the sell-back) in the year were bonds issued by private real estate developers. Under the background with the refinancing of private real estate developers through bonds not fully recovered, the redemption of mature bonds still faces certain uncertainties.

Major regulatory authorities have released a series of policies to support real estate developers in gradually recovering financing channels in the bond market since 2022. In May 2022, major regulatory authorities guided financial institutions in the creation of the credit risk mitigation warrant (CRMW) to support the issuance of bonds by private real estate developers. In August 2022, under relevant regulatory guidance, China Bond Insurance Co., Ltd. (hereinafter referred to as the "CBIC") provided full, unconditional and irrevocable joint and several liability guarantees for the medium-term notes issued by private real estate developers. On 8 November 2022, under the support and guidance of the PBOC, the National Association of Financial Market Institutional Investors (hereinafter referred to as the "NAFMII") continuously promoted and expanded the utility of the instruments for private enterprises' bond financing (the "second arrow") and supported private enterprises, including private real estate developers, in financing through the issuance of bonds. Currently, the financing supportive policies are conducive to boosting the market confidence and the bond financing channels of state-owned and central enterprises were recovered with the net financing amount recovering to the level of 2018. However, it still takes time to recover investors' confidence in corporate bonds issued by private real estate developers. In terms of trust financing, the funds for real estate development from domestic loans have been declining year on year since 2022 and decreased by 27.4% by August 2022. Meanwhile, real estate trusts and bonds of real estate developers have been continuously shrinking. As of the end of September 2022, the balance of real estate trusts was RMB1,280.7 billion, representing a decrease of RMB480.8 billion as compared with the end of 2021. Despite that the "16 Measures" supported the lifting of restrictions on investment in real estate through trust channels and considering the shrinking of the overall planning on the real estate industry, the narrowing profitability of projects, the increasingly prudent land investment and project development and the continuous reduction of real estate projects with matched trust funds, it is expected that the balance of fund trusts to be invested in the real estate sector will further decrease.

In terms of the third arrow, the China Securities Regulatory Commission (CSRC) decided to resume the refinancing by listed property companies and listed companies in the property sector on 28 November 2022. It is noteworthy that the resuming of equity financing channels by listed property companies and listed companies in the property sector is of significance and is conducive to improving the capital structure of listed property companies. Considering the relatively complicated approval procedures for equity financing, it still needs to pay attention to the subsequent implementation of financing.

CCXI believed that with the gradual changes of policies on the industry from the fourth quarter of 2021, it continuously boosted supports in market supply and demand as well as financing through multi-dimensions in the following more than one year, fully demonstrating the determination of relevant regulatory authorities in maintaining the healthy development of the real estate industry. Currently, the policy environment of the real estate industry is further improved and various refinancing channels for real estate developers are recovered, full showing the positive role of supportive real estate policies in boosting market confidence and improving the financing environment for the industry.

5.2 Performance of Sample Enterprises

CCXI selected top 50 real estate developers in terms of the sales size in 2022 as samples. Relevant indicators on total debts were calculated based on the formula attached to this report and no adjustment was made for single items. The sales amount on the equity caliber in previous years was based on the statistics of the CRIC platform. The total contracted sales of sample enterprises on the equity caliber accounted for about 30% of the total sales of commodity houses nationwide in 2022. Due to the fluctuations of the prosperity of the industry, the excluding of certain leading real estate developers in samples and other factors, the concentration was still representative to certain extent despite certain decrease as compared with the previous year.

In terms of the contracted sales amount, the sales amount of sample real estate developers had maintained a double-digit growth since 2019. But the trend was changed in 2021. With the rapid cooling of the real estate market in the second half of 2021, the sales amount for the whole year achieved a slight increase of 0.86% year on year. Due to the impacts of the pandemic, the external economic situation and other various adverse factors in 2022, the sales amount of sample enterprises for the whole year decreased 36.51% year on year, nearly 10 percentage points higher than the decrease in the sales of the whole industry. The sales performance of sample real estate developers also differentiated. Only three of the sample real estate developers recorded positive growth in sales performance in 2022. Nine of them recorded a decrease of less than 20% in sales performance, all being state-owned and central enterprises. 16 real estate developers recorded a decrease of 20% to 40% in sales performance, five of which are private real estate developers. The remaining 22 real estate developers recorded a decrease of over 40% in sales performance and most of them are private real estate developers. In general, under the background of the downward market, the sales performance of private real estate developers underperformed state-owned and central enterprises on the whole.

In terms of total assets, the average total assets of sample real estate developers maintained a growth trend in the past five years. But the growth slowed down year by year and reached a single digit in 2021. It recorded negative growth for the first time as of the end of June 2022. In terms of the samples, 10 of the sample enterprises recorded shrinkage in assets with a decrease of less than 10% since 2021. As of the end of the first half of 2022, 31 of the sample real estate developers recorded decreases in assets and two of them recorded a decrease of more than 10%. Due to the tightening financing environment for the real estate industry and the sales decrease since 2022, real estate developers repaid due debts with their own funds and the balance of monetary funds decreased significantly as at the end of the period. Meanwhile, as a result of the tight liquidity, real estate developers slowed down in land acquisition and development and the size of inventories reduced remarkably. In addition, certain real estate developers with high pressures on the repayment of debts also disposed assets for liquidity. In general, the current financing environment for real estate developers have not been fully recovered, real estate developers will still face difficulties in liquidity and it is expected that the size of assets of sample real estate developers will maintain the trend of negative growth by the end of the year and in the short term.

In terms of the net asset, the average net asset and the average minority shareholders' interests of sample real estate developers maintained growth in the recent five years and one period. The increase in the net asset was driven by the rapid growth of minority shareholders' interests to certain extent, but the spread between the increases in the two items was narrowed rapidly in recent years. Based on specific samples and as of the end of the first half of 2022, a total of 24 real estate developers recorded shrinkage in net asset with the highest shrinkage of up to 20.3%. Among them, the decrease in the net asset of certain sample real estate developers was mainly affected by the profit and loss and some sample real estate developers recorded decreases in minority shareholders' interests due to the significant decrease in cooperative development projects or the disposal of cooperation projects. In addition, some real estate developers recorded decreases in minority shareholders' interests due to the debt-equity swap of "equity in the debt nature" under the cooperation with financial institutions after the exposure of the liquidity risk. On the whole, with the gradual transfer of cooperation projects and under the pressures on the profitability of projects, we believe that the net asset at the end of 2022 may remain the same level as that of mid-2022 or due to the lag in revenue recognition, the items transferred in the corresponding period are generally buildings previously achieved contracted sales. With the continuous implementation of policies on restricting prices in recent years in different areas, real estate developers still face pressures on narrowing profitability in the initial period of projects. Based on the initial profitability of sample real estate developers, the average gross profit margin of sample real estate developers was 29.63%, 32.53%, 31.02%, 25.65%, 19.94% and 17.58% from 2017 to 2021 and in the first half of 2022. As most of projects transferred by real estate developers in recent two years are land acquired in 2018 to 2019 when the land premium rate was relatively high and hot cities in China implemented policies restricting the prices of commodity houses, we expect that the profitability of real estate projects in 2022 may maintain the declining trend. With the rational land acquisition and the provision of impairment for projects with prices lower than costs after 2020, the pressures on the declining profitability of projects in the initial period may be reduced. Under the background with decreases in the overall gross profit of projects in recent years, the improvement of the turnover rate of projects and strengthening the management and control of fees will enhance the profitability of real estate developers. In terms of the turnover rate, the median turnover rate of inventories of sample real estate developers was 0.38 time, 0.35 time, 0.34 time, 0.35 time and 0.39 times from 2017 to 2021, respectively, which is opposite to the trend of the gross profit margin. The turnover rate of inventories of sample real estate developers reached a phased low level in 2019 and sped up in recovering in recent two years. The improvement of the turnover rate of inventories was attributed to the improvement of the operation efficiency of sample real estate developers and the slower pace in land expansion to certain extent. We believe that under the industrial background with the continuous decrease in commodity housing sales and the transform of demand from basic housing needs to improving housing conditions, real estate developers will emphasize the turnover speed and may attach more importance to the improvement of the quality of their own projects in the future. In terms of the fees during the period, the average rate of fees of sample real estate developers was 8.45%, 9.66%, 9.29%, 7.95%, 8.42% and 10.57% from 2017 to 2021 and in the first half of 2022, showing a trend of increasing first and decreasing later. The average sales fees and management fees of sample real estate developers in the first half of 2022 recorded a year-on-year decrease of 12.45% and 15.12%, respectively, and the proportions of the sales fees and management fees in the business revenue reduced slightly as compared with the same period of last year. Due to the decrease in the area of real estate projects started construction, the amount of interest expenses meeting the capitalization conditions reduced. The higher proportion of interest expenses contributed to the higher proportion of financial expenses in the business revenue in the first half of 2022, which is 1.61 and 2.25 percentage points higher than that of the first half of 2021 and throughout 2021, driving the increase of the rate of fees during the corresponding period. Considering the currently slower transfer of revenue of real estate developers and the mismatching of sales, management and financial fees with business revenue during the period, the rate of fees will still face certain upward pressures in the short term.

In terms of the net profit margin of sample real estate developers, due to the narrowing profitability of projects in the initial period, the decrease in settlement income driven by the less prosperity of the market and the increase in the provisions for asset-credit impairment by enterprises, the net profit margin of sample real estate developers continuously showed a declining trend since 2018. The net profit margin of sample real estate developers has fallen to 3.12% in the first half of 2022. Considering the above factors, it mainly measured the debt repayment pressures of real estate developers in the short and medium-to-long terms from the short-term liquidity and leverage based on the monetary funds/short-term debts and the net debt ratio. As of the end of June 2022, the average net debt ratio and the monetary funds/short-term debts of sample real estate developers was 82% and 1.45 times, representing an increase of 6.87 percentage points and a decrease of 0.21 time as compared with the end of 2021, respectively. The deterioration of the leverage and short-term debt repayment indicators of sample real estate developers in the first half of 2022 was mainly due to the weak collection of sales and higher refinancing pressures, and the balance of monetary funds of real estate developers decreased as compared with the beginning of the year. Besides, sample real estate developers also faced higher pressures on short-term debts. Their total short-term debts in the first half of 2022 increased slightly as compared with the end of 2021. Considering that the current collection of sales is prioritized in guaranteeing the "delivery of buildings" for projects, the size of monetary funds available for the redemption and repayment of credit bonds reduced and the actual liquidity pressures of sample real estate developers are more pessimistic than the results of the above indicators. Despite that the introduction of "three arrows", the "16 Measures" and other supportive policies in the second half will facilitate the recovery of financing channels for real estate developers, the net financing of real estate developers will maintain net outflows. As it takes time to achieve recovery in sales performance, real estate developers will still face difficulties in liquidity.

5.3 Opportunities and Challenges in Industry Development: Domestic Substitution and Success through Innovation

After a round of alleviation of risks in the real estate market in 2022, the market size declined to the level in 2017 rapidly. Although the recovery of the real estate industry was affected by the diminishing demographic dividend, the expected weaker expectation on assets and revenue and the slower urbanization, the sales in the industry has been under recovery at the bottom underpinned by continuous efforts under supportive policies on market supply and demand as well as financing through multi-dimensions since the changes of policies on the industry in the fourth quarter of 2021. Meanwhile, as the development scale and land investment in the industry have reached the bottom in 2022, it has developed a new pattern with central enterprises and real estate developers with the state-owned background as major participants in the land market. With the narrowing of potential profit, investment activities in the industry are expected to achieve rational returning in the future. The continuous improvement in the margins of the financing environment will facilitate the recovery of refinancing by real estate developers. Currently, financial institutions are more willing to grant loans and the policies on boosting the real estate industry also play an active role in reshaping the market confidence. Currently, the alleviation of the credit risk in the industry has come to an end and the credit fundamentals of the industry have reached the bottom. There was little chance for the spreading of the credit risk and the triggering of a new round of credit risk crisis.

6. VALUATION METHODOLOGY

6.1 Approaches of Value

Generally, there are three valuation approaches: the cost approach, the market approach and the income approach. The three valuation approaches are summarized as follows:

The cost approach is a technique that uses the reproduction or replacement cost as an initial basis for value. The cost to reproduce or replace the subject asset with a new asset, either identical (reproduction) or having the same utility (replacement), establishes the highest amount a prudent investor is likely to pay. To the extent that the asset being valued provides less utility than a new one, due to physical deterioration, functional obsolescence, and/or economic obsolescence, the value of the subject asset is adjusted for those reductions in value. Adjustments may be made for age, physical wear and tear, technological inefficiencies, changes in price levels, and reduced demand, among other factors.

The market approach is a technique used to estimate value from an analysis of actual transactions or offerings for economically comparable assets available as of the Valuation Date. The process is essentially that of comparison and correlation between the subject asset and similar assets that have recently sold or are offered for sale in the market. The transaction or offering prices of the comparable assets are adjusted for dissimilarities in characteristics including location, age, time of sale, size, and utility, among others. The adjusted prices of the comparable assets provide an indication of value for the subject asset.

The income approach explicitly recognizes that the current value of an asset (liability) is premised on the expected receipt (payment) of future economic benefits (obligations) generated over its remaining life. These benefits can be in the form of earnings, net income, cash flow, or other measures of profitability and should include the proceeds from final disposition as well as cost savings and tax deductions. Value indications are developed by discounting expected benefits to their present value at the required rate of return that incorporates the time value of money and risks associated with the particular asset.

The discount rate selected is generally based on expected rates of return available from alternative investments of similar type, quality, and risk as of the Valuation Date.

In the valuation process, we have considered the above-mentioned three generally recognized valuation methods, namely the cost approach, the market approach and the income approach. The cost approach applies to certain valuations, but it generally does not apply to the value analysis of a going concern business as it does not consider the future profitability potential of enterprises. As a result, the cost approach was not adopted in the valuation analysis. As the Target Company is under rapid expansion and is at early stage as of the Valuation Date, considering the current scale of business and performance, it cannot find comparable companies with identical operation size, risks and stages and the market approach was not applicable. Considering that the management of the Company can provide financial forecast and could capture the future earning potential of TM Home, we adopted the income approach as the main method for value analysis.

6.2 Income Approach

6.2.1 General assumptions

- Assume that during the current and future existence of TM Home, there will be no material changes in the relevant laws and regulations, industry policies, fiscal and monetary policies, and the economic environment in which it is located;

- Assume that the tax policy applicable to TM Home will not undergo material changes, and TM Home has no major tax disputes;

- Assume that no major changes in the currently available interest rates and exchange rates;

- Assume that TM Home will continue to operate in the future and has sufficient operating capital and human resources to achieve its financial forecast;

- Assume that the capital expenditures expected by management can meet the growth needs of TM Home, and TM Home has the ability to obtain the necessary financing;

- Assume that the financial forecast provided by the Company is reasonable and feasible from the perspective of market investors;

- Assume that the business plan of Leju to be submitted to NYSE will be similar to the financial forecast related to Leju provided by the management;

- Assume that all related party transactions are fair and reasonable, and are based on arm's length negotiation;

- Assume that TM Home has no undisclosed actual or contingent assets or liabilities, unusual obligations or substantive undertaking, and no litigation pending or threatened that would materially affect the value of TM Home's shareholders' equity;

- Assume that TM Home has responsibly performed its obligations as an asset owner and has competently undertaken effective management of the relevant assets; and

- In addition to the information provided by the Company, assume that there is no other important information that affects the analysis of TM Home.

6.2.2 Specific assumptions

The discounted cash flow method ("DCF") in the income approach considers that the present value of an investment is determined by the expected future economic benefits, such as the income that generated regularly, cost savings and sales revenue. In discounted cash flow method, a discount rate that can reflect the current market yield and the inherent risk of investment is used to discount the future net cash flow.

Discount rate

Discount rate is used to convert the annual net cash flow into present value, and it is based on an estimated weighted average cost of capital ("WACC"). WACC consists of cost of equity and cost of debt, and it is calculated by the proportion of capital structure on a weighted average basis.

The formula for the calculation of the WACC:

WACC = Kd × (1 – t) × %debt + Ke × %equity

Of which,

Kd = Debt cost

t = Effective tax rate

%debt = Proportion of debt in total capital

Ke = Cost of equity

%equity = Proportion of equity in total capital

The cost of equity, or required return on equity, is estimated using the capital asset pricing model ("CAPM").

The current yields on appropriate securities are analyzed for an indication of the cost of debt. The indicated costs of equity and debt are proportionately weighted using the appropriate capital structure for an indication of the cost of capital, or discount rate.

The cost of equity ("Ke"), or required return on equity, was estimated using the CAPM as below.

Ke = Rf + β(ERP) + SRP + ARP

Rf = Risk-free rate

β = Equity systematic risk measure

ERP = Rm – Rf = Market risk premium

SRP = Small Size risk premium

ARP = Additional risk premium (company specific)

CAPM is based on the premise that an industry's capitalization rate is equal to the risk free rate of return plus an equity risk premium adjusted by an industry risk factor based on beta. The beta is developed by analyzing the historical relationship between the return required by investors in a particular industry and the average return required by investors in the market as a whole. A small size premium is applied in estimating an appropriate cost of equity, due to the relative size of the Target Company. Additional adjustments may be made for company-specific factors.

With the procedures above, we have identified and described below the comparable companies whose business natures are similar to that of the Target Company:

Selection Criteria

The selection criteria include the followings:

- The comparable companies are companies listed on China, Hong Kong or US stock exchanges that are engaged in real estate services business in greater China;
- The comparable companies have been listed for more than 2 years;
- Relevant information about the comparable companies is publicly disclosed, and sufficient data, including share prices and other financial data, can be acquired from S&P Capital IQ platform;
- The comparable companies derive a significant portion (above 50%) of their revenues from online and offline real estate brokerage services or real estate agency services;
- The Beta of the comparable companies should be of statistical significance (passed T-test);
- The interest-bearing debt-to-equity ratio of the comparable companies is less than 200%.

With the above criteria, we have identified and described below the selected comparable companies:

SHENZHEN WORLDUNION GROUP INCORPORATED. (SZSE: 002285) ("SZ Worldunion")

Shenzhen WorldUnion Group Incorporated is principally engaged in property consultancy, property agency, property brokerage and property management. It also conducts agency sales of products, Internet + businesses, financial services, asset operation services, property management services, decoration service business, advisory planning business and asset investment services.

5I5J HOLDING GROUP CO., LTD. (SZSE: 000560) ("5I5J")

5i5j Holding Group Co., Ltd. is a company principally engaged in property business in China. The company mainly operates three businesses. The property brokerage business includes the second-hand housing brokerage business, the new housing business and overseas businesses. The housing asset management business includes residential housing lease and property management. The commercial asset management business includes the lease and operation management of department stores and other commercial buildings. The company is also engaged in commercial retails, hotel and tourism services, property development and property services. The company carries out businesses in domestic and overseas markets.

KE HOLDINGS INC. (NYSE: BEKE) ("BEKE")

KE Holdings Inc. was incorporated in the Cayman Islands on 6 July 2018 under the Cayman Islands Companies Law. Beike Zhaofang is a technology driven service platform aiming at "better living", which gathers and empowers high-quality service providers across the industry to build an opening service ecosystem for "better living". The company is committed to providing comprehensive housing services to 300 million families, ranging from existing and new home transactions, home rentals, home renovation and furnishing, to community services, and other services.

MIDLAND HOLDINGS LIMITED (SEHK: 1200) ("MIDLAND")

Midland Group was established in 1973 and was listed on the Hong Kong Stock Exchange on 8 June 1995, becoming the first and the biggest listed property agency company in Hong Kong (stock code on the Hong Kong Stock Exchange: 1200). It has 40 years of experience in the industry with strong strength and professional services well recognized in the world. Midland Property (China) Co., Ltd. (known as Midland Property in China) is a subsidiary of the Midland Group in Hong Kong established in 1992 and responsible for property trading and lease services in China. With the increasing prosperity of the PRC economy, the property market also developed prosperously. The group is devoted to development in key cities in China with branches in Shenzhen, Guangzhou, Nanning, Chongqing, Chengdu, Hangzhou, Shanghai, Beijing and Shenyang as well as projects in Zhengzhou, Liuzhou, Changsha, Wuhan, Fujian, Guilin, Tianjin, Xiamen, Hainan, South China Sea and other cities. Midland Property brought the successful experience in the Hong Kong property industry to the Mainland and created a new pattern in the operation of property agency in China. It also vigorously participates in the planning of high-quality buildings in China and promoted the economic communications between the PRC Mainland and Hong Kong.

It is believed that the selection of comparable companies is exhaustive based on the above selection criteria.

Employing the above, the following table summarized the SRP and ARP, cost of equity, after-tax cost of debt, debt-to-equity ratio and WACC of the Company as of the Valuation Date:

Company Name	**Ticker**	**Listing location**	**D/E Ratio**	**Beta**
SHENZHEN WORLDUNION GROUP INCORPORATED	SZSE: 002285	Mainland China	0.0%	0.71
5i5j Holding Group Co., Ltd.	SZSE: 000560	Mainland China	196.2%	0.38
KE HOLDINGS INC.	NYSE: BEKE	US	0.0%	1.14
Midland Holdings Limited	SEHK: 1200	Hong Kong, China	20.6%	0.48
Average Beta (Mainland China)				0.55
Average Beta (Hong Kong, China)				0.48
Average Beta (US)				1.14

	Rf a	Interest Rate Differential b	Country Risk Differential c	ERP d	Beta β	Average Ke before SRP & ARP e=β×d+a+b+c
Mainland China	3.03%	0.00%	0.00%	6.07%	0.55	6.34%
Hong Kong, China	4.24%	-1.22%	0.16%	5.91%	0.48	6.04%
US	4.01%	-0.99%	1.07%	5.00%	1.14	9.82%

Average Ke before SRP & ARP	**f=average of e**	**7.40%**
WACC of the Target Company:		
Average Ke before SRP & ARP	f	7.40%
SRP	g	3.05%
ARP	h	5.00%
Ke	**i=f+g+h**	**15.45%**
Kd		4.2%
Income tax rate		25%
Kd*(1-enterprise income tax rate)	j	3.15%
D/E ratio selected	k	0.00%
WACC of the Target Company (Rounded)	**WACC = j*k/(1+k) + i*1/(1+k)**	**15.00%**
WACC of Leju:		
Average Ke before SRP & ARP	f	7.40%
SRP	g	3.05%
ARP	h	4.00%
Ke	**i=f+g+h**	**14.45%**
Kd*(1-income tax rate)	j	3.15%
D/E ratio selected	k	0.00%
WACC of Leju (Rounded)	**WACC = j*k/(1+k) + i*1/(1+k)**	**14.00%**

Notes:

1. Beta is extracted from data on S&P Capital IQ as of the Valuation Date and releveraged.

2. Rf is extracted from the yield-to-maturity of the government bonds with the longest maturity in respective countries quoted from investing.com as of the Valuation Date.

3. ERP is based on 2023 equity risk premium from "Country Default Spreads and Risk Premium" published by Pro. Aswath Damodaran of New York University (Aswath Damodaran is a professor of finance at the Stern School of Business at New York University specialised in corporate finance and valuation).

4. SRP is extracted from the "Cost of Capital Navigator" research published by Duff & Phelps (Duff & Phelps was founded in 1932 and provides merger and acquisition advisory services, valuation, investment banking, transaction advisory, dispute, legal management, and tax consulting services).

5. Kd is based on the Pre-Tax Loan Prime Rate issued by Bank of China and the Target Company's income tax rate as of the Valuation Date.

6. D/E ratio selected is based on the Target Company's debt-to-equity ratio as of the Valuation Date.

7. Some figures may not be exactly computed due to rounding.

Definition of free cash flows

The equation of free cash flows ("FCF") is as follows:

FCF = NI + DEPR + INT – CAPEX – NWC

Of which,

FCF = Projected free cash flow available to equity and debt holders

NI = After-tax net profit

DEPR = Depreciation and amortization expenses

INT = After-tax interest fees

CAPEX = Capital expenditures

NWC = Changes in net working capitals (Net current assets after deducting current liabilities)

The discounted cash flow method requires profit forecast, the forecast on cash flows in particular. The calculation of the free cash flows for each year during the forecast period is based on the above formula. As the enterprise operates on a going concern, the free cash flows in years after 2030 is calculated based on a perpetual growth rate of 2.0% each year.

Assumptions in Financial Forecast

The management provided the financial forecast for 2023 to 2030 on the Valuation Date. We analyzed major items in the financial forecast, such as the income forecast and the operating fees forecast. Our analysis was based on limited study on the economy, the prospects of the industry and the market conditions as of the Valuation Date, compared with the historical financial results and financial data of comparable companies as well as our discussions with the management of the Company. Major assumptions are as follows:

Income forecast

Based on the communications with the management, the Target Company conducts online real estate marketing activities through the Tmall platform of Alibaba. Its major revenue includes: 1) revenue from Tmall Haofang; and 2) revenue from Leju. Total revenue of the Target Company will gradually increase from RMB1.24 billion in August to December in 2023 to RMB5.76 billion in 2030.

The key factors of the total revenue projection are:

RMB Million	**2023 (Aug-Dec)**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Key Factors of Revenue Projections								
1) Revenue from Tmall Haofang	44	348	560	664	710	755	801	851
Growth rate			61%	19%	7%	6%	6%	6%
2) Revenue from Leju	1,195	3,895	4,221	4,376	4,596	4,697	4,800	4,906
Growth rate			8%	4%	5%	2%	2%	2%
Total revenue	1,239	4,243	4,782	5,040	5,306	5,452	5,601	5,757
Growth rate			13%	5%	5%	3%	3%	3%

1) Revenue from Tmall Haofang

Based on the information provided by the management, the revenue from Tmall Haofang includes: a. annual fees revenue of stores; and b. commission revenue from new home transactions.

The key factors of the revenue from Tmall Haofang projection are:

RMB Million	2023 (Aug-Dec)	2024	2025	2026	2027	2028	2029	2030
Key Factors of Revenue from Tmall Haofang Projections								
a. Annual fees revenue of stores	44	294	452	516	541	567	594	622
Growth rate			54%	14%	5%	5%	5%	5%
b. Commission revenue from new home transactions	–	54	109	148	169	188	208	229
Growth rate			102%	37%	14%	11%	10%	10%
Total revenue	44	348	560	664	710	755	801	851
Growth rate			61%	19%	7%	6%	6%	6%

a. Annual fees revenue of stores

In the operation of the Tmall real estate marketing platform, the Target Company invites real estate agents/agency stores to open stores and conduct marketing activities for new houses, second-hand houses and rented houses on the Tmall real estate marketing platform and charges annual fees and advertising fees from them.

The annual fees revenue = the number of stores x annual fees per store

According to our discussion with the Management, till July 2023, there has been around 11 thousand agency and developer project stores registered on the platform. With the developing of user habits, the number of stores is expected to increase from 16 thousand in 2023 to 31 thousand in 2030, representing an 8-year CAGR of around 10%.

According to our discussion with the Management, the annual fees per store are expected to increase from RMB3 thousand/year (for five months) in 2023 to RMB20 thousand/year in 2030.

As disclosed in "Tmall 2023 Annual Fee Software Service Fee List", the annual fees revenue is around RMB30-60 thousand per year per Tmall store. Considering the estimated annual fee of Tmall Haofang also includes the advertising fee for potential customer leads, it is believed that the estimated annual fee is reasonable.

The annual fees revenue in the forecast period will increase from around RMB44 million in August to December in 2023 to RMB622 million in 2030.

b. Commission revenue from new home transactions

For agency stores conducting new house purchase coupon transactions on the Tmall real estate marketing platform, the Target Company provides them with platform services and charges commissions.

The commission revenue from new home transactions = the gross merchandise volume (GMV) of house purchase coupon x the platform commission rate

The GMV = the annual number of transactions x the unit price of house purchase coupons of new home transactions.

The annual number of transactions is estimated to increase from 60 thousand per year to 256 thousand per year, representing that the house purchase coupons sold per store is estimated to increase from 6 per year to 15 per year. The price per coupon is estimated to remain at RMB45 thousand. The GMV is expected to increase from RMB2.69 billion in 2024 to RMB11.45 billion in 2030, representing a 7-year CAGR of 27%.

Assuming that the average trading price per house transaction was RMB2 million, the gross transaction value (GTV) from Tmall Haofang would increase from RMB120 billion in 2024 to RMB511 billion in 2030, which represented around 54% of BEKE's new home transaction GTV in 2022 and around 4% of China's commercial housing sales value (i.e. RMB13.3 trillion) published by the National Bureau of Statistics in 2022.

The platform commission rate is estimated to be 0% in 2023 and 2% from 2024 to 2030, which is determined based on the industry norm.

The commission revenue from new house purchase coupons is expected to increase from around RMB54 million in 2024 to RMB229 million in 2030.

2) Revenue from Leju

Based on the information provided by the management, the revenue from Leju includes a. E-commerce revenue; and b. advertising revenue.

The key factors of the revenue from Leju projection are:

RMB Million	2023 (Aug-Dec)	2024	2025	2026	2027	2028	2029	2030
Key Factors of Revenue from Leju Projections								
a. E-commerce revenue	948	3,193	3,512	3,659	3,872	3,957	4,044	4,133
Growth rate			10%	4%	6%	2%	2%	2%
b. Advertising revenue	246	703	710	717	724	740	756	773
Growth rate			1%	1%	1%	2%	2%	2%
Total revenue	1,195	3,895	4,221	4,376	4,596	4,697	4,800	4,906
Growth rate			8%	4%	5%	2%	2%	2%

a. E-commerce revenue

Leju sells house purchase coupons to house buyers, locks houses and provides discounts for house buyers, thereby providing marketing services for real estate developers.

E-commerce revenue = the number of house purchase coupons sold x the unit price.

According to our discussion with the Management, the number of house purchase coupons is expected to increase from 25 thousand in August to December in 2023 to 92 thousand in 2030, representing an 8-year CAGR of 8%. The unit price of house purchase coupons is expected to increase from RMB38 thousand/each in August to December in 2023 to RMB45 thousand/each in 2030.

Assuming that the average trading price per house transaction was RMB2 million, the GTV of Leju would increase from RMB50 billion in August to December in 2023 to RMB184 billion in 2030, which represented 20% of BEKE's new home transaction GTV in 2022 and 1% of China's commercial housing sales value published by the National Bureau of Statistics in 2022.

The e-commerce revenue will increase from RMB0.95 billion in August to December in 2023 to RMB4.13 billion in 2030, representing an 8-year CAGR of 10%.

b. Advertising revenue

The advertising revenue is the revenue from the provision of advertising services for real estate developers and project companies on the platforms of Leju. It is forecasted based on the growth rate.

According to our discussion with the Management, the advertising revenue in the forecast period will increase from around RMB246 million in August to December in 2023 to RMB772 million in 2030, representing an 8-year CAGR of 7%.

Costs and expenses forecast

Based on the communications with the management, costs and expenses mainly include: 1) costs and expenses of Tmall Haofang; and 2) costs and expenses of Leju.

The key factors of the costs and expenses projection are:

RMB Million	**2023 (Aug-Dec)**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Key Factors of Costs and Expenses Projections								
a. Costs and expenses of Tmall Haofang	(96)	(280)	(349)	(378)	(397)	(412)	(428)	(445)
% of revenue from Tmall Haofang	-220%	-81%	-62%	-57%	-56%	-55%	-53%	-52%
b. Costs and expenses of Leju	(1,194)	(3,891)	(4,215)	(4,369)	(4,586)	(4,687)	(4,790)	(4,895)
% of revenue from Leju	-99.9%	-99.9%	-99.8%	-99.8%	-99.8%	-99.8%	-99.8%	-99.8%
Costs and expenses	(1,290)	(4,171)	(4,564)	(4,747)	(4,983)	(5,099)	(5,218)	(5,340)
% of total revenue	-104.2%	-98.3%	-95.4%	-94.2%	-93.9%	-93.5%	-93.2%	-92.8%

1) Costs and expenses of Tmall Haofang

They include taxes, labor costs and user acquisition cost. The user acquisition cost mainly refers to the advertising input for acquiring users and R&D input.

The key factors of the costs and expenses of Tmall Haofang projection are:

RMB Million	2023 (Aug-Dec)	2024	2025	2026	2027	2028	2029	2030
Key Factors of Costs and Expenses of Tmall Haofang Projections								
Taxes	(3)	(18)	(27)	(31)	(32)	(34)	(36)	(38)
% of revenue from Tmall Haofang	-6.1%	-5.1%	-4.8%	-4.6%	-4.5%	-4.5%	-4.5%	-4.5%
Labor costs	(78)	(237)	(294)	(319)	(334)	(346)	(357)	(370)
% of revenue from Tmall Haofang	-178.2%	-68.2%	-52.5%	-48.0%	-47.0%	-45.8%	-44.6%	-43.4%
User acquisition cost	(16)	(25)	(28)	(29)	(30)	(32)	(34)	(36)
% of revenue from Tmall Haofang	-36.2%	-7.2%	-4.9%	-4.3%	-4.3%	-4.3%	-4.3%	-4.3%
Costs and expenses of Tmall Haofang	(96)	(280)	(349)	(378)	(397)	(412)	(428)	(445)
% of revenue from Tmall Haofang	-220.5%	-80.5%	-62.2%	-56.9%	-55.8%	-54.6%	-53.4%	-52.2%

During the forecast period, after the operational optimization, the proportion of taxes in the revenue from Tmall Haofang will decrease from 5% in 2024 to about 4.5% in 2030; the proportion of labor costs in the revenue from Tmall Haofang will decrease from 68% in 2024 to about 43% in 2030 due to the scale effect; the proportion of user acquisition cost in the revenue from Tmall Haofang will decrease from 7.2% in 2024 to about 4.3% in 2030 as a result of the platform effect as a result of preliminary input and the development of users' habits.

As disclosed by SZ Worldunion's annual report, the salary and commission paid to employees by SZ Worldunion accounted for approximately 26% to 48% of SZ Worldunion's revenue in respect of real estate brokerage services during 2021 to 2022. As disclosed by Midland's annual report, the staff costs by Midland accounted for approximately 48% to 60% of Midland revenue during 2021 to 2022. It is believed that the management's estimation of labor cost is in line with industry norm.

As disclosed by BEKE's annual report, the sales and marketing expenses as percentage of revenue is about 5.3%-7.5% during 2021 to 2022. It is believed that the management's estimation of user acquisition cost is in line with industry norm.

The proportion of costs and expenses of Tmall Haofang in the revenue from Tmall Haofang in the forecast period will decrease from 81% in 2024 to about 52% in 2030.

2) Costs and expenses of Leju

They include labor costs and commissions, advertising and marketing costs, and other costs.

The key factors of the costs and expenses of Leju projection are:

RMB Million	2023 (Aug-Dec)	2024	2025	2026	2027	2028	2029	2030
Key Factors of Costs and Expenses of Leju Projections								
Labor costs and commissions	(128)	(355)	(372)	(385)	(402)	(411)	(420)	(429)
% of revenue from Leju	-10.7%	-9.1%	-8.8%	-8.8%	-8.8%	-8.8%	-8.8%	-8.8%
Advertising and marketing and resource input costs	(40)	(138)	(152)	(158)	(165)	(169)	(173)	(177)
% of revenue from Leju	-3.4%	-3.5%	-3.6%	-3.6%	-3.6%	-3.6%	-3.6%	-3.6%
Other costs	(1,026)	(3,398)	(3,691)	(3,826)	(4,018)	(4,107)	(4,197)	(4,290)
% of revenue from Leju	-85.8%	-87.3%	-87.4%	-87.4%	-87.4%	-87.4%	-87.4%	-87.4%
Costs and expenses of Leju	(1,194)	(3,891)	(4,215)	(4,369)	(4,586)	(4,687)	(4,790)	(4,895)
% of revenue from Leju	-99.9%	-99.9%	-99.8%	-99.8%	-99.8%	-99.8%	-99.8%	-99.8%

According to our discussion with the Management, during the forecast period, after the operational optimization, the proportion of labor costs and commissions in the revenue of Leju is about 9% to 11%; the proportion of advertising and marketing costs in the revenue of Leju is about 87%; the proportion of other costs in the revenue of Leju is about 3.4% to 3.6%.

The proportion of the costs and expenses of Leju in the revenue of Leju in the forecast period will decrease from 99.9% in August to December in 2023 to about 99.8% in 2030.

Enterprise income tax

Based on the discussion with the management of the Company, the income tax rate of the Target Company is 25%.

Net working capitals

Working capitals include operating cash, accounts receivable, accounts payable, advance from customers, payroll payable and income tax payable, which are estimated based on historical pattern and industry norm.

1) The operating cash is about 30 days of costs, fees and expenses (excluding depreciation and amortization) from 2023 and 2030. During the forecast period, the proportion of operating cash in the revenue will decrease from 11% in 2023 to about 9% in 2030.

2) During the forecast period, the turnover days of accounts receivable will maintain at about 3 days. (Revenue)

3) During the forecast period, the turnover days of accounts payable will maintain at about 30 days. (Costs and fees)

4) During the forecast period, the turnover days of advance from customers will maintain at about 40 days. (Revenue from Leju)

5) During the forecast period, the turnover days of payroll payable will maintain at about 30 days. (Labor costs)

6) For taxes payable-income tax and during the forecast period, the turnover days of taxes payable will maintain at about 90 days. (Enterprise income tax)

The key factors of the working capital projection are:

RMB Million	**2023 (Aug-Dec)**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Key Factors of Working Capital Projection								
Working capital	(265)	(400)	(445)	(465)	(489)	(501)	(513)	(525)
% of total revenue	-10%	-9%	-9%	-9%	-9%	-9%	-9%	-9%

Capital expenditures

Fixed assets of the Target Company are mainly office equipment and servers. The existing and new equipment are depreciated based on 5 years. Capital expenditures in the forecast period will be used in the purchase of office equipment and the proportion of expenses on the purchase of fixed assets in the revenue will remain stable at about 0.3%.

Intangible assets of the Target Company are mainly software and intangible assets from acquisition. The existing software is depreciated based on 8 years and new software is depreciated based on 5 years. No forecast is made on the amortization of intangible assets from acquisition. Capital expenditures in the forecast period will be used in the purchase of software updates and the proportion of expenses on the purchase of intangible assets in the revenue will remain stable at about 0.2%.

6.2.3 Derivation of equity value

Based on the above financial forecast, the sum of the present value of future net cash flows discounted at the discount rate of the Target Company is the enterprise value of the Target Company. The equity value of the Target Company is arrived by adding excess cash, surplus assets (other receivables, deferred income tax assets, investment properties, interests in associates, other non-current assets and right-of-use assets) and deducting surplus liabilities (other payables and lease liabilities) and minority shareholders' interests (44.3% equity interests of Leju, determined by income approach based on the aforementioned estimates for Leju).

Detail calculations are as below:

RMB Million		**2023 (Aug-Dec)**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Terminal Value**
Total revenue		1,239	4,243	4,782	5,040	5,306	5,452	5,601	5,757	
Total costs and expenses		(1,290)	(4,171)	(4,564)	(4,747)	(4,983)	(5,099)	(5,218)	(5,340)	
EBIT		(52)	72	218	293	323	353	384	417	
Enterprise income tax		–	(5)	(55)	(73)	(81)	(88)	(96)	(104)	
Net profit		(52)	67	164	220	242	264	288	312	
+ Depreciation and amortization		6	18	22	27	33	32	26	27	
+ Tax adjusted finance cost		–	–	–	–	–	–	–	–	
- Capital expenditure		(13)	(21)	(24)	(25)	(27)	(27)	(28)	(29)	
+ Working capital investment		(608)	135	45	20	25	12	12	13	
Free cash flow		(667)	198	207	242	273	281	297	323	329
Discount factor	15%	0.97	0.88	0.76	0.66	0.58	0.50	0.44	0.38	2.92
Present value of cash flow during the forecast period		398								
Present value of terminal value		963								
Enterprise value		1,360								
Non-operating assets/liabilities		500								
100% equity interest value		1,860								

7. CONCLUSION OF VALUE ANALYSIS

Based on the information provided by the Company and the restrictions on our working procedures and the scope of our work as well as relevant basic and particular assumptions, we conducted analysis and estimation on the indicative value of the market value of 100% equity interests in the Target Company as of the Valuation Date by using the income approach and the results were RMB1,860,235,000.

		RMB'000
Enterprise value		1,360,214
Add: Surplus assets		
Cash and cash equivalents		755,457
Restricted bank balance		39,962
Operating cash		(205,275)
Other receivables		386,029
Deferred tax assets		393,193
Investment property		2,636
Interests in associates		6,774
Right-of-use assets		36,160
Other non-current assets		8,306
Less: Surplus liabilities		
Other payables		(606,189)
Lease liabilities		(20,472)
Lease liabilities (non-current)		(66,389)
Minority shareholders' interests (Leju)	44.30%	(230,171)
Total surplus assets/liabilities		500,020
Equity value		1,860,235

Based on the Target Company's financial performance, the management's future estimation and the market data of comparable companies, we consider that the value of the Target Company as at 3 January 2024, would not be materially different from the market value of the Target Company as of the Valuation Date and the difference would be within 5%.

In addition, we consider the compliance issue of Leju will not have material impact on the valuation of the Target Company as at 3 January 2024.

ASSUMPTIONS AND LIMITATION CONDITIONS

This report is based on the following general assumptions and restrictions:

To our knowledge, any data (including historical financial data) included as basis for forming opinions and results or proposed in this report (if any) are truthful and accurate. Although we believe that the information sets out in this report is accurate, we provide no guarantees or assume no responsibilities on the truthfulness of any data, opinions or valuation conclusions provided by others herein.

The valuation conclusion and opinion proposed herein are based on the economic conditions on the valuation date and the purchasing power of the currency in the report. The corresponding valuation date of the valuation conclusion and opinion is set out in the report.

This report is only limited to the purposes set out herein and is not intended or appropriate for other aspects. It is not appropriate for any other uses or purposes or shall not be used for other purposes by any third parties. Our company hereby states that we will not assume responsibilities for any damages and/or losses from any unexpected uses.

Any part of this report (any conclusions, signatures and individuals associated with this report and the time of their association, the reference to their associated professional associations or organizations, or the designated contents of the abovementioned organization in particular) shall not be disclosed to third parties through any of prospectus, advertising and publicity materials, public relations or news without our written consent and approvals.

Unless otherwise stated in this report, we did not plan or carry out any environmental impact study. Unless otherwise stated, defined or explained in this report, we believe the full compliance with applicable laws and governmental regulations. We also believe that any ownership related to this valuation report is reliable and any necessary licenses, written consents or any other applicable regulations or administrative procedures of governmental departments or private organizations have been completed or updated.

Unless otherwise stated in this report, the value valuation sets out in this report particularly excludes the impact of the following substances, such as the presence of any harmful substances including asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. Readers of this report are advised to seek the advices from a qualified structural engineer and/or industrial hygienist on potential structural/environmental defects as well as the potential impact of the existence of such problems on the value valuation.

ValueLink provides asset valuation, financial advisory, due diligence, financing and M&A services with a wide range of industrial base and serves customers in various sectors. Most of the customers of ValueLink are listed companies or listing candidates in China, Hong Kong and the U.S., as well as large private corporations, central enterprises and multinationals.

The consultants of ValueLink have an international horizon and an insight on the local market and provide customized local services for various Chinese enterprises.

The services of ValueLink cover: statutory purposes, property valuation, transaction support and financial reporting support, etc.

1. Statutory Purposes:

Restructuring and listing, filing of state-owned assets, (cross-border) M&As of listed companies, material asset reorganization, backdoor listing, Sino-foreign joint venture and cooperation, equity transfer, equity contribution and pledge of intangible assets, etc;

2. Property Valuation:

Property valuation in the IPO of enterprises, fair value valuation on investment properties in interim and annual reports, valuation of market value or mortgage value of properties in investment and financing with real estates, etc.;

3. Transaction Support:

Valuation consultancy services for various transactions, including related party transactions, mergers of enterprises, sales of subsidiaries or business lines, capital increase, share buybacks or privatization, corporate financing, asset disposals or divestments, employee incentive-related transactions, product pricing and financial model development, etc.;

4. Financial Reporting Support:

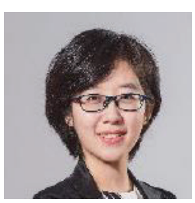
For consultancy reports under financial reporting purposes in major capital markets (A-share, US-share and HK-share), we evaluate items such as enterprise equity value, intangible assets (allocation of purchase consideration), financial instruments, assets/goodwill impairment test and tangible assets based on different accounting standards (CASs, US GAAPs and IFRSs).

William Chen
Co-Founder
ABV, CFA, CPA (US), MBA
Email: william.chen@valuelink.cn

As a co-founder of ValueLink, Mr. William Chen is mainly responsible for strategic planning, brand management, human resources and product development. He is also responsible for the channel expansion and project organization of ValueLink Valuation.

Mr. William Chen has over 15 years of experience in the financial sector. His career began in a financial department of a Fortune Global 500 company. He then joined a world-renowned asset valuation firm where he participated in and led many valuation projects for listed or IPO candidates in China, the U.S. and Hong Kong stock exchanges, covering M&A, assets stripping, project financing, restructuring, initial public offering (IPO), fair opinions and valuation on statutory purposes in China. Mr. William Chen specializes in handling large-scale acquisition transactions and complicated derivative financial products. He is also skilled at using modern computer programming languages such as VB, VisualStudio, C++ and Matlab.

Mr. William Chen holds an MBA degree of Tsinghua University. He is a member of the American Society of Appraisers (ASA), a Chartered Financial Analyst (CFA), a Certified Public Accountant (CPA) and an Accredited in Business Valuation (ABV).



Cindy Liu
Partner-in-charge (Shanghai)
CPV
Email: cindy.liu@valuelink.cn

Ms. Cindy Liu is a partner-in-charge of Shanghai Office of ValueLink Valuation and is responsible for the project organization, channel construction and business development in Eastern China.

Ms. Cindy Liu graduated from Shanghai Jiao Tong University with nearly 15 years of experience in financial and valuation consultancy sectors. Ms. Liu's career began in a world-class valuation company and she then joined the consultancy department on financial transactions of the Big Four accounting firms. She led a team in providing valuation and modeling services for large-scale multinational enterprises and SOEs as well as valuation projects for listed or IPO candidates in Hong Kong and the U.S. stock exchanges, covering corporate value, intangible assets, financial instruments, real properties, plant and equipment valuation.

Ms. Cindy Liu is a Certified Public Valuer (CPV) in China, is familiar with international advanced valuation concept and has a strong practice capability in the asset appraisal industry in China.

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Consultation Report

Target of value analysis: CRIC Holdings Limited
Subject of value analysis: 100% equity interests
Client: E-House (China) Enterprise Holdings Limited
Report No.: Lan Ce Zi Bao Zi R2023-0914-SH-SHZY

Latest edited on: 3 January 2024

E-House (China) Enterprise Holdings Limited

Dear sirs/madams,

1. TRANSMITTAL LETTER

In accordance with the terms, conditions and purposes of the agreement (hereinafter referred to as the "Agreement") entered into between E-House (China) Enterprise Holdings Limited ("E-House" or the "Company") and ValueLink Management Consultants Limited ("ValueLink"), the Company appointed us to conduct value analysis on 100% equity interests of CRIC Holdings Limited ("CRIC" or the "Target Company") as of 31 July 2023 (the "Valuation Date") for internal reference by the Company.

This report is for the internal reference by the Company only. Without our prior written consent, this report shall not be used in any legal or litigation proceedings, be disseminated or seen in any published publications, announcements or annual reports, or be copied in part or in whole for other purposes. The contents contained in this report are strictly confidential and, to the extent permitted by laws, shall not be disclosed in part or in whole to any third party other than the Company without our prior written consent.

We understand that the Company will conduct independent consideration and assessment before making any business decision and will not solely rely on our report, and the report issued by us will not replace other analysis and investigation work that should be carried out by the client in reaching the business decision. Our report does not include specific purchase and sale recommendations.

To the maximum extent permitted by laws, ValueLink assumes no duty of care for this report and/or any relevant information or explanations (collectively referred to as the "information") to any third parties. Correspondingly, to the extent permitted by laws, ValueLink undertakes no obligations (whether based on contracts, infringement (including negligence) or others) for any action taken or omission made by any third parties other than the Company based on the information.

The information we used in this report is derived from various data sources indicated in this report. This report is based on the financial information, the financial forecast provided by the Company and on its behalf and open industrial resources. The Company has undertaken to us that it will assume full responsibilities to the judgments and results of the abovementioned financial information and relevant key assumptions. Please note that the procedures and enquiries undertaken by us in preparing this report do not include any audit work, nor do they constitute an examination made in accordance with generally accepted auditing standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us, except where otherwise stated herein, and no assurance is given.

For the information and materials on which all or part of the value analysis conclusions in this report are based and provided by other parties, we assumed that they are reliable and did not carry out verification. We made no guarantees on the accuracy of such information and materials.

We do not accept any responsibility for the changes in market conditions and have no obligations to modify our report due to events or conditions after the issuing of the report.

Value analysis is not an accurate science in substance. In many cases, the conclusions of value analysis inevitably involve subjective and personal judgments. Although the suggestions expressed by us in the report are arrived based on the methods and conclusions appropriate to this project in our opinion, we cannot guarantee that the value or the range of value in the report will be recognized by other parties.

We are not interested, either presently or expectedly, in the analyzed entity contained in the value analysis report. We are not interested, either presently or expectedly, in relevant concerned parties, and not biased against relevant concerned parties.

Based on the information provided by the Company and the restrictions on our working procedures and the scope of our work as well as relevant basic and particular assumptions, we conducted analysis and estimation on the indicative value of the market value of 100% equity interests in the Target Company as of the Valuation Date by using the market approach and the results were RMB1,327,014,000.

Unit: RMB'000

Price earnings ratio of comparable companies selected	a	25.84
Imputed annual net profit on 31 July 2023	b	56,272
Equity value (without taking into account the lack of marketability discount and control premium)	c=a*b	1,454,262
Lack of marketability discount	d	27%
Control premium	e	25%
100% equity value after taking into account the lack of marketability discount and control premium	f=c*(1-d)*(1+e)	1,327,014

Based on the Target Company's financial performance and the market data of comparable companies, we consider that the value of the Target Company as at 3 January 2024, would not be materially different from the market value of the Target Company as of the Valuation Date and the difference would be within 5%.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Sincerely,

William Chen
ABV, CFA, CPA (US), MBA

On behalf of

ValueLink Management Consultants Limited

Thank you for appointing ValueLink as the valuation consultant of the Company. If you have any suggestions or doubts, please immediately contact Ms. Cindy Liu or Mr. William Chen (Tel.: 861065978211).

2. INTRODUCTION

2.1 Purpose and Subject of Value Analysis

Based on the information provided by the management of E-House (China) Enterprise Holdings Limited ("E-House" or the "Company"), we understand that the Company will conduct restructuring. As a result, the Company appointed us to conduct value analysis on all shareholders' interests of its subsidiary, CRIC Holdings Limited ("CRIC" or the "Target Company"), for internal reference by the Company.

The target of the value analysis is the market value of 100% equity interests of CRIC on 31 July 2023 (the "Valuation Date").

Note: The scope of 100% equity interests of the Target Company includes CRIC and China Real Estate Research Association (CRERA). For details, please refer to Section 3 Company Overview.

2.2 Valuation Date

As confirmed with the management of the Company, the Valuation Date is 31 July 2023.

According to the management of the Company, it has incorporated the business related to CRERA held by the Company into CRIC. The scope of this value analysis includes the consultation business related to CRIC and the evaluation and consultation business related to CRERA.

2.3 Basis of Value

The basis of value adopted by us in the value analysis is the "market value".

The market value is defined as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

2.4 Valuation Methodology

Since there are sufficient public companies in similar business to that of CRIC, market approach is adopted in the value analysis. Since income approach involves many assumptions of financial forecast, due to the uncertainty of the company's future performance, the income approach is not selected and we adopted market approach in valuation of the equity value for the Target Company.

2.5 Work Procedures

Based on the business agreement, we have completed the following work:

- Learning about the information on the finance and operation of the Target Company based on the information provided to us and our discussions with the management of the Company;
- Obtaining the operating and financial data of the Company as of June 2023;
- Obtaining the operating and financial information of the Target Company provided by the Company, analyzing relevant basic materials and information about the Target Company, including but not limited to the historical operating performance, future strategic frameworks and business plans of the Target Company;
- Discussing with the management of the Company on key matters in the finance and operation and obtaining their explanations to relevant materials;
- Conducting study on the market data of listed companies with same or similar businesses;
- Analyzing and estimating the indicative value of the market value of the Target Company by using the market approach;
- Recording our work procedures, findings and conclusions, major assumptions and restrictions in this report.

2.5.1 Limitation of scope

Whilst we have endeavored to collect and analyze relevant financial and operating information of the Target Company related to the value analysis business, we would like to draw your attention to the limitations described hereunder when considering the results of our work:

- Our understanding of the Target Company and its operating conditions is mainly based on the financial information and the financial forecast provided by the management as well as the understanding of the management on the operation strategies and development prospects of the Target Company. We did not conduct any audit or prudent surveys on the truthfulness, accuracy and reliability of the information obtained during the period of this project. We do not accept any responsibility for the accuracy and completeness of the information provided by the Company, nor do we express any opinions on any such information.

- Our work includes interviews, telephone discussions and on-site inquiries with the management as well as limited industrial analysis. As a result, our calculation is based on the materials provided by the Target Company and recognized by the Company.

- Although we have communicated with the Company on key operating and financial matters of the Target Company learnt in the work process, our work cannot replace other matters which may affect the decision-making judgment and may be identified in other professional services (including but not limited to the audit, due diligence and other businesses) to be considered by the Company in making management decisions and judgments.

- The report issued by us will not replace other analysis and investigation work to be implemented in making business decisions by the client. Our report does not include particular purchase and sale suggestions.

- It is the responsibility of the Company to determine the acceptable price and the asset structure for use. For the selection of the acceptable price in any transactions, factors other than the information provided by us shall be considered. Due to changes in the environment of transactions or different perceptions and motives of the buyer and the seller, the actual trading price may be significantly higher or lower than the results of our valuation and calculation.

- We did not conduct audit or other assurance work in accordance with the professional standards issued by the relevant institutes of certified public accountants in carrying out the service. Therefore, we do not provide audit opinions, certifications or other forms of assurance opinions on related services or information we rely on.

- We do not accept any responsibility for any subsequent matters or conditions after the date of the report.

- Our work does not constitute the statutory evaluation business required under the PRC Asset Valuation Standards or the evaluation report required for approval of transactions. Our work is not for the purpose of financial reporting.

2.5.2 Work not carried

The scope of our work does not include the following work:

- Financial and tax due diligence;

- Due diligence on legal affairs;

- Review of pricing strategies on transfer;

- Commercial, operational or market due diligence;
- Technology due diligence;
- Statutory evaluation;
- Macroeconomic forecast;
- The external marketplace (market size), segmentation, growth trends, the competitive environment (key competitors, market shares);
- Audit on the financial/taxation information of the Target Company (review on the accounting/taxation principles used in the valuation analysis);
- Consultation on restructuring related to transactions (taxation and/or accounting issues);
- Analysis on the strategic positioning of the Target Company;
- IT due diligence (if any);
- Consultation on human resources management; and
- Any investment or pricing decisions.

2.6 Source of Information

We relied on the following relevant information provided to us by the management as well as the publicly available information that we gathered through our own research:

- Business registration of the Target Company;
- Audited financial statements of the Target Company as of 31 December 2020, 2021 and 2022 as well as the unaudited management statement as of 30 June 2023;
- Market information in relation to the Target Company;
- Third-party research reports and statistics published by government departments, industry associations, publications, public companies' annual and quarterly reports;
- Various market information on the comparable companies;

- Various market information extracted from the S&P Capital IQ (a financial data platform that provides detailed research and analysis of the stock market, which was founded in 1999 by S&P Global Inc.) (an American publicly traded corporation which was founded in 1860 and its primary areas of business are financial information and analytics);

- Research reports on China real estate industry and economy in general.

3. COMPANY OVERVIEW

3.1 CRIC Holdings Limited

CRIC Holdings Limited is a leading real estate big data application service provider in China, with information coverage of 387 cities to date. Relying on the professional research strength and consulting team, CRIC is serving more than 95% of the top 100 real estate companies, and providing the comprehensive solutions for real estate online and offline information services for governments, enterprises and buyers. After more than ten years of maturing, CRIC has realized a closed real estate big data loop between the industry and its customers with business covering real estate, assets management, leasing, property management and other sectors by virtue of supports from China Residence Information Circle (CRIC platform) and China Asset Information Circle (CAIC platform). The decision-making basis has been provided to a large number of housing enterprises through the innovative R&D product CRIC platform system, investment decision system, data marketing system, scene big screen, Raster Land Evaluation System, leasing system, CAIC platform investment management cloud services and assets management cloud services etc.

CRERA is a professional real estate market research institution in the industry, aiming to provide professional, authoritative and objective research products and outcomes to government competent authorities, industry associations, real estate development enterprises, intermediary enterprises, financial and research institutions together with ordinary investors via professional market reports, authoritative evaluation results, in-depth research and analyses and precise explanations of opinions.

CRIC Holdings Limited is a wholly-owned subsidiary of E-House.

According to the management of the Company, it has incorporated the business related to CRERA held by the Company into CRIC. The scope of this value analysis includes the consultation business related to CRIC and the evaluation and consultation business related to CRERA.

3.2 Historical Financial Data

3.2.1 Balance sheet

	Unaudited
	Unit: RMB'000
	30 June 2023
Monetary funds	138,665
Accounts receivables	13,179
Other receivables	40,813
Total current assets	192,657
Fixed assets	7,869
Intangible assets	23,884
Long-term equity investments	3,298
Right-of-use assets	23,873
Other non-current assets	1,897
Total non-current assets	60,820
Total assets	253,477
Accounts payables	23,636
Receipts in advance	55,764
Payroll payable	85,099
Tax payables	8,546
Other payables	74,363
Dividends payable	21,841
Lease liabilities	22,929
Total current liabilities	292,178
Total non-current liabilities	–
Share capital (paid-up capital)	7
Surplus reserves	(62,688)
Total equity attributable to owners of the parent company	(62,681)
Minority interests	23,980
Total shareholders' equity	(38,701)
Total liabilities and shareholders' equity	253,477

3.2.2 ***Profit statement***

Unit: RMB'000

	Audited 31 December 2020	Audited 31 December 2021	Audited 31 December 2022	Unaudited 30 June 2023
Revenue from core businesses	900,534	887,133	527,045	206,327
Taxes and surcharges from core businesses	(6,354)	(5,596)	(2,793)	(1,050)
Cost of core businesses	(248,512)	(274,111)	(243,331)	(135,450)
Gross profit	645,668	607,426	280,921	69,827
Marketing and sales expenses	–	–	–	–
Administrative expenses	(316,237)	(387,304)	(281,644)	(57,472)
Research and development expenses	–	–	–	–
Earnings before interests and taxes	329,432	220,122	(723)	12,355
Finance costs	4,363	2,329	268	(499)
Non-operating revenue/expenses	10,599	7,298	9,490	3,210
Profit before tax	344,393	229,749	9,035	15,066
Income tax	(58,859)	(39,747)	(14,934)	(1,401)
Net profit	285,534	190,002	(5,899)	13,665
Minority shareholders' interests	(115,221)	(27,349)	480	14,471
Net profit-attributable to the parent company	170,313	162,653	(5,419)	28,136

Note: Based on information from the management of the Company, it has incorporated the business related to CRERA held by the Company into CRIC. The scope of this value analysis includes the consultation business related to CRIC and the evaluation and consultation business related to CRERA.

The balance sheet as at the Valuation Date includes the consultation business related to CRIC and the evaluation and consultation business related to CRERA. The profit statement for 2020 to June 2023 also includes the consultation business related to CRIC and the evaluation and consultation business related to CRERA.

4. ECONOMIC OVERVIEW

For the analysis of the overall national economy, it mainly considers the gross domestic product (GDP), the current inflation rate and exchange rate as well as the changes. The overall national economy of China is a key aspect in the value analysis. The following discussions on the economy are abstracted from the Economic and Financial Outlook for the Third Quarter of 2023 issued by the Institute of International Finance of Bank of China.

4.1 Economic Growth

In the first half of 2023, the impact of the COVID-19 pandemic in China has decreased significantly, the pressures of supply shock, demand contraction and weakening expectations have eased. The contribution of domestic demand to economic growth increased. China's GDP grew by 4.5% in the first quarter, stronger than the market expectation. Entering the second quarter, the momentum of economic recovery has slowed down due to weak internal impetus and insufficient demand. GDP growth in the second quarter is estimated to be around 6%, which is higher than the first quarter and is attributable to the relatively low base in the same period last year. Looking ahead to the second half, the global economic growth will continue to slow down, and the growth in export will be exposed to pressure. China's economic growth will still mainly depend on how well the domestic demand recovers. Driven by policies to promote consumption and accelerated release of service consumption, consumption is expected to maintain a moderate recovery, infrastructure investment will continue to grow rapidly, and investment in high-tech industries will be a strong support for the growth of manufacturing investment, the real estate market will gradually bottom out, and the decrease in investment in the development of real estates will slowly narrow. GDP is expected to grow by about 4.9% in the third quarter, and by around 5.4% for the year. The uncertainty of the external environment is still relatively large and the growth momentum of the domestic economy is not strong. It is particularly noteworthy that the recent economic recovery is weaker than expected. It is suggested that multiple measures should be taken to stabilize market expectations. The fiscal policy should further be enhanced to stabilize economic growth. The monetary policy should focus on "aggregate, structural and regulatory" to support economic recovery. Facilitate the establishment of a positive cycle of enhancement on organic momentum and improvement of social expectation to form a joint force to expand domestic demand. Pay attention to the impact of sluggish international demand on foreign trade enterprises. The real estate policy should focus on persistently stabilizing expectations and mitigating risks.

4.2 Inflation

The relatively sufficient hog production capacity during the year and the hiking pork price in the second half of 2022 contributed to the moderate rise in food prices. With the improvement in employment and income, residents' demand for durable goods and service consumptions will further release, thereby driving the gradual hiking of the core CPI. Second, PPI decline will gradually narrow due to the domestic economic recovery and fading effect of a high comparison base. Due to the global demand shrinkage and dynamic adjustments to tightening supplies in major production countries, the prices of international bulk commodities such as oil will continue to fluctuate and prices of industrial products will recover steadily with the restoration of demand. In addition, the PPI decrease will narrow gradually with the ebbing negative carryover effect. CPI and PPI are expected to rise by around 0.7% and fall by 2.1% in the third quarter, and increase by about 0.9% and drop by 2.2% for the year, respectively.

4.3 Exchange Rate

In the first half of 2023, the USD-RMB exchange rate surged to around 6.7 before remaining range-bound between 6.8 and 7, followed by a decline to around 7.1 in mid-June, showing a general pattern of two-way fluctuations. As of 20 June 2023, the spot exchange rate of USD against RMB was quoted at 7.17. Three main factors explain the recent depreciation in RMB. First, the US Dollar Index (DXY) was higher in a short term. DXY rose to about 104 in early June as the US core inflation remained high and the market expectation of US tightening was further elevated. Second, the China-US interest rate spread became more inverted. Since mid-May, the inverted spread between the China 10-year Government Bond yield and the US Treasury 10-year yield widened due to a rising of US Treasury 10-year yield and a falling of China 10-year Government Bond yield. As of 20 June, the spread between the China 10-year Government Bond yield and the US Treasury 10-year yield further expanded from -61 BPs in early May to -109 BPs. Third, the domestic economic recovery remained fragile and the sluggish foreign demand undermined exports, affecting the current account surplus and exchange balance. According to the General Administration of Customs of China (GACC), China's trade surplus in May was US$65.8 billion, down 16% from the same period of 2022. According to the State Administration of Foreign Exchange (SAFE) data, the banks' surplus in forex settlement and sale in May was US$3.3 billion, down 39% from the previous month. The banks' surplus in forex settlement and sale on behalf of customers under the current account fell by US$3.8 billion to US$12.9 billion.

5. INDUSTRY OVERVIEW

According to the Outlook on China's Real Estate Industry released in March 2023 by China Chengxin International Credit Rating Co., Ltd. (CCXI), a leading Chinese credit rating and financial securities consulting service provider, it is summarized as follows:

5.1 Industrial Fundamentals

Due to the impacts of the credit risk accumulation of real estate enterprises, the weak demand, the pandemic prevention and control measures, the suspension or interruption of loans as well as other factors, the year-on-year growth in monthly commodity housing sales has been declining for 17 consecutive months since July 2021. The commodity housing sales reached RMB13.3 trillion throughout 2022 across the whole country, representing a significant decrease of 26.7% year on year. It is noteworthy that since the fourth quarter of 2021, major regulatory authorities have released various policies to support the healthy development of the real estate industry. With the implementation of policies on lowering down payment ratios and interest rates of housing loans and the lifting of restrictions on housing purchase and sale, as well as the guidance of the central bank and the CBIRC on improving the liquidity of premium real estate developers, the decrease in commodity housing sales started to narrow from August 2022. Based on the statistics released by China Index Academy, the year-on-year decrease in total sales of top 100 real estate developers has narrowed to 4.8% in January to February 2023.

In terms of changes in the demand, the statistics of the National Bureau of Statistics showed that the proportion of the group aged 65 and above in the total population increased by less than 0.4% each year from 2008 to 2016 and has increased to 14.9% in 2022. The continuous declining birth rate and the accelerated aging population indicated weaker basic housing needs. As of the end of 2022, China's urbanization rate was nearly 65% and there was still certain room compared with that of 70% to 80% in developed countries. However, the marginal improvement will slow down and the urbanization in China will slow markedly in the future. The basic housing needs cannot support the continuous expansion of the real estate market. In terms of the capability and willingness on housing consumption, despite the significant optimization of policies on the domestic pandemic prevention and control in the end of 2022, the pandemic may affect the labors in certain period and it takes time for the recovery in the growth of residents' disposable income. In addition, due to the continuous financial turmoil of real estate developers, there are uncertainties in the delivery and quality of houses, which makes it difficult for the recovery of residents' willingness in housing purchase. The demand changes also facilitated changes in the sales structure of commodity houses. At the beginning of 2022, there was a remarkable scissors gap between the year-on-year growth in the sales areas of uncompleted and completed houses in China and the gap continuously expanded during the year. CCXI believed that under various external adverse factors, the property sales declined significantly in 2022 and the sales in the industry is undergoing recovery currently.

Under the keynote of policies that "housing is for living in, not for speculation", the regulatory policies on the real estate industry have been increasingly stricter in general since the end of 2016 and growth in the sales price of real estate showed a declining trend. According to the statistics of the National Bureau of Statistics, the growth in the price indices of newly constructed commercial residential buildings in 70 large and medium-sized cities (hereinafter referred to as the "Housing Price Indices") continued to decrease from 2017 to 2022, representing a decrease from 10.69% in January 2017 to 1.98% at the end of December 2021. Despite the declining trend in the increase of the Housing Price Indices, it maintained the expectation on the surging housing prices. However, the Housing Price Indices of second-hand and newly constructed residential buildings in the remaining areas except tier-1 cities entered the range of declining and the decrease has continuously expanded since 2022, breaking the expectations on the value preservation and appreciation of assets. In terms of the tiers of cities, tier-1 cities maintained strong price resilience thanks to the scarcity of resources and relatively sufficient demands and maintained a growth trend in three years. Their Housing Price Indices recorded a slight year-on-year increase in 2022 with a price performance significantly better than tier-2 and tier-3 cities. The Housing Price Indices of tier-2 and tier-3 cities both began to decrease in 2022. As the prices in tier-3 cities started to decrease earlier than tier-2 cities with larger decreases, they enjoyed the weakest price support. In terms of inventories, due to the sluggishness of the sales market in 2022, the de-stocking of commodity housing further slowed down and the area of commodity housing for sales surged to 560 million square meters, representing a year-on-year increase of 10.5% and hitting a new high since 2019. CCXI believed that the changes in the real estate market environment further expanded the differentiation of tiers of cities and the trend of surging inventories may continue in the future. The keynote of regulatory policies on the real estate industry and the recovery of the demand and the market will determine the trend of housing prices in the future.

In addition, the changes in the external environment also changed the competitive landscape of the industry. Based on the sales concentration of the top 100 real estate developers, the industrial concentration showed a reverse "V-shaped" trend in the latest real estate cycle. From 2016 to 2020, the intensified competitions in the industry resulted in the surging concentration in the industry. The proportion of the sales of top 100 real estate developers in the total real estate sales increased from 44% in 2016 to 63% in 2020. Due to the tightening financing environment, the weak demand and other factors in the second half of 2021, the credit risk of the industry gradually exposed and leading private real estate developers recorded risk events, marking the breaking of the Matthew Effect, the phenomenon that the strong gets stronger and the weak gets weaker, thereby contributing to the declining concentration in the industry. The sales concentration of top 100 real estate developers decreased to 50% in 2022. In addition, there was a significant differentiation in the sales of top 100 real estate developers with different natures. According to the statistics of the CRIC platform, the total sales value of state-owned and central enterprises among the top 100 real estate developers recorded a year-on-year decrease of approximately 15% while the total sales value of private enterprises recorded a year-on-year decrease of approximately 52% in 2022. The decrease in sales of private enterprises continuously expanded since June 2022 due to the tightening cash flows and insufficient supply of private enterprises. The suspension or interruption of loans in the third quarter further weakened the brand recognition of non-state-owned enterprises, resulting in the higher decrease of non-state-owned enterprises than the average of the top 100 real estate developers. On the contrary, the sales decrease of real estate developers with state-owned background was better than the average of the top 100 real estate developers and they enjoyed more competitive advantages under the adverse effects of the external environment. CCXI believed that leveraging on their shareholders' background and the convenient financing conditions, enterprises with state-owned background enjoy more competitive advantages and the competitive landscape with enterprises with state-owned background as major participants has gradually taken shape.

In general, the real estate sales have plunged to the bottom in recent years in 2022 due to the effects of various factors. Although the recovery of the real estate industry was affected by the diminishing demographic dividend, the expected weaker expectation on assets and revenue and the slower urbanization, the sales in the industry has been under recovery underpinned by supportive real estate policies.

As a result of the sluggish real estate sales market and the frequent credit risk events since 2022, the cash generating capacity of real estate developers was continuously deteriorated. Most real estate developers turned to more prudent development and investment strategies instead of the previous debt-driven expansion model and the overall land investment and project development showed a declining trend. In addition, the declining of the Housing Price Indices resulted in uncertainties in the profitability and de-stocking of projects in the future. The willingness and capability of real estate developers in land purchase and investment both plunged significantly.

In terms of centralized land supply in different areas, the centralized land supply was more flexible and normalized in 2022. Unlike only three batches of land supply each year, Wuxi, Suzhou, Nanjing, Shenzhen and Beijing completed the fourth and fifth batches of centralized land supply and Wuhan completed the sixth batch of centralized land supply in the fourth quarter of 2022. In terms of the scale of land supply and based on the statistics of China Index Academy, a total of 1,688 lots of land were under centralized supply in 2022 with 1,506 lots traded. The trading volume decreased 21.39% year on year to RMB1,776.2 billion. Due to the year-on-year decrease in the size of land supply in 2022, the rate of bidding failures was only 10.27%. Based on the trading of land in 100 cities, the trading volume of land in 100 cities was approximately RMB3.78 trillion in 2022, hitting a new low in recent three years and representing a year-on-year decrease of 26%. The premium rate of land traded continuously maintained a low level and the average premium rate for the whole year declined from 10.84% to 3.29%.

In terms of participants in land acquisition, central and local state-owned enterprises (SOEs) remained major participants in land transfer in 2022 and played the role as ballasts in the land transfer market. The land acquisition by non-state-owned enterprises in all batches of centralized land supply was below 20%. Specifically, the land acquisition by central enterprises in the first and second batches of centralized land supply was over 40% while the land acquisition by local SOEs in the third to fifth batches of centralized land supply increased significantly to over 50%. As certain local SOEs in land acquisition are not real estate developers with insufficient development experience and capability, they are unwilling to start construction after land acquisition. In September 2022, the Ministry of Finance released the Circular on Strengthening the Management of the Three Public Expenses and Strictly Controlling General Expenses and the land acquisition by local SOEs in the sixth batch of centralized land supply decreased significantly. On the whole, central and state-owned enterprises will remain major participants in the land market in the following period.

In terms of real estate development and construction, the investment in real estate development reduced as a result of the continuous sluggishness of the industry and other adverse factors such as the pandemic in 2022. The new construction area of properties and the real estate development investment recorded a year-on-year decrease of approximately 39% and 10% in 2022, respectively. The real estate development investment witnessed a year-on-year decrease for the first time since the outbreak of the pandemic in 2020 and plummeted to a new low in recent five years. With the alleviation of credit risk in the industry and the gradual showing of effects of supportive policies on the real estate industry in 2023, the investment in real estate development is likely to recover from the bottom this year.

In terms of the financing end and under the keynote of policies that "housing is for living in, not for speculation", major regulatory authorities have released a series of policies and guided financial institutions to meet the reasonable financing demands of real estate developers since the fourth quarter of 2021. It has developed a pattern with "three arrows" to support financing by real estate developers recently. But the recovery of the industry remains to be seen. In terms of bank credit, after the Financial Stability and Development Committee of the State Council convened a special meeting in March 2022, the margin of credit policies of financial institutions on the real estate industry was improved. The total amount of domestic loans and personal mortgage loans recovered after reaching the bottom in August and the decrease started to narrow. On 13 November 2022, the central bank and the CBIRC jointly released the Notice on Providing Financial Support for the Stable and Healthy Development of the Real Estate Market (hereinafter referred to as the "16 Measures"), which encourages banks to provide reasonable lending to real estate developers, relaxes financial management policies on two caps on real estate loans and individual housing loans for certain period and lifts the restrictions on real estate investment with trust funds. Subsequently, the CBIRC, the Ministry of Housing and Urban-Rural Development and the PBOC jointly issued the Circular on Issuing Letters of Guarantee by Commercial Banks to Replace Pre-sale Regulatory Funds, which supports high-quality real estate developers to reasonably use the pre-sale regulatory funds and promote the virtuous cycle and healthy development of the real estate industry. However, based on the absolute amount, the total amount of domestic development loans and mortgage loans in 2022 was only that of a half of 2020. CCXI believed that financial institutions are more willing to grant loans under the favorable credit policy environment. With the gradual recovery of sales, the investment activities in the real estate industry will gradually increase and more investment targets will be released in the market. It is expected that the absolute amount of development loans and personal mortgage loans will recover this year.

In terms of the bond market, due to the tightening financing and the declining collection of sales in 2022, bond issuers in the real estate industry experienced frequent credit risk incidents. Non-state-owned real estate developers generally face tight liquidity and real estate developers with state-owned background are major participants in the bond issuance market. In 2022, 69 bond issuers in the real estate industry experienced credit risk incidents and the number of credit risk incidents was 2.71 times of that of 2021. As of the end of 2022, the amount of domestic and overseas credit bonds issued by real estate developers with liquidity difficulties accounted for 43% of the credit bonds of all real estate developers and a great majority of real estate developers with liquidity difficulties are private enterprises. The amount of credit bonds with private real estate developers involved accounted for 67% of the balance of the credit bonds of all private real estate developers. With the increase in the default of domestic bonds, there were also frequent defaults of overseas USD-denominated bonds issued by real estate developers. Public information shows that it recorded defaults of overseas bonds with approximately US$36.979 billion (approximately RMB250.348 billion) issued by a total of 43 real estate developers throughout 2022. It is noteworthy that some real estate developers in risks have successfully promoted the overall debt restructuring since the second half of 2022, showing the recovery of creditors' confidence. Currently, the solutions on domestic and overseas debts of real estate developers in risks are generally under the initial discussion stage and the progress of debt restructuring is noteworthy. The frequent credit risk events in the domestic and overseas bond markets for real estate developers seriously weakened investors' confidence. Throughout 2022, the net financing of real estate developers through domestic bonds was RMB-52.6 billion while the net financing of private real estate developers was RMB-164.834 billion. With the significant increase in the size of due overseas USD-denominated bonds issued by real estate developers, the size of issuance shrank sharply. The net financing recorded a net outflow of US$33.991 billion. Unlike the frustration in refinancing in the open market for non-state-owned enterprises, the bonds issued by real estate developers with state-owned background surged (with a net inflow of RMB112.2 billion) in 2022, reaching the peak since 2017. The refinancing channels for a great majority of state-owned real estate developers in the bond market were smooth. In terms of the maturity of bonds, the maturity (including the sell-back) of bonds issued by real estate developers will reach the peak (with RMB356 billion) in 2023 in the following three years and over half of the bonds will face maturity (including the sell-back) in the first half. About half of the bonds facing maturity (including the sell-back) in the year were bonds issued by private real estate developers. Under the background with the refinancing of private real estate developers through bonds not fully recovered, the redemption of mature bonds still faces certain uncertainties.

Major regulatory authorities have released a series of policies to support real estate developers in gradually recovering financing channels in the bond market since 2022. In May 2022, major regulatory authorities guided financial institutions in the creation of the credit risk mitigation warrant (CRMW) to support the issuance of bonds by private real estate developers. In August 2022, under relevant regulatory guidance, China Bond Insurance Co., Ltd. (hereinafter referred to as the "CBIC") provided full, unconditional and irrevocable joint and several liability guarantees for the medium-term notes issued by private real estate developers. On 8 November 2022, under the support and guidance of the PBOC, the National Association of Financial Market Institutional Investors (hereinafter referred to as the "NAFMII") continuously promoted and expanded the utility of the instruments for private enterprises' bond financing (the "second arrow") and supported private enterprises, including private real estate developers, in financing through the issuance of bonds. Currently, the financing supportive policies are conducive to boosting the market confidence and the bond financing channels of state-owned and central enterprises were recovered with the net financing amount recovering to the level of 2018. However, it still takes time to recover investors' confidence in corporate bonds issued by private real estate developers. In terms of trust financing, the funds for real estate development from domestic loans have been declining year on year since 2022 and decreased by 27.4% by August 2022. Meanwhile, real estate trusts and bonds of real estate developers have been continuously shrinking. As of the end of September 2022, the balance of real estate trusts was RMB1,280.7 billion, representing a decrease of RMB480.8 billion as compared with the end of 2021. Despite that the "16 Measures" supported the lifting of restrictions on investment in real estate through trust channels and considering the shrinking of the overall planning on the real estate industry, the narrowing profitability of projects, the increasingly prudent land investment and project development and the continuous reduction of real estate projects with matched trust funds, it is expected that the balance of fund trusts to be invested in the real estate sector will further decrease.

In terms of the third arrow, the China Securities Regulatory Commission (CSRC) decided to resume the refinancing by listed property companies and listed companies in the property sector on 28 November 2022. It is noteworthy that the resuming of equity financing channels by listed property companies and listed companies in the property sector is of significance and is conducive to improving the capital structure of listed property companies. Considering the relatively complicated approval procedures for equity financing, it still needs to pay attention to the subsequent implementation of financing.

CCXI believed that with the gradual changes of policies on the industry from the fourth quarter of 2021, it continuously boosted supports in market supply and demand as well as financing through multi-dimensions in the following more than one year, fully demonstrating the determination of relevant regulatory authorities in maintaining the healthy development of the real estate industry. Currently, the policy environment of the real estate industry is further improved and various refinancing channels for real estate developers are recovered, full showing the positive role of supportive real estate policies in boosting market confidence and improving the financing environment for the industry.

5.2 Performance of Sample Enterprises

CCXI selected top 50 real estate developers in terms of the sales size in 2022 as samples. Relevant indicators on total debts were calculated based on the formula attached to this report and no adjustment was made for single items. The sales amount on the equity caliber in previous years was based on the statistics of the CRIC platform. The total contracted sales of sample enterprises on the equity caliber accounted for about 30% of the total sales of commodity houses nationwide in 2022. Due to the fluctuations of the prosperity of the industry, the excluding of certain leading real estate developers in samples and other factors, the concentration was still representative to certain extent despite certain decrease as compared with the previous year.

In terms of the contracted sales amount, the sales amount of sample real estate developers had maintained a double-digit growth since 2019. But the trend was changed in 2021. With the rapid cooling of the real estate market in the second half of 2021, the sales amount for the whole year achieved a slight increase of 0.86% year on year. Due to the impacts of the pandemic, the external economic situation and other various adverse factors in 2022, the sales amount of sample enterprises for the whole year decreased 36.51% year on year, nearly 10 percentage points higher than the decrease in the sales of the whole industry. The sales performance of sample real estate developers also differentiated. Only three of the sample real estate developers recorded positive growth in sales performance in 2022. Nine of them recorded a decrease of less than 20% in sales performance, all being state-owned and central enterprises. 16 real estate developers recorded a decrease of 20% to 40% in sales performance, five of which are private real estate developers. The remaining 22 real estate developers recorded a decrease of over 40% in sales performance and most of them are private real estate developers. In general, under the background of the downward market, the sales performance of private real estate developers underperformed state-owned and central enterprises on the whole.

In terms of total assets, the average total assets of sample real estate developers maintained a growth trend in the past five years. But the growth slowed down year by year and reached a single digit in 2021. It recorded negative growth for the first time as of the end of June 2022. In terms of the samples, 10 of the sample enterprises recorded shrinkage in assets with a decrease of less than 10% since 2021. As of the end of the first half of 2022, 31 of the sample real estate developers recorded decreases in assets and two of them recorded a decrease of more than 10%. Due to the tightening financing environment for the real estate industry and the sales decrease since 2022, real estate developers repaid due debts with their own funds and the balance of monetary funds decreased significantly as at the end of the period. Meanwhile, as a result of the tight liquidity, real estate developers slowed down in land acquisition and development and the size of inventories reduced remarkably. In addition, certain real estate developers with high pressures on the repayment of debts also disposed assets for liquidity. In general, the current financing environment for real estate developers have not been fully recovered, real estate developers will still face difficulties in liquidity and it is expected that the size of assets of sample real estate developers will maintain the trend of negative growth by the end of the year and in the short term.

In terms of the net asset, the average net asset and the average minority shareholders' interests of sample real estate developers maintained growth in the recent five years and one period. The increase in the net asset was driven by the rapid growth of minority shareholders' interests to certain extent, but the spread between the increases in the two items was narrowed rapidly in recent years. Based on specific samples and as of the end of the first half of 2022, a total of 24 real estate developers recorded shrinkage in net asset with the highest shrinkage of up to 20.3%. Among them, the decrease in the net asset of certain sample real estate developers was mainly affected by the profit and loss and some sample real estate developers recorded decreases in minority shareholders' interests due to the significant decrease in cooperative development projects or the disposal of cooperation projects. In addition, some real estate developers recorded decreases in minority shareholders' interests due to the debt-equity swap of "equity in the debt nature" under the cooperation with financial institutions after the exposure of the liquidity risk. On the whole, with the gradual transfer of cooperation projects and under the pressures on the profitability of projects, we believe that the net asset at the end of 2022 may remain the same level as that of mid-2022 or due to the lag in revenue recognition, the items transferred in the corresponding period are generally buildings previously achieved contracted sales. With the continuous implementation of policies on restricting prices in recent years in different areas, real estate developers still face pressures on narrowing profitability in the initial period of projects. Based on the initial profitability of sample real estate developers, the average gross profit margin of sample real estate developers was 29.63%, 32.53%, 31.02%, 25.65%, 19.94% and 17.58% from 2017 to 2021 and in the first half of 2022. As most of projects transferred by real estate developers in recent two years are land acquired in 2018 to 2019 when the land premium rate was relatively high and hot cities in China implemented policies restricting the prices of commodity houses, we expect that the profitability of real estate projects in 2022 may maintain the declining trend. With the rational land acquisition and the provision of impairment for projects with prices lower than costs after 2020, the pressures on the declining profitability of projects in the initial period may be reduced. Under the background with decreases in the overall gross profit of projects in recent years, the improvement of the turnover rate of projects and strengthening the management and control of fees will enhance the profitability of real estate developers. In terms of the turnover rate, the median turnover rate of inventories of sample real estate developers was 0.38 time, 0.35 time, 0.34 time, 0.35 time and 0.39 times from 2017 to 2021, respectively, which is opposite to the trend of the gross profit margin. The turnover rate of inventories of sample real estate developers reached a phased low level in 2019 and sped up in recovering in recent two years. The improvement of the turnover rate of inventories was attributed to the improvement of the operation efficiency of sample real estate developers and the slower pace in land expansion to certain extent. We believe that under the industrial background with the continuous decrease in commodity housing sales and the transform of demand from basic housing needs to improving housing conditions, real estate developers will emphasize the turnover speed and may attach more importance to the improvement of the quality of their own projects in the future. In terms of the fees during the period, the average rate of fees of sample real estate developers was 8.45%, 9.66%, 9.29%, 7.95%, 8.42% and 10.57% from 2017 to 2021 and in the first half of 2022, showing a trend of increasing first and decreasing later. The average sales fees and management fees of sample real estate developers in the first half of 2022 recorded a year-on-year decrease of 12.45% and 15.12%, respectively, and the proportions of the sales fees and management fees in the business revenue reduced slightly as compared with the same period of last year. Due to the decrease in the area of real estate projects started construction, the amount of interest expenses meeting the capitalization conditions reduced. The higher proportion of interest expenses contributed to the higher proportion of financial expenses in the business revenue in the first half of 2022, which is 1.61 and 2.25 percentage points higher than that of the first half of 2021 and throughout 2021, driving the increase of the rate of fees during the corresponding period. Considering the currently slower transfer of revenue of real estate developers and the mismatching of sales, management and financial fees with business revenue during the period, the rate of fees will still face certain upward pressures in the short term.

In terms of the net profit margin of sample real estate developers, due to the narrowing profitability of projects in the initial period, the decrease in settlement income driven by the less prosperity of the market and the increase in the provisions for asset-credit impairment by enterprises, the net profit margin of sample real estate developers continuously showed a declining trend since 2018. The net profit margin of sample real estate developers has fallen to 3.12% in the first half of 2022. Considering the above factors, it mainly measured the debt repayment pressures of real estate developers in the short and medium-to-long terms from the short-term liquidity and leverage based on the monetary funds/short-term debts and the net debt ratio. As of the end of June 2022, the average net debt ratio and the monetary funds/short-term debts of sample real estate developers was 82% and 1.45 times, representing an increase of 6.87 percentage points and a decrease of 0.21 time as compared with the end of 2021, respectively. The deterioration of the leverage and short-term debt repayment indicators of sample real estate developers in the first half of 2022 was mainly due to the weak collection of sales and higher refinancing pressures, and the balance of monetary funds of real estate developers decreased as compared with the beginning of the year. Besides, sample real estate developers also faced higher pressures on short-term debts. Their total short-term debts in the first half of 2022 increased slightly as compared with the end of 2021. Considering that the current collection of sales is prioritized in guaranteeing the "delivery of buildings" for projects, the size of monetary funds available for the redemption and repayment of credit bonds reduced and the actual liquidity pressures of sample real estate developers are more pessimistic than the results of the above indicators. Despite that the introduction of "three arrows", the "16 Measures" and other supportive policies in the second half will facilitate the recovery of financing channels for real estate developers, the net financing of real estate developers will maintain net outflows. As it takes time to achieve recovery in sales performance, real estate developers will still face difficulties in liquidity.

5.3 Conclusion

After a round of alleviation of risks in the real estate market in 2022, the market size declined to the level in 2017 rapidly. Although the recovery of the real estate industry was affected by the diminishing demographic dividend, the expected weaker expectation on assets and revenue and the slower urbanization, the sales in the industry has been under recovery at the bottom underpinned by continuous efforts under supportive policies on market supply and demand as well as financing through multi-dimensions since the changes of policies on the industry in the fourth quarter of 2021. Meanwhile, as the development scale and land investment in the industry have reached the bottom in 2022, it has developed a new pattern with central enterprises and real estate developers with the state-owned background as major participants in the land market. With the narrowing of potential profit, investment activities in the industry are expected to achieve rational returning in the future. The continuous improvement in the margins of the financing environment will facilitate the recovery of refinancing by real estate developers. Currently, financial institutions are more willing to grant loans and the policies on boosting the real estate industry also play an active role in reshaping the market confidence. In our opinion, currently, the alleviation of the credit risk in the industry has come to an end and the credit fundamentals of the industry have reached the bottom. There was little chance for the spreading of the credit risk and the triggering of a new round of credit risk crisis.

6. VALUATION METHODOLOGY

6.1 Approaches of Value

Generally, there are three valuation approaches: the cost approach, the market approach and the income approach. The three valuation approaches are summarized as follows:

The cost approach is a technique that uses the reproduction or replacement cost as an initial basis for value. The cost to reproduce or replace the subject asset with a new asset, either identical (reproduction) or having the same utility (replacement), establishes the highest amount a prudent investor is likely to pay. To the extent that the asset being valued provides less utility than a new one, due to physical deterioration, functional obsolescence, and/or economic obsolescence, the value of the subject asset is adjusted for those reductions in value. Adjustments may be made for age, physical wear and tear, technological inefficiencies, changes in price levels, and reduced demand, among other factors.

The market approach is a technique used to estimate value from an analysis of actual transactions or offerings for economically comparable assets available as of the Valuation Date. The process is essentially that of comparison and correlation between the subject asset and similar assets that have recently sold or are offered for sale in the market. The transaction or offering prices of the comparable assets are adjusted for dissimilarities in characteristics including location, age, time of sale, size, and utility, among others. The adjusted prices of the comparable assets provide an indication of value for the subject asset.

The income approach explicitly recognizes that the current value of an asset (liability) is premised on the expected receipt (payment) of future economic benefits (obligations) generated over its remaining life. These benefits can be in the form of earnings, net income, cash flow, or other measures of profitability and should include the proceeds from final disposition as well as cost savings and tax deductions. Value indications are developed by discounting expected benefits to their present value at the required rate of return that incorporates the time value of money and risks associated with the particular asset.

The discount rate selected is generally based on expected rates of return available from alternative investments of similar type, quality, and risk as of the Valuation Date.

In the valuation process, we have considered the above-mentioned three generally recognized valuation methods, namely the cost approach, the market approach and the income approach. The cost approach applies to certain valuations, but it generally does not apply to the value analysis of a going concern business as it does not consider the future profitability potential of enterprises, as a result, the cost approach was not adopted in the valuation analysis.

The existing capital market is fully developed and filled with vitality, and there is a sufficiency of information on the same or similar companies or transactions with the Target Company in the capital market, it is feasible to collect and obtain market and financial information. Since there are sufficient public companies in similar nature and business to that of CRIC, their market values are good indicators, market approach is adopted in the value analysis. Since income approach involves many assumptions of the company's financial forecast, due to the uncertainty of the future performance, the income approach is not selected and the market approach is used in valuation of equity value for the Target Company.

6.2 Market Approach

6.2.1 General assumptions

- Assuming that during the current and future existence of CRIC, there will be no material changes in the relevant laws and regulations, industry policies, fiscal and monetary policies, and the economic environment in which it is located;

- Assuming that the tax policy applicable to CRIC will not undergo material changes, and CRIC has no major tax disputes;

- Assuming that there will be no significant changes in the currently available interest rates and exchange rates;

- Assuming that CRIC will remain operating in the future and has sufficient operating capital and human resources to achieve its financial forecast;

- Assuming that there will be no unforeseeable significant changes in the future operating plans, costs, marketing and sales of CRIC in the course of its operations;

- Assuming that all related party transactions are fair and reasonable, and are based on arm's length negotiation;

- Assuming that CRIC has no undisclosed actual or contingent assets or liabilities, unusual obligations or substantive undertaking, and no litigation pending or threatened that would materially affect the value of CRIC's shareholders' equity;

- Assuming that CRIC has responsibly performed its obligations as an asset owner and has competently undertaken effective management of the relevant assets; and

- Assuming that there is no other important information that affects the value analysis of CRIC except for the information provided by the Company.

6.2.2 Market approach analysis

One methodology employed in the market approach is the Guideline Company Method ("GCM") and Guideline Transaction Method ("GTM"), that employs the transaction price of companies engaged in similar business of the Target Company. The process is essentially that of comparison and correlation between the subject asset and similar assets or businesses that have been the subject of a relevant transaction. A valuation multiple is a multiple determined by dividing the transaction price paid for similar business enterprises by appropriate financial metrics, such as historical or prospective turnover or profit at a given level. Valuation multiples are applied to the corresponding financial metrics of the subject asset in order to value it. Adjustments are required to the transaction prices or valuation multiples to reflect the differentiating characteristics of the subject enterprises and the comparable business enterprises.

As there are several listed companies with similar business in the industry where the Target Company operates, the market approach – Guideline Company Method was adopted in the value analysis. The main business of the Target Company is to provide real estate big data systems and marketing analysis systems for real estate enterprises, government, finance and asset management enterprises, among others. The main products of the Target Company are CRIC platform systems, consulting services and real estate developer evaluation services.

The selection criteria for comparable companies in this value analysis are as follows:

- Comparable companies are companies listed in Mainland China or Hong Kong;

- Being in the same industry as the Target Company, i.e. mainly (over 40% of the total business revenue) engaged in digitalization services, data provision and IT consulting services, which are applied to the real estate/government/finance and other sectors;

- The primary business descriptions/target clients' industries stated in the comparable companies' official websites include the real estate sector;

- Being accessible to public information for financial data of comparable companies;

- The estimated net profits for 2023 of comparable companies (except for Ming Yuan Cloud, the competitor) are available.

Based on the above principles, the details of the four comparable companies selected are as follows:

Company	Ticker	Listing location	Business description	Market capitalization *(CNY mm)*	Revenue from business segments as percentage of total revenue
Ming Yuan Cloud Group Holdings Limited	SEHK: 909	Hong Kong	Ming Yuan Cloud is a real estate software solution provider, focusing on providing ERP solutions and SaaS products at the enterprise level for real estate developers and other users, with functions such as sales and marketing, cost procurement, project management and real estate asset management.	7,769	Cloud services: 78.5% On-premise software and services: 21.5%
HAND Enterprise Solutions Co., Ltd.	SZSE: 300170	Shenzhen	HAND, founded on 10 August 2007, an integrated operator of data SaaS tools and marketing services to empower China real estate market (in particular, the commercial property market) with big data and innovative technologies. The company has established its big data center, R&D center, technology development department, land business department, commercial property and office department and other departments with a team consisting of more than 600 outstanding data R&D and professional analysts and branches across major cities in China.	10,331	Software service industry: 99.6% Business factoring: 0.2% Unallocated others: 0.1%

Company	Ticker	Listing location	Business description	Market capitalization *(CNY mm)*	Revenue from business segments as percentage of total revenue
iSoftStone Information Technology (Group) Co., Ltd.	SZSE: 301236	Shenzhen	iSoftStone Information Technology (Group) Co., Ltd. ("iSoftStone") is a leading Chinese software and information technology service provider committed to becoming a globally influential leader in digital technology services and a reliable partner for enterprise digital transformation. Founded in Beijing in 2005, the company is based in China and serves global markets. Currently, it has nearly a hundred branches and over 20 global delivery centers in more than 40 cities worldwide, with a workforce of over 90,000 employees. Upholding the mission of enhancing customer value through digital technology, iSoftStone has been providing software and digital technology services as well as digital operation services. The software and digital technology services include consulting and solutions, digital technology services, and general technical services. With extensive industry experience, the company serves over 1,000 domestic and international clients in more than 10 key industries, including over 200 Global Top 500 or China's Top 500 companies.	22,756	Communication equipment(1): 45.2% Internet service: 19.0% Financial technology: 19.9% High technology and manufacturing: 12.2% Others: 3.7%

Company	Ticker	Listing location	Business description	Market capitalization *(CNY mm)*	Revenue from business segments as percentage of total revenue
Guangzhou Sie Consulting Co., Ltd.	SZSE: 300687	Shenzhen	Established in 2005, SiE, as a "National High-Tech Enterprise", is a top-tier products and solutions provider in the fields of industrial network, intelligent manufacturing, core ERP, and business operation middle platforms in China. SiE is dedicated to offering digital and intelligent manufacturing products, as well as implementation and delivery services such as system deployment, online operation, and post-launch maintenance to group enterprises and medium to large-sized corporate clients in industries such as manufacturing, retail, and modern services. SiE has served over 1,000 leading enterprises. According to IDC, SiE holds the top market share in the high-tech electronics and computer communication sector. In 2018, SiE was recognized as the "Guangdong Province Internet Smart Manufacturing (SiE) Engineering Research Center", and in 2022, it received numerous prestigious accolades, including the "Guangdong Province Science and Technology Progress Award, First Prize".	9,520	Software service: 100.0%

Source: S&P Capital IQ

(1) According to the annual report, the revenue of communication equipment mainly included software project research, analysis and design, maintenance services, loading service, development and testing, operation, etc. In addition, according to the annual report, the revenue regarding digital innovation business represented 43.4% of total revenue.

It is believed that the selection of comparable companies is exhaustive based on the above selection criteria.

In the course of our valuation, we have considered various price multiples including the price-to-book (P/B) multiple, price-to-earnings (P/E) multiple, and enterprise value-to-sale (EV/S) multiple. P/B multiple is considered not appropriate for the valuation of the Target Company because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a P/B multiple of larger than one), should have its own intangible competencies and advantages. These intangible competencies and advantages are not captured in the P/B multiple and so in general, the equity's book value has little bearing with its fair value. Thus, the P/B multiple is not adopted in the valuation analysis of the equity value for the Target Company.

EV/S multiple is commonly used in the valuation of start-up enterprises. However, it ignores the cost structure of a company and hence the profitability of a company. Hence, we are of the view that it is not appropriate to adopt the EV/S multiple to value the equity value for the Target Company.

The P/E multiple has been adopted for valuation as it is one of the most commonly adopted multiple and could consider the profitability and the cost structure of the Target Company.

After selecting the above-mentioned comparable companies and the appropriate P/E multiple, we analyzed and calculated the equity value for the Target Company, details of which are described as below:

Comparable company approach	**Stock code**	**P/E ratio 31 July 2023**
Ming Yuan Cloud	SEHK: 909	NM
HAND	SZSE: 300170	32.15
iSoftStone	SZSE: 301236	17.82
SiE	SZSE: 300687	27.56
Maximum		32.15
Minimum		17.82
Average		25.84
Median		27.56
Selected value multiplier		25.84

We multiplied the selected P/E multiple by annualized net profit in 2023 of the Target Company to arrive at the equity value of the Target Company.

Based on the financial data provided by the management, the net profit of the Target Company from January 2023 to June 2023 was RMB28,136,000, and the annualized net profit was RMB56,272,000. The equity value of the Target Company without taking into account the control premium and the lack of marketability discount was calculated to be RMB1,454,262,000 on the basis that the average estimated P/E of comparable companies selected in 2023 was 25.84 times.

6.2.3 Lack of marketability discount

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready transaction market for shares in privately held companies. Ownership interests in privately held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

The Finnerty model is adopted in this valuation analysis to estimate the lack of marketability discount (LOMD) using the Average-price Asian put option method. The Finnerty model adopts the Average-price Asian put option to estimate the LOMD, which is referred to as the AAP model. The exercise price of the Average-price Asian put option is the average of the market prices of the assets over the term of the option. It assumes that even in the absence of marketability constraints, investors will rarely be able to realize the assets at the highest price, so it is more reasonable to assume that they will sell at the average price.

The parameters adopted in LOMD calculation are as below:

Valuation Date		31 July 2023
Time to maturity (Years)	T	5.00
Volatility (%)	δ	62%
Dividend yield	q	0%
LOMD		27%

6.2.4 Control premium

As the minority shareholdings underpin the market capitalization of listed companies, and the determination of the fair value of 100% equity interest in the Target Company is based on the value of the controlling shareholdings and the minority shareholders relatively lack control over significant aspects of the business strategy, financial management and profit distribution of the Target Company, thus it is necessary to take into account the control premium in determining the 100% equity interest in the Target Company using the Guideline Company Method.

Premium for control is the additional value inherent in the controlling interest, as contrasted to a minority interest that reflects the power of control. The thousands of daily transactions on stock exchanges are, of course, minority interest transactions. Each year, a controlling interest in a few hundred of these public companies is purchased at a price that is substantially higher than the published market price of the securities. The public markets provide information on control premiums through acquisition transactions. When a controlling interest in a publicly traded firm is acquired and taken private, the purchaser normally pays a premium above the freely traded, minority interest share price. The difference between the published price of the shares before their acquisition and the purchase price of the controlling interest is referred to as the control premium.

To estimate the control premium applicable to the Target Company, we relied on indications of average control premium from data on the recent four years acquisition transactions in the companies engaged in real estate business sourced by Capital IQ. As indicated by market data, a 25% control premium was considered to be appropriate.

The selected control premium from data on the recent four years acquisition transactions are as below:

Transactions Announced Date	Target/Issuer	Buyers/Investors	Industry Classifications Target/Issuer	Percent Sought (%)	Target Stock Premium – 1 Month Prior (%)
2021/7/7	Magnolia Bostad AB (publ) (OM:MAG)	Andersson Real Estate Investment Management; Holmstrom Fastigheter AB	Real Estate (Primary)	100	31.03
2021/1/11	Quabit Inmobiliaria, S.A.	Neinor Homes, S.A. (BME:HOME)	Real Estate (Primary)	100	15.75
2019/10/27	TLG Immobilien AG (XTRA:TLG)	Aroundtown SA (XTRA:AT1)	Real Estate (Primary)	77.5	26.17
2019/9/25	AGROB Immobilien AG (DB:AGR)	Apollo Capital Management, L.P.	Real Estate (Primary)	75.02	25.98
2019/9/17	Times Universal Group Holdings Limited (SEHK:2310)	–	Real Estate (Primary)	60.17	33.04

Transactions Announced Date	Target/Issuer	Buyers/Investors	Industry Classifications Target/Issuer	Percent Sought (%)	Target Stock Premium – 1 Month Prior (%)
2021/3/26	Eastern & Oriental Berhad (KLSE:E&O)	Amazing Parade Sdn. Bhd.	Real Estate (Primary)	57.29	42.86
2020/6/29	Consus Real Estate AG (XTRA:CC1)	Adler Group S.A. (XTRA:ADJ)	Real Estate (Primary)	50.97	17.02
Average (Rounded)					**25.00**

7. CONCLUSION OF VALUE ANALYSIS

Based on the information provided by the Company and the restrictions on our working procedures and the scope of our work as well as relevant basic and particular assumptions, we conducted analysis and estimation on the indicative value of the market value of 100% equity interests in the Target Company as of the Valuation Date by using the market approach and the results were RMB1,327,014,000.

Unit: RMB'000

Price earnings ratio of comparable companies selected	a	25.84
Imputed annual net profit on 31 July 2023	b	56,272
Equity value (without taking into account the lack of marketability discount and control premium)	c=a*b	1,454,262
Lack of marketability discount	d	27%
Control premium	e	25%
100% equity value after taking into account the lack of marketability discount and control premium	f=c*(1-d)*(1+e)	1,327,014

Based on the Target Company's financial performance and the market data of comparable companies, we consider that the value of the Target Company as at 3 January 2024, would not be materially different from the market value of the Target Company as of the Valuation Date and the difference would be within 5%.

ASSUMPTIONS AND LIMITATION CONDITIONS

This report is based on the following general assumptions and restrictions:

To our knowledge, any data (including historical financial data) included as basis for forming opinions and results or proposed in this report (if any) are truthful and accurate. Although we believe that the information sets out in this report is accurate, we provide no guarantees or assume no responsibilities on the truthfulness of any data, opinions or valuation conclusions provided by others herein.

The valuation conclusion and opinion proposed herein are based on the economic conditions on the valuation date and the purchasing power of the currency in the report. The corresponding valuation date of the valuation conclusion and opinion is set out in the report.

This report is only limited to the purposes set out herein and is not intended or appropriate for other aspects. It is not appropriate for any other uses or purposes or shall not be used for other purposes by any third parties. The Company hereby states that we will not assume responsibilities for any damages and/or losses from any unexpected uses.

Any part of this report (any conclusions, signatures and individuals associated with this report and the time of their association, the reference to their associated professional associations or organizations, or the designated contents of the abovementioned organization in particular) shall not be disclosed to third parties through any of prospectus, advertising and publicity materials, public relations or news without our written consent and approvals.

Unless otherwise stated in this report, we did not plan or carry out any environmental impact study. Unless otherwise stated, defined or explained in this report, we believe the full compliance with applicable laws and governmental regulations. We also believe that any ownership related to this valuation report is reliable and any necessary licenses, written consents or any other applicable regulations or administrative procedures of governmental departments or private organizations have been completed or updated.

Unless otherwise stated in this report, the value valuation sets out in this report particularly excludes the impact of the following substances, such as the presence of any harmful substances including asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. Readers of this report are advised to seek the advices from a qualified structural engineer and/or industrial hygienist on potential structural/environmental defects as well as the potential impact of the existence of such problems on the value valuation.

ValueLink provides asset valuation, financial advisory, due diligence, financing and M&A services with a wide range of industrial base and serves customers in various sectors. Most of the customers of ValueLink are listed companies or listing candidates in China, Hong Kong and the U.S., as well as large private corporations, central enterprises and multinationals.

The consultants of ValueLink have an international horizon and an insight on the local market and provide customized local services for various Chinese enterprises.

The services of ValueLink cover: statutory purposes, property valuation, transaction support and financial reporting support, etc.

1. Statutory Purposes:

Restructuring and listing, filing of state-owned assets, (cross-border) M&As of listed companies, material asset reorganization, backdoor listing, Sino-foreign joint venture and cooperation, equity transfer, equity contribution and pledge of intangible assets, etc.;

2. Property Valuation:

Property valuation in the IPO of enterprises, fair value valuation on investment properties in interim and annual reports, valuation of market value or mortgage value of properties in investment and financing with real estates, etc.;

3. Transaction Support:

Valuation consultancy services for various transactions, including related party transactions, mergers of enterprises, sales of subsidiaries or business lines, capital increase, share buybacks or privatization, corporate financing, asset disposals or divestments, employee incentive-related transactions, product pricing and financial model development, etc.;

4. Financial Reporting Support:

For consultancy reports under financial reporting purposes in major capital markets (A-share, US-share and HK-share), we evaluate items such as enterprise equity value, intangible assets (allocation of purchase consideration), financial instruments, assets/goodwill impairment test and tangible assets based on different accounting standards (CASs, US GAAPs and IFRSs).

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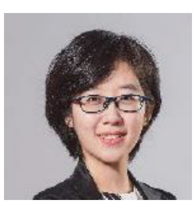
As a co-founder of ValueLink, Mr. William Chen is mainly responsible for strategic planning, brand management, human resources and product development. He is also responsible for the channel expansion and project organization of ValueLink Valuation.

Mr. William Chen has over 15 years of experience in the financial sector. His career began in a financial department of a Fortune Global 500 company. He then joined a world-renowned asset valuation firm where he participated in and led many valuation projects for listed or IPO candidates in China, the U.S. and Hong Kong stock exchanges, covering M&A, assets stripping, project financing, restructuring, initial public offering (IPO), fair opinions and valuation on statutory purposes in China. Mr. William Chen specializes in handling large-scale acquisition transactions and complicated derivative financial products. He is also skilled at using modern computer programming languages such as VB, VisualStudio, C++ and Matlab.

Mr. William Chen holds an MBA degree of Tsinghua University. He is a member of the American Society of Appraisers (ASA), a Chartered Financial Analyst (CFA), a Certified Public Accountant (CPA) and an Accredited in Business Valuation (ABV).



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Ms. Cindy Liu is a partner-in-charge of Shanghai Office of ValueLink Valuation and is responsible for the project organization, channel construction and business development in Eastern China.

Ms. Cindy Liu graduated from Shanghai Jiao Tong University with nearly 15 years of experience in financial and valuation consultancy sectors. Ms. Liu's career began in a world-class valuation company and she then joined the consultancy department on financial transactions of the Big Four accounting firms. She led a team in providing valuation and modeling services for large-scale multinational enterprises and SOEs as well as valuation projects for listed or IPO candidates in Hong Kong and the U.S. stock exchanges, covering corporate value, intangible assets, financial instruments, real properties, plant and equipment valuation.

Ms. Cindy Liu is a Certified Public Valuer (CPV) in China, is familiar with international advanced valuation concept and has a strong practice capability in the asset appraisal industry in China.

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蓝策
ValueLink
Beijing | Shanghai

16 January 2024

The Board of Directors
E-House (China) Enterprise Holdings Limited
11/F, Yinli Building,
383 Guangyan Road,
Jing'an District,
Shanghai 200072, China

Dear Sirs,

We have examined the principal accounting policies adopted in and the calculations of the discounted future cash flows (the "**Forecast**") underlying the valuation (the "**Valuation**") of the business enterprise value of TM Home Limited ("**TM Home**") performed by ValueLink Management Consultants Limited (the "**Valuer**") in respect of the appraisal of the fair value of TM Home as at the reference date of 31 July 2023 in connection with the circular of E-House (China) Enterprise Holdings Limited (the "**Company**") dated 16 January 2024 (the "**Circular**"). The Valuation based on the discounted future estimated cash flows for the financial forecast period from August 2023 to December 2030 is regarded as a profit forecast under Rule 10 of The Codes on Takeovers and Mergers and Share Buy-backs and Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

DIRECTORS' RESPONSIBILITIES

The directors of the Company are solely responsible for the preparation of the Forecast and the reasonableness and validity of the assumptions based on which the Forecast is prepared (the "**Assumptions**").

THE COMPANY'S INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 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 ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Forecast based on our procedures and to report our opinion solely to you, as a body, solely for the purpose in connection with the Announcement and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Forecast in accordance with the Assumptions adopted by the directors and as to whether the Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the directors as set out in the Announcement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

16 January 2024

The Board of Directors
E-House (China) Enterprise Holdings Limited
11/F, Yinli Building,
383 Guangyan Road,
Jing'an District,
Shanghai 200072, China

Dear Sirs,

We have performed our work on the principal accounting policies adopted and the calculations used in the preparation of (i) the unaudited net loss before tax and net loss after tax of TM Home Limited (the "**TM Home**") and its subsidiaries (collectively referred to as the "**Disposal Group**") for the two years ended 31 December 2022, as set out under the section headed "Information on the parties – TM Home", (ii) the unaudited disposal gain as set out under the section headed "Financial impacts of the Disposal", (iii) the unaudited financial statements of TM Home for the six months ended 30 June 2023, and 8-years (from August 2023 to December 2030) financial forecast of TM Home set out in appendix IVA, (iv) profit statement of CRIC for the year ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023 set out in appendix IVB, (v) financial information of the remaining group for the year ended 31 December 2020, 2021, 2022, and the nine months ended 30 September 2023 (the above (i), (ii), (iii), (iv) and (v) collectively referred to as the "**Unaudited Pro Forma Financial Information**") prepared by the directors of E-House (China) Enterprise Holdings Limited (the "**Company**", the Company and its subsidiaries collectively referred to as the "**Group**") for inclusion in the circular dated 16 January 2024 in connection with the proposed disposal of the 64.21% equity interests of the Disposal Group by the Group. We understand that the Unaudited Pro Forma Financial Information is required to be reported on under Rule 10 of the Hong Kong Code on Takeovers and Mergers. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the circular of the Company dated 16 January 2024.

DIRECTORS' RESPONSIBILITIES

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company based on the unaudited consolidated management accounts of the Disposal Group prepared by the directors of the Disposal Group. The Unaudited Pro Forma Financial Information was prepared on a basis consistent with the accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022, and the unaudited consolidated financial statements of the Group for the nine months ended 30 September 2023. This responsibility includes designing, implementing and maintaining internal controls relevant to the selection and application of appropriate accounting policies and the calculations in the preparation of the Unaudited Pro Forma Financial Information that is free from material misstatement; applying appropriate accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022, and the unaudited interim consolidated financial statements of the Group for the nine months ended 30 September 2023; and making estimates that are reasonable in the circumstances.

The directors of the Company are solely responsible for the compilation of the Unaudited Pro Forma Financial Information.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

It is our responsibility to report, as required by Rule 10 of the Hong Kong Code on Takeovers and Mergers, on whether, so far as the accounting policies and calculations are concerned, the Unaudited Pro Forma Financial Information has been properly compiled in accordance with the bases adopted by the directors of the Company as set out under the paragraph headed "Directors' responsibilities" of this report and has been prepared on a basis consistent, in all material respects, with the accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022, and the unaudited consolidated financial statements of the Group for the nine months ended 30 September 2023.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("**HKSAE 3000 (Revised)**") issued by the HKICPA.

Our work consisted primarily of procedures such as a) obtaining an understanding of the basis of preparation; the principal accounting policies adopted; and assessing and considering the reasonableness of underlying assumptions for compiling the Unaudited Pro Forma Financial Information through inquiries primarily of persons responsible for financial and accounting matters, b) obtaining an understanding of the internal controls relevant to the selection and application of appropriate accounting policies and the calculations in the preparation of the Unaudited Pro Forma Financial Information, c) comparing the principal accounting policies adopted in the preparation of the Unaudited Pro Forma Financial Information with those adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022, and the unaudited consolidated financial statements of the Group for the nine months ended 30 September 2023, d) checking solely the arithmetical calculations and the compilation of the Unaudited Pro Forma Financial Information, and such other procedures that we considered necessary in the circumstances in accordance with HKSAE 3000 (Revised). Our work would not enable us to, and we do not, provide any assurance on the design or operational effectiveness of internal control relating to the preparation of the Unaudited Pro Forma Financial Information.

Our reasonable assurance engagement does not constitute an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or review opinion on the Unaudited Pro Forma Financial Information.

OPINION

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the Unaudited Pro Forma Financial Information has been properly compiled in accordance with the bases adopted by the directors of the Company as set out under the paragraph headed "Directors' responsibilities" of this report and has been prepared on a basis consistent, in all material respects, with the accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022, and the unaudited consolidated financial statements of the Group for the nine months ended 30 September 2023.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

Maxa Capital Limited
Unit 2602, 26/F, Golden Centre,
188 Des Voeux Road Central,
Sheung Wan, Hong Kong
16 January 2024

The Board of Directors
E-House (China) Enterprise Holdings Limited
11/F, Yinli Building, 383 Guangyan Road, Jing'an District
Shanghai 200072, China

Dear Sirs and Mesdames,

PROFIT FORECAST UNDER RULE 10 OF THE CODE ON TAKEOVERS AND MERGERS (THE "TAKEOVERS CODE") AND RULE 14.61 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

We refer to (i) the unaudited financial figures of TM Home for the six months ended 30 June 2023 as set out in the Appendix IVA headed "Valuation Report of TM Home" in the VSD Circular, as the case may be, as well as the unaudited financial figures of CRIC for the six months ended 30 June 2023 as set out in Appendix IVB headed "Valuation Report of CRIC" in the VSD Circular pursuant to Rule 14.58(7) of the Listing Rules; (ii) the gain expected to accrue to the Company as a result of the Disposal assuming the Disposal had completed on 30 September 2023; (iii) the adoption of the income approach (i.e., discounted cash flow method covering the period August 2023 to December 2030) on which the valuation of TM Home is based; (iv) the unaudited financial information of TM Home for the three years ended 31 December 2022 and the nine months ended 30 September 2022 and 30 September 2023 as set out in Appendix I to the VSD Circular; and (v) the unaudited pro forma financial information of the Remaining Group for the nine months ended 30 September 2023 as set out in Appendix II to the VSD Circular, constitutes profit forecast ((i) to (v) collectively "**Profit Forecasts**") under Rule 10 of the Takeovers Code and under Rule 14.61 of the Listing Rules and is required to be reported on (as set out below) by us pursuant to the Takeovers Code and Listing Rules. Unless otherwise specified, capitalised terms used herein shall have the same meaning as those defined in the VSD Circular.

THE UNAUDITED FINANCIAL FIGURES OF TM HOME AND CRIC FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND THE GAIN EXPECTED TO ACCRUE TO THE COMPANY AS A RESULT OF THE DISPOSAL

We have reviewed the calculations and bases upon the unaudited financial figures of TM Home and CRIC for the six months ended 30 June 2023 as set out in the Appendix IVA headed "Valuation Report of TM Home" and Appendix IVB headed "Valuation Report of CRIC" in the VSD Circular, and the gain expected to accrue to the Company as a result of the Disposal assuming the Disposal had completed on 30 September 2023 from ZHONGHUI ANDA CPA Limited (the "**Auditor**"). The Auditor confirmed that those unaudited financial figures were derived from the same set of management accounts (other than those related to the six months ended 30 June 2023) that were provided to them by the Company when they performed the annual audit of the Company for the year ended 31 December 2022.

THE ADOPTION OF THE INCOME APPROACH OF TM HOME AND THE MARKET APPROACH OF CRIC

We have reviewed the underlying forecasts of the Valuation Report of TM Home covering the period August 2023 to December 2030 and the valuation of CRIC using market approach, for which the directors of the Company are responsible. We have attended the discussions involving the management of the Company and the Independent Valuer in respect of the bases and assumptions upon which the Profit Forecasts have been made. We have also reviewed the bases and assumptions upon which the Profit Forecasts have been made.

Furthermore, our report on the qualifications and experience of the Independent Valuer to prepare the Valuation Reports of TM Home and CRIC is required under Rule 11.1(b) of the Takeovers Code and this letter also constitutes such report from us. With regards to the Independent Valuer's qualifications and experience, we have conducted reasonable checks to assess the relevant qualification, experience and expertise of the Independent Valuer, including reviewing the supporting documents on the qualification of the Independent Valuer and discussion with the Company and the Independent Valuer on their qualifications and experience.

We have also considered the letter addressed solely to and for the sole benefit of the directors of the Company from the Auditor dated 16 January 2024 regarding the calculations upon which the Profit Forecasts have been made as set out in Appendices VI, II, IVA and IVB to the VSD Circular.

The Profit Forecasts have been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur and, as such, the Profit Forecasts may not be appropriate for purposes other than for deriving the Valuation. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to differ from the Profit Forecasts since such anticipated events frequently may or may not occur as expected and the variation may be material.

We have discussed with the Independent Valuer and the management of the Company and reviewed the bases and assumptions they have adopted or considered when preparing the Profit Forecast in associate with the Valuation Report of TM Home. However, we have not independently verified the computations leading to the Independent Valuer's determination of the 100% equity interests of TM Home. We have had no role or involvement and have not provided and will not provide any assessment of the 100% equity interests of TM Home and, accordingly, we take no responsibility and express no views therefor. The assessment, review and discussions carried out by us as described in this letter are based on financial, economic, market and other conditions in effect, and the information made available to us, as of the date of this letter and we have, in arriving at our views, relied on information and materials supplied to us by the Company, the Independent Valuer and the Auditor and opinions expressed by, and representations of, the employees and/or management of the Company, the Independent Valuer and Auditor. We have assumed, without independent verification, that all information, materials and representations so supplied, including all information, materials and representations referred to or contained in the VSD Circular, for which the directors of the Company are wholly responsible, were true, accurate, complete and not misleading at the time they were supplied or made and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations referred to or contained in the VSD Circular, and we have not assumed any responsibility or liability therefor. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our assessment and review.

On the basis of the foregoing, we are satisfied that the Profit Forecasts, for which the directors of the Company are responsible, have been made by the directors of the Company after due care and consideration. We are of the view that the bases and assumptions have been made with due care, consideration, objectivity and on a reasonable basis. We are also satisfied that the Independent Valuer is suitably qualified and experienced with sufficient current knowledge, skills and understanding necessary to undertake the Valuation Report of TM Home competently.

THE UNAUDITED FINANCIAL INFORMATION OF TM HOME AND REMAINING GROUP

We have reviewed the calculations and bases upon (i) the unaudited financial information of TM Home for the three years ended 31 December 2022 and the nine months ended 30 September 2022 and 30 September 2023 as set out in Appendix I to the VSD Circular; and (ii) the unaudited financial information of Remaining Group for the nine months ended 30 September 2023 as set out in Appendix II to the VSD Circular, ((i) and (ii) collectively the "**Unaudited Financial Information**") reviewed by the Auditor. We also understood from the Auditor that the Unaudited Financial Information were prepared in accordance with the relevant accounting policies adopted by the Company in preparation of its annual consolidated financial statements.

The work undertaken by us in giving the above opinion has been undertaken for the purpose of reporting solely to the directors of the Company under Rule 14.62(3) of the Listing Rules and Rule 10.3 of the Takeovers Code and for no other purpose. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Michael Fok
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to Mr. Zhou Xin and parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by Mr. Zhou Xin) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Mr. Zhou Xin accepts full responsibility for the accuracy of the information contained in this circular, and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. NO MATERIAL CHANGE IN INFORMATION PREVIOUSLY PUBLISHED

As at the Latest Practicable Date, there have been no changes in respect of the following matters with respect to the Group previously published in the Rights Issue Circular by the Company as specified in Rule 8.5 of the Takeovers Code:

(a) changes or additions to material contracts;

(b) shareholdings and dealings;

(c) directors' emoluments;

(d) special arrangements;

(e) the ultimate owners of the parties acting in concert with Mr. Zhou Xin (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace);

(f) arrangements in relation to dealings; and

(g) changes to directors' service contracts.

3. DISCLOSURE OF INTERESTS

As of the Latest Practicable Date and in accordance with the records of the Company maintained in accordance with the SFO and the Listing Rules, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required 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 the Directors and the chief executives of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name of Director/ chief executive	Nature of interest	Number of Shares	Approximate percentage of the Company's total issued share capital(1)
Mr. Zhou Xin(2)	Interest in controlled corporations and beneficial owner	413,073,499(L)	65.28%
	Underwriter	1,620,535,238(L)	
Mr. Huang Canhao(3)	Beneficial owner	9,600,000(L)	0.549%
Dr. Ding Zuyu(3)	Beneficial owner	9,600,000(L)	0.549%
Dr. Cheng Li-Lan(3)	Beneficial owner	1,446,000(L)	0.083%

Notes:

(1) The calculation is based on the total number of 1,749,059,530 Shares in issue as at the Latest Practicable Date.

(2) 413,073,499 Shares are held as to 228,920,000 Shares by CRE Corp, 146,918,440 Shares by E-House (China) Holdings, 20,000,000 Shares by On Chance and 2,775,059 Shares by Regal Ace, respectively, and including 14,460,000 Shares to be issued upon exercise of options granted under the Pre-IPO Share Option Scheme. CRE Corp is a wholly-owned subsidiary of E-House (China) Holdings, itself a wholly-owned subsidiary of E-House Holdings. E-House Holdings is held as to 33.13% by On Chance, 14.65% by Jun Heng, and 52.22% by Mr. Zhou. Jun Heng is wholly-owned by On Chance, which is in turn wholly-owned by Mr. Zhou. Regal Ace is wholly-owned by Mr. Zhou.

Mr. Zhou Xin has irrevocably undertaken to procure the subscriptions for 478,336,198 rights shares and, as an underwriter of the proposed Rights Issue, agreed to underwrite up to 1,620,535,238 rights shares. In such circumstances and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the rights shares, Mr. Zhou Xin and parties acting in concert with him (including CRE Corp, E-House (China) Holdings, On Chance and Regal Ace) will, in aggregate, be interested in 2,497,484,934 Shares, representing approximately 65.28% of the issued share capital of the Company as enlarged by the issue of the proposed Rights Shares.

(3) These Shares represent the Shares to be issued upon exercise of options granted under the Pre-IPO Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or the chief executive of the Company, none of the Directors and the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required 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 the Directors and the chief executives of the Company is taken or deemed to have under such provisions of the SFO); or were required to be and are recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other Director who was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. FURTHER INFORMATION CONCERNING DIRECTORS

(a) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group (excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation)).

(b) Directors' interest in competing business

As at the Latest Practicable Date, none of the Directors or their respective close associate is or was interested in any business apart from the Group's business, that competes or is likely to compete, either directly or indirectly, with the Group's business.

(c) Directors' interest in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2022, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(d) Directors' interest in contracts

As at the Latest Practicable Date, there is no contract or arrangement subsisting in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

(e) Directors or employees of companies which had an interest or short position in the shares and underlying shares of the Company

As at the Latest Practicable Date, the following Directors were directors or employees of companies which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) Mr. Zhou Xin is a director of CRE Corp, E-House (China) Holdings, E-House Holdings, On Chance and Regal Ace;

(b) Mr. Huang Canhao is a director of CRE Corp and E-House (China) Holdings;

(c) Ms. Jiang Shanshan is an employee of Alibaba Holding;

(d) Mr. Yang Yong is an employee of Vanke; and

(e) Mr. Chen Daiping is an employee of China Evergrande Group.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other Director who was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following person, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares

Name	Capacity	Number of Shares	Shareholding
CRE Corp[(2)]	Beneficial owner	228,920,000(L)	13.088%
E-House (China) Holdings[(2)]	Beneficial owner and interest of controlled corporations	375,838,440(L)	21.488%
E-House Holdings[(3)]	Interest of controlled corporations	375,838,440(L)	21.488%

Name	Capacity	Number of Shares	Shareholding
Alibaba Holding[(4)]	Interest of controlled corporations	245,096,197(L)	14.013%
Taobao China Holding Limited[(4)]	Beneficial owner	145,588,000(L)	8.324%
Taobao Holding Limited[(4)]	Interest of controlled corporations	145,588,000(L)	8.324%
Alibaba.com Hong Kong Limited[(4)]	Beneficial owner	99,508,197(L)	5.689%
Alibaba Investment Holding Limited[(4)]	Interest of controlled corporations	99,508,197(L)	5.689%
Alibaba.com Limited[(4)]	Interest of controlled corporations	99,508,197(L)	5.689%
Jovial Idea Developments Limited[(5)]	Beneficial owner	171,690,000(L)	9.816%
Central Sino Global Limited[(5)]	Interest of controlled corporations	171,690,000(L)	9.816%
Tianji Holding Limited[(5)]	Interest of controlled corporations	171,690,000(L)	9.816%
Hengda Real Estate Group Company Limited[(5)]	Interest of controlled corporations	171,690,000(L)	9.816%
Guangzhou Kailong Real Estate Company Limited[(5)]	Interest of controlled corporations	171,690,000(L)	9.816%
Guangzhou Chaofeng Land Company Limited[(5)]	Interest of controlled corporations	171,690,000(L)	9.816%
Anji (BVI) Limited[(5)]	Interest of controlled corporations	171,690,000(L)	9.816%
China Evergrande Group ("**Evergrande**")[(5)]	Interest of controlled corporations	171,690,000(L)	9.816%
Xin Xin (BVI) Limited[(5)]	Interest of controlled corporations	171,690,000(L)	9.816%
Mr. Hui Ka Yan[(5)]	Interest of controlled corporations	171,690,000(L)	9.816%
Captain Valley (Cayman) Limited[(6)]	Interest of controlled corporations	171,690,000(L)	9.816%
Climax Fame (BVI) Limited[(6)]	Interest of controlled corporations	171,690,000(L)	9.816%
Vanke Finance (Hong Kong) Limited[(6)]	Interest of controlled corporations	171,690,000(L)	9.816%
Vanke Property (Hong Kong) Limited[(6)]	Interest of controlled corporations	171,690,000(L)	9.816%
Shanghai Vanke Enterprise Company Limited[(6)]	Interest of controlled corporations	171,690,000(L)	9.816%
Shanghai Vanke Investment and Management Company Limited[(6)]	Interest of controlled corporations	171,690,000(L)	9.816%

Name	Capacity	Number of Shares	Shareholding
China Vanke Co., Ltd. ("**Vanke**")(6)	Interest of controlled corporations	171,690,000(L)	9.816%

Notes:

(1) The calculation is based on the total number of 1,749,059,530 Shares in issue as at the Latest Practicable Date.

(2) CRE Corp is a wholly-owned subsidiary of E-House (China) Holdings, itself a wholly-owned subsidiary of E-House Holdings. E-House Holdings is held as to 33.13% by On Chance, 14.65% by Jun Heng, and 52.22% by Mr. Zhou Xin. Jun Heng is wholly-owned by On Chance which is in turn wholly-owned by Mr. Zhou Xin.

(3) 375,838,440 Shares are held as to 228,920,000 Shares by CRE Corp and 146,918,440 Shares by E-House (China) Holdings. CRE Corp is a wholly-owned subsidiary of E-House (China) Holdings, itself a wholly-owned subsidiary of E-House Holdings. E-House Holdings is held as to 33.13% by On Chance, 14.65% by Jun Heng, and 52.22% by Mr. Zhou Xin. Jun Heng is wholly-owned by On Chance which is in turn wholly-owned by Mr. Zhou Xin.

(4) 145,588,000 Shares are held by Taobao China Holding Limited and 99,508,197 underlying Shares pursuant to the Convertible Notes are held by Alibaba.com Hong Kong Limited. Taobao China Holding Limited is a wholly-owned subsidiary of Taobao Holding Limited, which is a wholly-owned subsidiary of Alibaba Holding. Alibaba.com Hong Kong Limited is wholly-owned by Alibaba.com Investment Holding Limited, which is a wholly-owned subsidiary of Alibaba.com Limited. Alibaba.com Limited is 80.02% held by Alibaba Holding.

(5) Jovial Idea Developments Limited is wholly-owned by Central Sino Global Limited (中華環球有限公司), which is in turn wholly-owned by Tianji Holding Limited (天基控股有限公司). Tianji Holding Limited is wholly-owned by Hengda Real Estate Group Company Limited (恒大地產集團有限公司), which is owned as to 63.46% by Guangzhou Kailong Real Estate Company Limited (廣州市凱隆置業有限公司), wholly-owned by Guangzhou Chaofeng Land Company Limited (廣州市超豐置業有限公司). Guangzhou Chaofeng Land Company Limited is wholly-owned by Anji (BVI) Limited (安基BVI有限公司), which is wholly-owned by Evergrande. Evergrande is held as to 70.30% by Xin Xin (BVI) Limited, itself is wholly-owned by Mr. Hui Ka Yan. Hence, Central Sino Global Limited, Tianji Holding Limited, Hengda Real Estate Group Company Limited, Guangzhou Kailong Real Estate Company Limited, Guangzhou Chaofeng Land Company Limited, Anji (BVI) Limited, Evergrande, Xin Xin (BVI) Limited and Mr. Hui Ka Yan are deemed to be interested in the Shares held by Jovial Idea Developments Limited.

(6) Captain Valley (Cayman) Limited is wholly-owned by Climax Fame (BVI) Limited, which is in turn wholly-owned by Vanke Finance (Hong Kong) Limited. Vanke Finance (Hong Kong) Limited is wholly-owned by Vanke Property (Hong Kong) Company Limited, which is in turn wholly-owned by Shanghai Vanke Enterprise Company Limited (上海萬科企業有限公司). Shanghai Vanke Enterprise Company Limited is wholly-owned by Shanghai Vanke Investment and Management Company Limited (上海萬科投資管理有限公司), which is in turn wholly-owned by Vanke. Hence, Climax Fame (BVI) Limited, Vanke Finance (Hong Kong) Company Limited, Vanke Property (Hong Kong) Company Limited, Shanghai Vanke Enterprise Company Limited, Shanghai Vanke Investment and Management Company Limited and Vanke are deemed to be interested in the Shares held by Captain Valley (Cayman) Limited.

(7) The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or was taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7. EXPERTS

The following are the qualifications of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
ValueLink Management Consultants Limited	Registered Valuer in the PRC
Zhonghui Anda CPA Limited	Certified Public Accountants
Maxa Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, advice, report and/or references to its names, in the form and context in which they are respectively included.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MISCELLANEOUS

The headquarters of the Company is located at 11/F, Yinli Building, 383 Guangyan Road, Jing'an District, Shanghai 200072, China. The registered office of the Company is located at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company in Hong Kong is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wan Chai, Hong Kong.

Mr. Cheng Ching Kit (鄭程傑) was appointed as the Company's company secretary on 12 June 2018. Mr. Cheng is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong.

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group from 11 December 2021 (being the date falling two years immediately preceding 11 December 2023 (being the date of the VSD Announcement)) up to and including the Latest Practicable Date:

(i) the sale and purchase agreement entered into between the Company and TM Home Limited dated 1 September 2021, pursuant to which the Company conditionally agreed to sell, and the JV has conditionally agreed to purchase, the sale interest comprising of 76,401,247 ordinary shares of Leju, a subsidiary of the Company, representing approximately 55.84% of the issued share capital of Leju and the entire equity interest in E-House (China) International Property Development Limited, a wholly-owned subsidiary of the Company;

(ii) the subscription agreement dated 1 September 2021 entered into between the Company and TM Home Limited (the "**Subscription Agreement**"), pursuant to which the Company has conditionally agreed to subscribe for, and TM Home Limited has conditionally agreed to allot and issue 6,854,839 new ordinary shares in TM Home Limited for a consideration of HK$1,500,000,000 (representing approximately HK$218.82 per share in TM Home Limited) which shall be payable by the Company in full upon completion of the Subscription Agreement;

(iii) the share subscription agreement, dated 2 April 2023, entered into by and among the TM Home Minority Shareholder, the Company and TM Home in relation to the First Subscription Shares and Second Subscription Shares;

(iv) the new business transition agreement, dated 2 April 2023, entered into by and among Tmall Network, TM Home WFOE and TM Home in relation to the business operation of TM Home;

(v) the Restructuring Support Agreement (CB);

(vi) the restructuring support agreement, dated 2 April 2023, entered into by the Company, the Subsidiary Guarantors and DF King in relation to the Restructuring;

(vii) the Placing Agreements; and

(viii) the Underwriting Agreement.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.ehousechina.com), the Stock Exchange (www.hkexnews.hk) and the SFC (www.sfc.hk) from the date of this circular for at least 14 days and including the date of the Disposal EGM:

(a) the annual reports of the Company for each of the financial years ended 31 December 2020, 2021 and 2022;

(b) the material contracts referred to in the sub-section headed "Material Contracts";

(c) the written consents of the experts as referred to in the sub-section headed "Experts";

(d) the letter from the Takeovers Code IBC, the text of which is set out on pages 52 to 54 of this circular;

(e) the letter from Maxa Capital Limited to the Takeovers Code IBC and the Independent Shareholders, the text of which is set out on pages 55 to 90 of this circular;

(f) the review report from Zhonghui Anda in respect of the financial information of the Group, the text of which is set out on pages 92 to 93 of this circular;

(g) the accountant's report on unaudited pro forma financial information from Zhonghui Anda, the text of which is set out on pages 146 to 148 of this circular;

(h) the Valuation Reports, the text of which is set out on pages 164 to 243 of this circular;

(i) the letter from Zhonghui Anda on the calculations of discounted future estimated cash flows in connection with the Valuation of TM Home, the text of which is set out on pages 244 to 245 of this circular;

(j) the letter from Zhonghui Anda on Unaudited Pro Forma Financial Information, the text of which is set out on pages 246 to 248 of this circular; and

(k) the letter from Maxa Capital Limited on the profit forecasts, the text of which is set out on pages 249 to 251 of this circular.

易居企业集团

E-House (China) Enterprise Holdings Limited
易居(中國)企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2048)

Notice is hereby given that an extraordinary general meeting of E-House (China) Enterprise Holdings Limited (the "**Company**") will be held at Conference Room, 1/F, Yinli Building, 383 Guangyan Road, Jing'an District, Shanghai, China at 10:30 a.m. on 31 January 2024 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions. Unless otherwise stated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 16 January 2024 (the "**Circular**"):

1. "**THAT**:

   (a) subject to the passing of the resolutions numbered 2 and 3 and conditional upon the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his or her delegate(s) granting consent to the Special Deal 2 (as defined below) and the Special Deal 3 (as defined below), the Disposal (as defined in the Circular) and all the transactions contemplated thereunder be and are hereby approved and confirmed; and

   (b) any one or more Director(s) be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Disposal or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

2. "**THAT**:

   (a) subject to the passing of the resolutions numbered 1 and 3 and conditional upon the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his or her delegate(s) granting consent to the Special Deal 2 (as defined below), on the Restructuring Effective Date, the issuance of new shares of TM Home to Creditor SPV (which will be owned by the Scheme Creditors who are holding the Old Notes and may also be Shareholders), pro rata by reference to the proportion of the aggregate Scheme Creditor Claim held by the holders of the Old Notes at the Record Time, which constitute a special deal under Note 5 to Rule 25 of the Takeovers Code ("**Special Deal 2**"), be and is hereby approved, confirmed and ratified; and

(b) any one or more Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with any matters relating to the Special Deal 2 and the transactions contemplated thereunder."

3. "**THAT**:

(a) subject to the passing of the resolutions numbered 2 and 3 and conditional upon the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his or her delegate(s) granting consent to the Special Deal 3 (as defined below), on the Restructuring Effective Date, the issuance of new shares of TM Home to the CB Shareholder (being an associate of Taobao China), pro rata by reference to the proportion of the aggregate Scheme Creditor Claim held by the CB Holder at the Record Time, which constitute a special deal under Note 5 to Rule 25 of the Takeovers Code ("**Special Deal 3**"), be and is hereby approved, confirmed and ratified; and

(b) any one or more Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with any matters relating to the Special Deal 3 and the transactions contemplated thereunder."

On behalf of the Board
E-House (China) Enterprise Holdings Limited
ZHOU Xin
Chairman

Hong Kong, 16 January 2024

Registered Office:
Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong:
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the Disposal EGM is entitled to appoint in written form one or, if he is the holder of two or more shares (the "**Shares**") of the Company, more proxy(ies) to attend and vote instead of him. A proxy need not be a member of the Company.

(2) In order to be valid, the instrument appointing a proxy must 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 its seal or under the hand of an officer or attorney duly authorised to sign the same, and must be delivered to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the Disposal EGM (i.e. by 10:30 a.m. on Monday, 29 January 2024) or any adjournment thereof.

(3) For determining the entitlement of the Shareholders to attend and vote at the Disposal EGM, the register of members will be closed from Friday, 26 January 2024 to Wednesday, 31 January 2024 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible for attending and voting at the Disposal EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 25 January 2024.

(4) Completion and return of the form of a proxy shall not preclude a member of the Company from attending and voting at the Disposal EGM or any adjournment thereof.

(5) In the case of joint holders of Shares, any one of such persons may vote at the Disposal EGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting in person or by proxy, that one of the said persons so present whose names stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

(6) If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions" announced by the Government of Hong Kong is/are in effect any time after 10:30 a.m. on the date of the Disposal EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.ehousechina.com and on the website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.

(7) In case of discrepancy between the English version and the Chinese version of this notice of the Disposal EGM, the English version shall prevail.

As at the date of this notice, the Board comprises Mr. Zhou Xin as Chairman and executive Director, Mr. Huang Canhao, Dr. Cheng Li-Lan and Dr. Ding Zuyu as executive Directors, Ms. Jiang Shanshan, Mr. Yang Yong, Mr. Song Jiajun and Mr. Chen Daiping as non-executive Directors, and Mr. Zhang Bang, Mr. Zhu Hongchao, Mr. Wang Liqun and Mr. Li Jin as independent non-executive Directors.