
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549
FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2021.

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from to

Commission file number: 001-39436

KE Holdings Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

**Oriental Electronic Technology Building,
No. 2 Chuangye Road, Haidian District,
Beijing 100086
People's Republic of China
+86 10 5810 4689**

(Address of principal executive offices)

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**Oriental Electronic Technology Building,
No. 2 Chuangye Road, Haidian District,
Beijing 100086**

People's Republic of China

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
American depositary shares (one American depositary share representing three Class A ordinary shares, par value US\$0.00002 per share)	BEKE	New York Stock Exchange
Class A ordinary shares, par value US\$0.00002 per share*		New York Stock Exchange

* Not for trading, but only in connection with the listing on the New York Stock Exchange, or the NYSE, of American depositary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2021, there were 3,573,671,836 ordinary shares outstanding, being the sum of 2,688,370,556 Class A ordinary shares (excluding the 17,540,679 Class A ordinary shares issued to the depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans) and 885,301,280 Class B ordinary shares, par value US\$0.00002 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act. ☐ Yes ☐ No

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒ Yes ☐ No

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ☐ Yes ☐ No

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INTRODUCTION

Unless otherwise indicated or the context otherwise requires, references in this annual report to:

- “active agents” are to agents on our platform, including agents employed by us and from labor dispatching or outsourcing agencies, and agents affiliated with our connected stores and connected brands as employees, contractors, or through other service arrangements, as of a given date excluding the agents who (i) delivered notice to leave but have not yet completed the exit procedures, (ii) have not engaged in any critical steps in housing transactions (including but not limited to introducing new properties, attracting new customers and conducting property showings) during the preceding 30 days, or (iii) have not participated in facilitating any housing transaction during the preceding three months;
- “active stores” are to stores on our platform as of a given date excluding the stores which (i) have not facilitated any housing transaction during the preceding 60 days, (ii) do not have any agent who has engaged in any critical steps in housing transactions (including but not limited to introducing new properties, attracting new customers and conducting property showings) during the preceding seven days, or (iii) have not been visited by any agent during the preceding 14 days;
- “ADRs” are to the American depositary receipts that may evidence the ADSs;
- “ADSs” are to the American depositary shares, each of which represents three Class A ordinary shares;
- “BVI” are to the British Virgin Islands;
- “Beike,” “we,” “us,” “our company” and “our” are to KE Holdings Inc., our Cayman Islands holding company, its subsidiaries, and, in the context of describing the consolidated financial information, the VIEs and their subsidiaries in China;
- “China” or the “PRC” are to the People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- “Class A ordinary shares” are to our class A ordinary shares, par value US\$0.00002 per share;
- “Class B ordinary shares” are to our class B ordinary shares, par value US\$0.00002 per share;
- “GTV” of our platform, for a given period, are to gross transaction value, which is calculated as the total value of all transactions we facilitated on the *Beike* platform and evidenced by signed contracts as of the end of the period, including the value of the existing home transactions, new home transactions and emerging and other services, and including transactions that are contracted but pending closing (i.e. completion of title transfer and registration) at the end of period. For the avoidance of doubt, if the transactions are not closed afterwards, the corresponding GTV will be offset accordingly;
- “Hong Kong” or “HK” or “Hong Kong S.A.R.” are to the Hong Kong Special Administrative Region of the PRC;
- “mobile monthly active users” or “mobile MAU” are to the sum of (i) the number of accounts that have accessed the *Beike* platform through our *Beike* or *Lianjia* mobile app (with duplication eliminated) at least once during a month, and (ii) the number of Weixin users that have accessed the *Beike* platform through our Weixin mini programs at least once during a month. The number of mobile MAU is calculated using internal company data that have not been independently verified, and we treat such mobile app account and Weixin user account as a separate user for the purpose of calculating mobile MAU, although some individuals may use more than one accounts, may share the same account with other individuals, and/or may use both mobile apps and Weixin mini programs to access the *Beike* platform. Average mobile MAU is calculated as the arithmetic average of the mobile MAU on monthly basis across the months covered in the applicable period;

- “ordinary shares” are to our class A and class B ordinary shares, par value US\$0.00002 per share;
- “our WFOEs” are to Beike Jinke (Tianjin) Technology Co., Ltd., Beike (Tianjin) Investment Co., Ltd., Beike (China) Investment Holdings Limited and Jinbei (Tianjin) Technology Co., Ltd.;
- “RMB” and “Renminbi” are to the legal currency of China;
- “SaaS” are to software-as-a-services;
- “Tencent” are to Tencent Holdings Limited and its subsidiaries;
- “US\$,” “U.S. dollars,” “\$,” and “dollars” are to the legal currency of the United States; and
- “VIEs” are to Beijing Lianjia Real Estate Brokerage Co., Ltd., or Beijing Lianjia, Tianjin Xiaowu Information & Technology Co., Ltd., or Tianjin Xiaowu, Beijing Yiju Taihe Technology Co., Ltd., or Yiju Taihe, Beijing Beijia Commercial Consultancy Co., Ltd., or Beijing Beijia, and Beijing Beihao Commercial Consultancy Co., Ltd., or Beijing Beihao.

When we calculate agents on our platform, we refer to agents who are affiliated with the real estate brokerage stores and subject to our Agent Cooperation Network, or ACN, rules.

In China, real estate brokerage refers to the activities of providing intermediary or agency services in connection with housing transactions by brokerage firms and agents, wherein brokerage firms and agents are allowed to collect commissions from either or both of buy side and sell side as long as the payment arrangement is prescribed in the brokerage service agreements.

Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this annual report are made at a rate of RMB6.3726 to US\$1.00, the exchange rate in effect as of December 30, 2021 as set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all.

FORWARD-LOOKING INFORMATION

This annual report contains forward-looking statements that reflect our current expectations and views of future events. The forward-looking statements are contained principally in the sections entitled “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company—B. Business Overview” and “Item 5. Operating and Financial Review and Prospects.” Known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information—D. Risk Factors,” may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- our goals and strategies;
- our future business development, financial condition and results of operations;
- expected changes in our revenues, costs or expenditures;
- our ability to empower services and facilitate transactions on our platform;
- competition in our industry;
- relevant government policies and regulations relating to our industry;
- our ability to protect our systems and infrastructures from cyber-attacks;
- our dependence on the integrity of brokerage brands, stores and agents on our platform;
- general economic and business conditions in China and globally; and
- assumptions underlying or related to any of the foregoing.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations and our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company—B. Business Overview” and “Item 5. Operating and Financial Review and Prospects” and other sections in this annual report. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we refer to in this annual report and have filed as exhibits to this annual report, of which this annual report is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

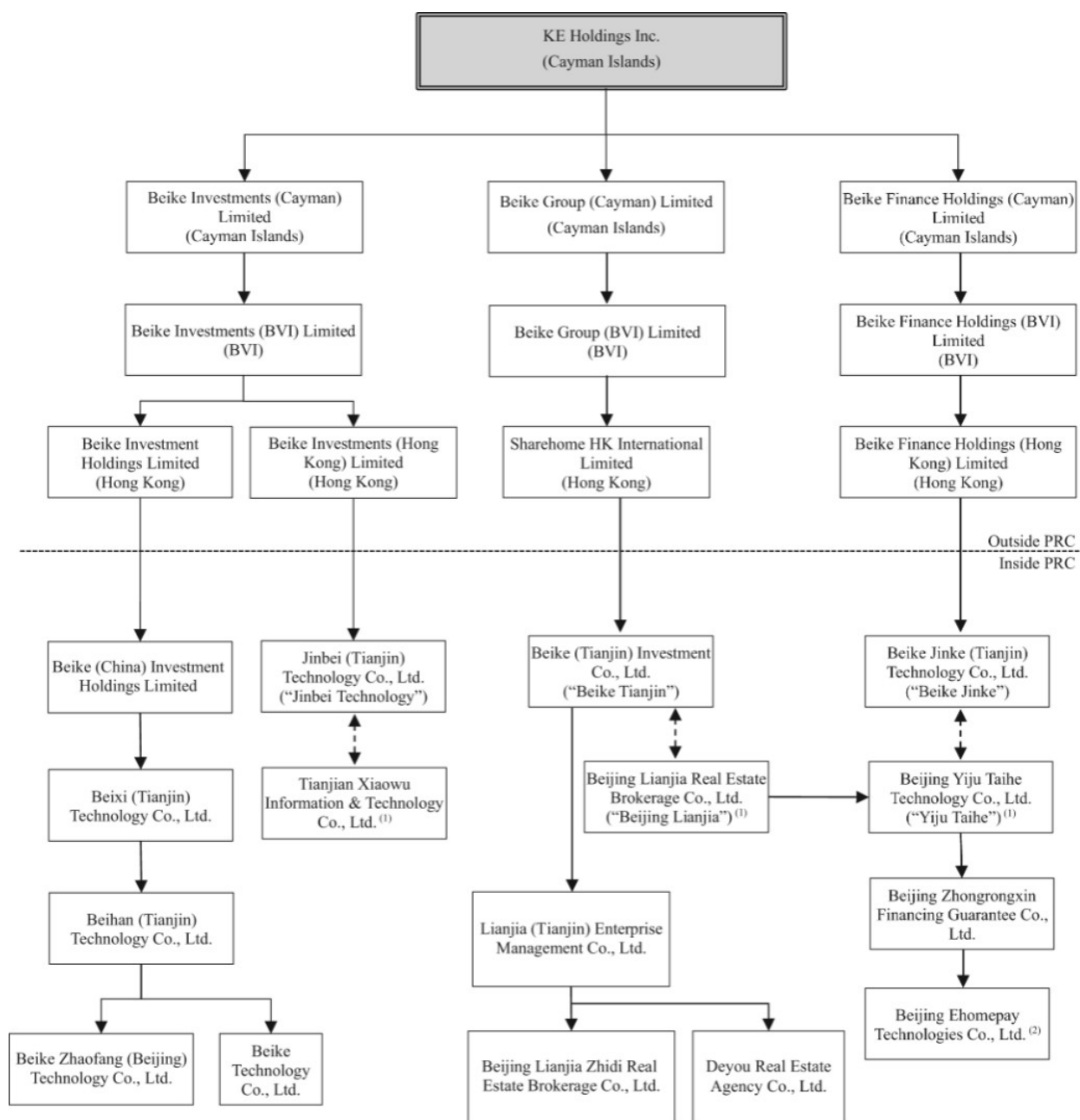
Item 3. Key Information


Our Holding Company Structure and the VIE Contractual Arrangements

KE Holdings Inc. is not an operating company in China but a Cayman Islands holding company with no material operations of its own and no equity ownership in the VIEs. We conduct our operations primarily through (i) our PRC subsidiaries and (ii) the VIEs, with which we maintain contractual agreements. Our value-added telecommunication services and certain financial services in the PRC have been conducted through the applicable VIEs in order to comply with the PRC laws and regulations, which restrict and impose conditions on foreign direct investment in companies involved in the provision of value-added telecommunication services and certain financial service. Accordingly, we operate these businesses in China through the applicable VIEs, and rely on contractual arrangements among our PRC subsidiaries, the VIEs and their shareholders to control the business operations of the VIEs. The VIEs collectively held 29.5% of our cash, cash equivalents and restricted cash and 12.9% of our total assets as of December 31, 2021. Revenues contributed by the VIEs, excluding inter-group transactions, accounted for 11.6%, 1.4% and 1.2% of our total net revenues for the fiscal years 2019, 2020 and 2021, respectively. As used in this annual report, “Beike,” “we,” “us,” “our company” or “our” refers to KE Holdings Inc., its subsidiaries, and, in the context of describing the consolidated financial information, the VIEs and their subsidiaries in China. Investors in our ADSs thus are not purchasing equity interest in the VIEs in China but instead are purchasing equity interest in KE Holdings Inc., a Cayman Islands holding company.

A series of contractual agreements, including power of attorney, exclusive business cooperation agreements, equity pledge agreements, exclusive option agreements and spouse consent letters, have been entered into by and among our WFOEs, the VIEs and their respective shareholders. Terms contained in each set of contractual arrangements with the VIEs and their respective shareholders are substantially similar. As a result, KE Holdings Inc. controls, and receives economic benefits from, the VIEs through the VIE contractual arrangements. KE Holdings Inc. is also considered the primary beneficiary of the VIEs for accounting purposes, and we have consolidated the financial results of the VIEs and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. However, neither KE Holdings Inc. nor its investors has an equity ownership in, direct foreign investment in, or control through such ownership or investment of, the VIEs, and the VIE contractual arrangements are not equivalent to an equity ownership in the business of the VIEs. As of the date of this annual report, the contracts with the VIEs have not been tested in a court of law. For more details of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the VIEs and Their Shareholders.”

The following diagram illustrates our corporate structure, including our principal subsidiaries, principal VIEs and their principal subsidiaries, and other entities that are material to our business, as of the date of this annual report:



 Equity interest (100% unless otherwise specified)
 Contractual arrangements. For more details, see “— Contractual Arrangements with the VIEs and Their Shareholders.”

Notes:

- (1) The registered shareholders of Beijing Lianjia are (i) Mrs. ZUO, Mr. SHAN Yigang, Mr. XU Wangang and entities controlled by Mr. PENG Yongdong or Mr. SHAN Yigang, holding 81% equity interests in aggregate and (ii) several other individuals and entities affiliated with us, holding 19% equity interests in aggregate. Mrs. ZUO is the spouse of Mr. ZUO Hui and a principal shareholder of us. Each of Mr. PENG Yongdong, Mr. SHAN Yigang and Mr. XU Wangang is our director. The registered shareholders of Tianjin Xiaowu are Mrs. ZUO and Mr. SHAN, holding 94% and 6% equity interests, respectively. The registered shareholders of Yiju Taihe are (i) Beijing Lianjia, holding 80% equity interests; (ii) Mrs. ZUO, Mr. SHAN, Mr. XU Wangang and entities controlled by Mrs. ZUO or Mr. SHAN, holding 17% equity interests in aggregate and (iii) several other individuals and entities affiliated with us, holding 3% equity interests in aggregate. The registered shareholders of Beijing Beijia are (i) Mr. PENG and Mr. XU Tao, holding 50% equity interests in aggregate and (ii) several other individuals affiliated with us, holding 50% equity interests in aggregate. The registered shareholders of Beijing Beihao are (i) Mr. XU Wangang, holding 4% equity interests; and (ii) several other individuals affiliated with us, holding 96% equity interests in aggregate.
- (2) Beijing Zhongrongxin Financing Guarantee Co., Ltd. owns 95% of the total equity interest, and Beijing Zhonghetai Investment Consulting Co., Ltd., a wholly-owned subsidiary of Yiju Taihe, owns the remaining 5%.

Our corporate structure is subject to risks associated with our contractual arrangements with the VIEs. Investors may not directly hold equity interests in the VIEs or in the businesses that are conducted by the VIEs, and the VIE structure provides contractual exposure to foreign investment in the companies which involve foreign investment restrictions. If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. This may result in the VIEs being deconsolidated, which would materially and adversely affect our operations, and our ADSs may decline significantly in value or become worthless. Our holding company, our PRC subsidiaries, the VIEs, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of the VIEs and our company as a whole. The PRC regulatory authorities could disallow the VIE structure, which would likely result in a material adverse change in our operations, and our Class A ordinary shares or our ADSs may decline significantly in value or become worthless. The contractual arrangements may not be as effective as direct ownership in providing us with control over the VIEs, the shareholders of the VIEs may have potential conflicts of interest with us, and we may incur substantial costs to enforce the terms of the arrangements. As such, the VIE structure involves unique risks to investors of our holding company. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure.”

We face various risks and uncertainties related to doing business in China. Our business operations are primarily conducted in China, and we are subject to complex and evolving PRC laws and regulations. For example, we face risks associated with regulatory approvals on offshore offerings and listings, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy. PRC government’s authority in regulating our operations and its oversight and control over offerings and listings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations in this nature may cause the value of such securities to significantly decline or be worthless. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China.”

For example, the recently promulgated PRC Data Security Law and the PRC Personal Information Protection Law in 2021 posed additional challenges to our cybersecurity and data privacy compliance. The Cybersecurity Review Measures issued by the Cyberspace Administration of China, or the CAC and several other PRC governmental authorities in December 2021, as well as the Administration Regulations on Cyber Data Security (Draft for Comments) published by the CAC for public comments in November 2021, exposes uncertainties and potential additional restrictions on China-based overseas-listed companies like us. If the detailed rules, implementations, or the enacted version of the draft measures mandate clearance of cybersecurity review and other specific actions to be completed by us, we face uncertainties as to whether such clearance can be timely obtained, the failure of which may subject us to penalties, which could materially and adversely affect our business and results of operations and the price of our ADSs. See “Item 3. Key Information—Risk Factors—Risks Related to Our Business and Industry—Our business generates and processes a large amount of data and is subject to various evolving PRC laws and regulations regarding cybersecurity and data privacy. Failure of cybersecurity and data privacy concerns could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential customers from using our services” for additional details.

In addition, on December 24, 2021, the China Securities Regulatory Commission, or the CSRC, published the draft Regulations of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), or the Administrative Provisions, and the draft Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) for public comments. Pursuant to these drafts, PRC domestic companies that directly or indirectly seek to offer or list their securities on an overseas stock exchange, including a PRC company limited by shares and an offshore company whose main business operations are in China and intends to offer securities or be listed on an overseas stock exchange based on its onshore equities, assets, incomes or similar interests, are required to file with the CSRC within three business days after submitting their application documents to the regulator in the place of intended listing or offering. Particularly, as for the PRC domestic companies that have directly or indirectly listed securities in overseas markets intend to conduct follow-on offerings in overseas markets, such companies are required to submit the filing with respect to the follow-on offering within three business days after completion of the follow-on offering. Failure to complete the filing under the Administrative Provisions may subject the domestic company to a warning or a fine of RMB1 million to RMB10 million. In serious circumstances, the domestic company may be ordered to suspend its business or suspend its business pending rectification, or its permits or businesses licenses may be revoked. At the press conference held for these draft regulations on December 24, 2021, officials from the CSRC confirmed that if complying with applicable PRC laws and regulations, companies with VIE structure may conduct overseas offering and listing. As of the date of this annual report, there is no schedule for the adoptions of such drafts, and it remains unclear whether the versions adopted will have any further material changes. There remain substantial uncertainties about how these drafts will be enacted, interpreted or implemented and how they will affect our operations and future overseas offerings. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PRC government’s oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our ADSs.”

Furthermore, the PRC anti-monopoly regulators have promulgated new anti-monopoly and competition laws and regulations and strengthened the enforcement under these laws and regulations. There remains uncertainties as to how the laws, regulations and guidelines recently promulgated will be implemented and whether these laws, regulations and guidelines will have a material impact on our business, financial condition, results of operations and prospects. We cannot assure you that our business operations comply with such regulations and authorities’ requirements in all respects. If any non-compliance is raised by relevant authorities and determined against us, we may be subject to fines and other penalties. See “Item 3. Key Information—Risk Factors—Risks Related to Our Business and Industry—Any failure or perceived failure by us to comply with the anti-monopoly and competition laws and regulations in the PRC may result in governmental investigations, enforcement actions, litigation or claims against us and could have an adverse effect on business, reputation, results of operations and financial condition.”

Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding that the rules and regulations in China can change quickly with little advance notice and that the Chinese government may intervene or influence our operations at any time, could result in a material adverse change in our operations and the value of our ADSs. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could materially and adversely affect us.”

These risks could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause the value of such securities to significantly decline or be worthless. For a detailed description of risks related to doing business in China, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China.”

Permissions Required from the PRC Authorities for Our Operations

We conduct our business primarily through our subsidiaries and the VIEs in China. Our operations in China are governed by PRC laws and regulations. In addition to the Business License issued by the relevant department of the State Administration for Market Regulation for each of our PRC subsidiaries and the VIEs, the relevant PRC subsidiaries and the VIEs are required to obtain, and have obtained the following requisite permissions for their main operations: the Filings for Real Estate Brokerage Business, the Operating License for Value-Added Telecommunication Business, the License for Non-Financial Institution Payment Service, the Approval for Establishment of Micro Credit Company, the License for Financing Guarantee Business, the License for Insurance Brokerage Business, the Approval for Commercial Factoring Business and Filing on Commercial Franchising.

Apart from the permits and licenses above, we may be subject to additional licensing requirements for our business operation due to the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by relevant government authorities. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—If we fail to obtain or keep licenses, permits or approvals applicable to the various services provided by us, we may incur significant financial penalties and other government sanctions” for more details.

Furthermore, in connection with our issuance of securities to foreign investors, as of the date of this annual report, we, our PRC subsidiaries and the VIEs are not required to obtain any approval or permission from the CSRC, CAC or any other PRC governmental authorities, nor have we, our PRC subsidiaries and the VIEs received any formal inquiry, notice, warning or sanction from any PRC governmental authorities in connection with requirements of obtaining such approval or permission, under any currently effective PRC laws, regulations and regulatory rules. However, the PRC government has recently indicated an intent to exert more oversight over offerings that are conducted overseas and/or foreign investment in China-based issuers like us, and published a series of proposed rules for public comments in this regard, the enactment timetable, final content, interpretation and implementation of which remains uncertain. Therefore, there are substantial uncertainties as to how PRC governmental authorities will regulate overseas listing in general and whether we are required to complete filing or obtain any specific regulatory approvals from the CSRC, CAC or any other PRC governmental authorities for our future offshore offerings. If we had inadvertently concluded that such approvals were not required, or if applicable laws, regulations or interpretations change in a way that requires us to obtain such approval in the future, we may be unable to obtain such necessary approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could subject us to penalties, including fines, suspension of business and revocation of required licenses, significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The filing, approval or other administration requirements of the CSRC, the CAC or other PRC governmental authorities may be required in connection with our offshore offerings under PRC law” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PRC government’s oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our ADSs” for more details.

The Holding Foreign Companies Accountable Act

The Holding Foreign Companies Accountable Act, or the HFCAA, was enacted on December 18, 2020. The HFCAA states that if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is not currently inspected by the PCAOB. The related risks and uncertainties could cause the value of our ADSs to significantly decline or be worthless. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Our ADSs will be prohibited from trading in the United States under the HFCAA in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.”

Cash Flows Through Our Organization

KE Holdings Inc., our Cayman Islands holding company, or the Parent, transfers cash to our wholly-owned Hong Kong subsidiaries (through intermediate holding companies in the British Virgin Islands), by making capital contributions or providing loans, and our Hong Kong subsidiaries transfer cash to our PRC subsidiaries by making capital contributions or providing loans to them.

Because the Parent and its subsidiaries control the VIEs through contractual arrangements, they are not able to make direct capital contribution to the VIEs and their subsidiaries. However, they may transfer cash to the VIEs by loans or by making payment to the VIEs for inter-group transactions.

The following table sets forth the amount of the transfers for the periods presented.

	Years Ended December 31,		
	2019	2020	2021
	(RMB in thousands)		
Loans from parent to Cayman, BVI, and Hong Kong subsidiaries	15,719,863	38,818,154	4,581,814
Capital contributions from Hong Kong subsidiaries to PRC subsidiaries	3,226,094	538,439	300,000
Loans from Hong Kong subsidiaries to PRC subsidiaries	9,798,625	5,619,185	9,332,778
Net amounts paid / (received) by subsidiaries to / (from) VIEs*	10,936,826	(1,664,566)	240,243
Transfer of intangible asset (advertising resources) from Parent to subsidiaries	—	2,036,154	—

Note:

* The cash flows between the subsidiaries and the VIEs included the following:

- Cash paid by the subsidiaries to the VIEs for financial platform and other financial related services provided by the VIEs;
- Cash paid by the subsidiaries to the VIEs for referral and other services;
- Cash paid by the VIEs to the subsidiaries for referral and professional services; and
- Intercompany advances from equity-owned subsidiaries to the VIEs, and repayment of intercompany advances by the VIEs.

The cash received from loans and payment for acquiring the subsidiaries were used by the VIEs for returning the onshore capital to preferred shareholders in connection with the reorganization. Other funds have been used by the VIEs for their operations.

As of December 31, 2021, the Parent had made cumulative capital contribution of RMB4,064.5 million and provided cumulative loans of RMB24,750.6 million to our PRC subsidiaries through intermediate holding companies.

The VIEs may transfer cash to the relevant WFOEs by paying service fees according to the exclusive business cooperation agreements. Pursuant to these agreements between each of the VIEs and its corresponding WFOEs, each of the VIEs agrees to pay the relevant WFOE for services related to comprehensive technical support, professional training, consulting and marketing and promotional services at an amount based on 100% of the balance of the gross consolidated profits of each VIE after offsetting the accumulated losses for the preceding financial years and deducting the working capital, expenses, taxes and other statutory contributions required for any financial year, or the amount determined by the WFOE in accordance with the terms of the agreements. Considering the future operating and cashflow needs of the VIEs, for the years ended December 31, 2019, 2020 and 2021, no service fees were charged to the VIEs by the WFOEs, and no payments were made by the VIEs under these agreements. If there is any amount payable to relevant WFOEs under the VIE agreements, the VIEs will settle the amount accordingly.

For the years ended December 31, 2019, 2020 and 2021, no dividends or distributions were made to the Parent by our subsidiaries. For the years ended December 31, 2019, 2020 and 2021, no dividends or distributions were made to U.S. investors.

For purposes of illustration, the following discussion reflects the hypothetical taxes that might be required to be paid within Mainland China, assuming that: (i) we have taxable earnings, and (ii) we determine to pay a dividend in the future:

	Taxation Scenario⁽¹⁾ Statutory Tax and Standard Rates
Hypothetical pre-tax earnings ⁽²⁾	100 %
Tax on earnings at statutory rate of 25% ⁽³⁾	(25)%
Net earnings available for distribution	75 %
Withholding tax at standard rate of 10% ⁽⁴⁾	(7.5)%
Net distribution to Parent/Shareholders	67.5 %

Notes:

- (1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount, not considering timing differences, is assumed to equal taxable income in China.
- (2) Under the terms of VIE agreements, our PRC subsidiaries may charge the VIEs for services provided to VIEs. These fees shall be recognized as expenses of the VIEs, with a corresponding amount as service income by our PRC subsidiaries and eliminate in consolidation. For income tax purposes, our PRC subsidiaries and VIEs file income tax returns on a separate company basis. The fees paid are recognized as a tax deduction by the VIEs and as income by our PRC subsidiaries and are tax neutral.
- (3) Certain of our subsidiaries and VIEs qualifies for a 15% preferential income tax rate in China. However, such rate is subject to qualification, is temporary in nature, and may not be available in a future period when distributions are paid. For purposes of this hypothetical example, the table above reflects a maximum tax scenario under which the full statutory rate would be effective.
- (4) The PRC Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise, or FIE, to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the FIE's immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with China, subject to a qualification review at the time of the distribution. For purposes of this hypothetical example, the table above assumes a maximum tax scenario under which the full withholding tax would be applied.

The table above has been prepared under the assumption that all profits of the VIEs will be distributed as fees to our PRC subsidiaries under tax neutral contractual arrangements. If, in the future, the accumulated earnings of the VIEs exceed the fees paid to our PRC subsidiaries (or if the current and contemplated fee structure between the intercompany entities is determined to be non-substantive and disallowed by Chinese tax authorities), the VIEs could, as a matter of last resort, make a non-deductible transfer to our PRC subsidiaries for the amounts of the stranded cash in the VIEs. This would result in such transfer being non-deductible expenses for the VIEs but still taxable income for the PRC subsidiaries. Such a transfer and the related tax burdens would reduce our after-tax income to approximately 50.6% of the pre-tax income. Our management believes that there is only a remote possibility that this scenario would happen.

As KE Holdings Inc. is a Cayman Islands holding company with no material operations of its own, its ability to pay dividends depends upon dividends paid by our PRC subsidiaries. Our PRC subsidiaries in turn generate income from their own operations, and in addition enjoy all economic benefit and may receive service fees from the VIEs pursuant to the exclusive business cooperation agreement with the VIEs. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to distribute earnings or pay dividends to us. Under PRC law, each of our subsidiaries and the VIEs in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our subsidiaries and the VIEs in China may allocate a portion of its after-tax profits based on PRC accounting standards to a surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE and declaration and payment of withholding tax. Additionally, if our PRC subsidiaries and the VIEs incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends or make other distributions to us. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until it generates accumulated profits and meets the requirements for statutory reserve funds. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies may delay us from using the proceeds of our offshore offerings to make loans or additional capital contributions to our PRC subsidiaries and to make loans to the VIEs, which could materially and adversely affect our liquidity and our ability to fund and expand our business” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.” Except these regulatory requirements, there are not any other statutory restrictions and limitations on our ability to distribute earnings from our PRC subsidiaries to the parent company and U.S. investors or the ability of the VIEs to settle amounts owned under the VIE agreements.

Financial Information Related to the VIEs

The following table presents the condensed consolidating schedule of balance sheet data for the Parent, our wholly owned subsidiaries that are primary beneficiary of VIEs, VIEs (inclusive of the VIEs' subsidiaries) and other consolidated subsidiaries ("Other Subsidiaries") as of the dates presented.

	As of December 31,					
	2020					
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs	Eliminations	Consolidated
Cash and cash equivalents	3,261,585	30,110,015	6,515,991	1,082,388	—	40,969,979
Restricted cash	—	2,506,256	—	6,061,240	—	8,567,496
Short-term investments	3,903,368	8,697,461	2,021,740	1,065,752	—	15,688,321
Accounts receivable, net	—	13,091,436	—	92,123	—	13,183,559
Amount due from the Group companies ⁽¹⁾	2,618,824	33,531,667	21,620,906	2,603,884	(60,375,281)	—
Other current assets	54,882	7,208,949	160	1,865,755	—	9,129,746
Total current assets	9,838,659	95,145,784	30,158,797	12,771,142	(60,375,281)	87,539,101
Investment in subsidiaries and VIEs ⁽²⁾	57,035,601	640,795	15,560,710	—	(73,237,106)	—
Long-term investment	—	3,033,573	—	106,742	—	3,140,315
Right-of-use assets	—	6,775,491	—	45,609	—	6,821,100
Intangible assets, net ⁽³⁾	—	3,013,220	—	48,452	(1,419,021)	1,642,651
Other non-current assets	—	4,629,048	54	513,368	9,899	5,152,369
Total non-current assets	57,035,601	18,092,127	15,560,764	714,171	(74,646,228)	16,756,435
TOTAL ASSETS	66,874,260	113,237,911	45,719,561	13,485,313	(135,021,509)	104,295,536
Accounts payable	—	6,455,743	—	139,103	—	6,594,846
Employee compensation and welfare payable	—	10,873,344	—	358,456	—	11,231,800
Customer deposits payable	—	1,362,765	—	5,380,491	—	6,743,256
Amount due to the Group companies ⁽¹⁾	—	26,843,614	31,687,149	1,844,518	(60,375,281)	—
Other current liabilities	108,813	6,824,821	88,106	2,041,704	—	9,063,444
Total current liabilities	108,813	52,360,287	31,775,255	9,764,272	(60,375,281)	33,633,346
Total non-current liabilities	—	3,816,358	5,141	48,175	—	3,869,674
TOTAL LIABILITIES	108,813	56,176,645	31,780,396	9,812,447	(60,375,281)	37,503,020
TOTAL KE HOLDINGS INC. SHAREHOLDERS' EQUITY (DEFICIT)	66,765,447	57,035,601	13,939,165	3,671,462	(74,646,228)	66,765,447
Non-controlling interests	—	25,665	—	1,404	—	27,069
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	66,765,447	57,061,266	13,939,165	3,672,866	(74,646,228)	66,792,516
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	66,874,260	113,237,911	45,719,561	13,485,313	(135,021,509)	104,295,536

As of December 31, 2021						
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs	Eliminations	Consolidated
Cash and cash equivalents	55,235	12,254,154	5,671,331	2,465,384	—	20,446,104
Restricted cash	—	868,862	—	5,417,243	—	6,286,105
Short-term investments	81,906	26,406,831	2,589,120	324,804	—	29,402,661
Accounts receivable, net	—	9,299,766	—	25,186	—	9,324,952
Amount due from the Group companies ⁽¹⁾	1,997,867	39,562,161	25,522,236	2,805,071	(69,887,335)	—
Other current assets	55,320	3,152,387	640	1,258,185	—	4,466,532
Total current assets	2,190,328	91,544,161	33,783,327	12,295,873	(69,887,335)	69,926,354
Investment in subsidiaries and VIEs ⁽²⁾	62,289,064	1,460,163	18,311,531	—	(82,060,758)	—
Long-term investment	2,527,253	14,149,543	—	361,375	—	17,038,171
Right-of-use assets	—	7,230,689	—	13,522	—	7,244,211
Intangible assets, net ⁽³⁾	—	2,231,564	—	40,754	(1,131,045)	1,141,273
Other non-current assets	—	4,769,324	3,716	195,816	—	4,968,856
Total non-current assets	64,816,317	29,841,283	18,315,247	611,467	(83,191,803)	30,392,511
TOTAL ASSETS	67,006,645	121,385,444	52,098,574	12,907,340	(153,079,138)	100,318,865
Accounts payable	—	5,946,929	—	61,836	—	6,008,765
Employee compensation and welfare payable	—	9,429,532	—	404,715	—	9,834,247
Customer deposits payable	—	774,120	—	3,407,217	—	4,181,337
Amount due to the Group companies ⁽¹⁾	—	30,325,174	34,746,136	4,816,025	(69,887,335)	—
Other current liabilities	32,669	8,221,055	68,725	589,339	—	8,911,788
Total current liabilities	32,669	54,696,810	34,814,861	9,279,132	(69,887,335)	28,936,137
Total non-current liabilities	—	4,319,336	—	7,899	—	4,327,235
TOTAL LIABILITIES	32,669	59,016,146	34,814,861	9,287,031	(69,887,335)	33,263,372
TOTAL KE HOLDINGS INC. SHAREHOLDERS' EQUITY (DEFICIT)	66,973,976	62,289,064	17,283,713	3,619,026	(83,191,803)	66,973,976
Non-controlling interests	—	80,234	—	1,283	—	81,517
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	66,973,976	62,369,298	17,283,713	3,620,309	(83,191,803)	67,055,493
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	67,006,645	121,385,444	52,098,574	12,907,340	(153,079,138)	100,318,865

The following table presents the condensed consolidating schedule of results of operations for the VIEs and other entities for the periods presented.

For the Year ended December 31, 2019						
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs	Eliminations	Consolidated
Net revenues from third parties	—	40,819,608	—	5,195,298	—	46,014,906
Net revenues from the Group companies ⁽⁴⁾	—	1,692,290	—	1,598,553	(3,290,843)	—
Total net revenues	—	42,511,898	—	6,793,851	(3,290,843)	46,014,906
Cost of revenues - third parties	—	(30,978,633)	—	(3,768,229)	—	(34,746,862)
Cost of revenues – Group companies	—	(1,334,922)	—	(1,934,136)	3,269,058	—
Total cost of revenues⁽⁴⁾	—	(32,313,555)	—	(5,702,365)	3,269,058	(34,746,862)
Gross profit	—	10,198,343	—	1,091,486	(21,785)	11,268,044
Operating expenses ⁽³⁾⁽⁴⁾	(584,948)	(10,705,665)	(519)	(1,676,094)	(86,358)	(13,053,584)
Others	(10,404)	271,007	(91,697)	340,870	—	509,776
Share of income (loss) of subsidiaries and VIEs ⁽²⁾	(1,588,194)	(279,938)	1,765,106	—	103,026	—
Income (loss) before income tax benefit (expense)	(2,183,546)	(516,253)	1,672,890	(243,738)	(5,117)	(1,275,764)
Income tax benefit (expense)	—	(960,563)	—	56,200	—	(904,363)
Net income (loss)	(2,183,546)	(1,476,816)	1,672,890	(187,538)	(5,117)	(2,180,127)
Net loss (income) attributable to non-controlling interests shareholders	—	(3,235)	—	(184)	—	(3,419)
Net income (loss) attributable to KE Holdings Inc.	(2,183,546)	(1,480,051)	1,672,890	(187,722)	(5,117)	(2,183,546)

For the Year ended December 31, 2020						
	Parent	Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs	Eliminations	Consolidated
Net revenues from third parties	—	69,460,679	—	1,020,299	—	70,480,978
Net revenues from the Group companies ⁽⁴⁾	—	237,173	—	187,299	(424,472)	—
Total net revenues	—	69,697,852	—	1,207,598	(424,472)	70,480,978
Cost of revenues - third parties	—	(53,339,682)	—	(281,439)	—	(53,621,121)
Cost of revenues – Group companies ⁽⁴⁾	—	(191,365)	—	(209,074)	400,439	—
Total cost of revenues	—	(53,531,047)	—	(490,513)	400,439	(53,621,121)
Gross profit	—	16,166,805	—	717,085	(24,033)	16,859,857
Operating expenses ⁽³⁾⁽⁴⁾	(203,686)	(13,740,554)	(646)	(378,111)	304,949	(14,018,048)
Others	161,577	960,121	108,187	315,425	—	1,545,310
Income from the Group companies ⁽³⁾	756,812	—	—	—	(756,812)	—
Share of income (loss) of subsidiaries and VIEs ⁽²⁾	2,062,889	630,796	3,808,583	—	(6,502,268)	—
Income (loss) before income tax benefit (expense)	2,777,592	4,017,168	3,916,124	654,399	(6,978,164)	4,387,119
Income tax benefit (expense)	—	(1,477,635)	(90,985)	(40,176)	—	(1,608,796)
Net income (loss)	2,777,592	2,539,533	3,825,139	614,223	(6,978,164)	2,778,323
Net loss (income) attributable to non-controlling interests shareholders	—	(748)	—	17	—	(731)
Net income (loss) attributable to KE Holdings Inc.	2,777,592	2,538,785	3,825,139	614,240	(6,978,164)	2,777,592

For the Year ended December 31, 2021						
	Parent	Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs	Eliminations	Consolidated
Net revenues from third parties	—	79,805,556	—	946,883	—	80,752,439
Net revenues from the Group companies ⁽⁴⁾	—	399,217	—	184,717	(583,934)	—
Total net revenues	—	80,204,773	—	1,131,600	(583,934)	80,752,439
Cost of revenues - third parties	—	(64,503,389)	—	(429,635)	—	(64,933,024)
Cost of revenues – Group companies ⁽⁴⁾	—	(16,547)	—	(189,293)	205,840	—
Total cost of revenues	—	(64,519,936)	—	(618,928)	205,840	(64,933,024)
Gross profit	—	15,684,837	—	512,672	(378,094)	15,819,415
Operating expenses ⁽³⁾⁽⁴⁾	(92,393)	(17,101,568)	(3)	(643,533)	663,218	(17,174,279)
Others	316,844	1,865,693	168,328	117,122	27,603	2,495,590
Share of income (loss) of subsidiaries and VIEs ⁽²⁾	(748,580)	46,768	995,792	—	(293,980)	—
Income (loss) before income tax benefit (expense)	(524,129)	495,730	1,164,117	(13,739)	18,747	1,140,726
Income tax benefit (expense)	—	(1,557,553)	(69,121)	(38,818)	—	(1,665,492)
Net income (loss)	(524,129)	(1,061,823)	1,094,996	(52,557)	18,747	(524,766)
Net loss (income) attributable to non-controlling interests shareholders	—	516	—	121	—	637
Net income (loss) attributable to KE Holdings Inc.	(524,129)	(1,061,307)	1,094,996	(52,436)	18,747	(524,129)

Beijing Lianjia, one of the VIEs, and its subsidiaries used to be the operating entities of our existing home transaction and new home transaction services and certain other home-related emerging and other services before the completion of our reorganization, which started from November 2018 and was completed in July 2019. Through a series of restructuring transactions, most of such subsidiaries of Beijing Lianjia, as well as all of the operating branches of Beijing Lianjia, have become wholly-owned by the applicable WFOEs and our other PRC subsidiaries. Since July 2019, consequently, our PRC subsidiaries have replaced Beijing Lianjia to be the providers of such existing home transaction and new home transaction services and certain home-related emerging and other services. The decrease in revenues contributed by the VIEs, excluding inter-group transactions, from 11.6% in 2019 to 1.4% in 2020 and 1.2% in 2021 is primarily attributable to the reorganization.

The following table presents condensed consolidating schedule of cash flow data for the VIEs and other entities for the years ended presented.

	For the Year ended December 31					
	2019					
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs	Eliminations	Consolidated
Cash flows from operating activities:						
Operating cash flow from from third parties	9,224	4,407,819	(69,396)	(4,235,021)	—	112,626
Operating cash flow from the Group companies ⁽⁴⁾	—	(10,936,826)	—	10,936,826	—	—
Net cash provided by (used in) operating activities	9,224	(6,529,007)	(69,396)	6,701,805	—	112,626
Cash flows from investing activities:						
Purchases of short-term investments	—	(708,760)	—	(9,642,825)	—	(10,351,585)
Maturities of short-term investments	—	787,325	—	10,349,057	—	11,136,382
Cash paid for business combination, net of cash acquired	—	(772,783)	—	—	—	(772,783)
Purchases of property, equipment and intangible assets	—	(691,187)	—	(11,821)	—	(703,008)
Investments in and loans to subsidiaries and VIEs ⁽²⁾	(15,719,863)	(8,749,538)	(5,471,195)	—	29,940,596	—
Loans to related parties	—	(584,576)	—	—	—	(584,576)
Repayments of loans from related parties	—	580,000	—	95,792	—	675,792
Financing receivables originated	—	—	—	(16,178,638)	—	(16,178,638)
Collections of financing receivables principal	—	—	—	14,792,984	—	14,792,984
Purchases of long-term investments	—	(1,727,252)	—	(190,608)	—	(1,917,860)
Other investing activities	—	(63,568)	6,013	87,125	—	29,570
Net cash provided by (used in) investing activities	(15,719,863)	(11,930,339)	(5,465,182)	(698,934)	29,940,596	(3,873,722)
Cash flows from financing activities:						
Proceeds from issues of convertible redeemable preferred shares	15,844,058	—	—	—	—	15,844,058
Proceeds and loans from Parent and other Group companies ⁽²⁾	—	21,191,058	8,749,538	—	(29,940,596)	—
Proceeds from short-term borrowings	1,532,545	—	—	1,800,798	—	3,333,343
Repayments of short-term borrowings	(1,532,545)	—	—	(1,290,798)	—	(2,823,343)
Proceeds from funding debts	—	—	—	3,950,227	—	3,950,227
Repayments of funding debts	—	—	—	(2,582,213)	—	(2,582,213)
Proceeds from long-term borrowings	—	4,880,423	—	—	—	4,880,423
Reinjection of capital from preferred shareholders in connection with the Reorganization	9,892,606	—	—	—	—	9,892,606
Repatriation of capital to preferred shareholders to facilitate the Reorganization	—	—	—	(6,931,136)	—	(6,931,136)
Repurchases of preferred shares	—	—	—	(2,414,607)	—	(2,414,607)
Other financing activities	27,125	(175,744)	—	25,657	—	(122,962)
Net cash provided by (used in) financing activities	25,763,789	25,895,737	8,749,538	(7,442,072)	(29,940,596)	23,026,396
Effect of exchange rate change on cash, cash equivalents and restricted cash	(43,253)	(32,527)	(19,142)	—	—	(94,922)
Net increase (decrease) in cash, cash equivalents and restricted cash	10,009,897	7,403,864	3,195,818	(1,439,201)	—	19,170,378
Cash, cash equivalents and restricted cash at the beginning of the year	2,515,377	1,243,027	68,632	8,933,162	—	12,760,198
Cash, cash equivalents and restricted cash at the end of the year	12,525,274	8,646,891	3,264,450	7,493,961	—	31,930,576

For the Year ended December 31 2020						
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs (RMB in thousands)	VIEs	Eliminations	Consolidated
Cash flows from operating activities:						
Operating cash flow from from third parties	(72,175)	9,907,895	53,998	(527,769)	—	9,361,949
Operating cash flow from the Group companies ⁽⁴⁾	—	1,664,566	—	(1,664,566)	—	—
Net cash provided by (used in) operating activities	(72,175)	11,572,461	53,998	(2,192,335)	—	9,361,949
Cash flows from investing activities:						
Purchases of short-term investments	(13,152,338)	(28,487,954)	(3,500,000)	(7,825,781)	—	(52,966,073)
Maturities of short-term investments	9,295,994	20,670,203	1,512,368	8,289,079	—	39,767,644
Cash paid for business combination, net of cash acquired	—	(10,800)	—	—	—	(10,800)
Purchases of property, equipment and intangible assets	—	(887,002)	—	—	—	(887,002)
Investments in and loans to subsidiaries and VIEs ⁽²⁾	(38,818,154)	10,975,112	16,148,167	—	11,694,875	—
Loans to related parties	—	(29,953)	—	—	—	(29,953)
Repayments of loans from related parties	—	2,151	—	1,909,500	—	1,911,651
Financing receivables originated	—	(3,625,817)	—	(33,551,045)	—	(37,176,862)
Collections of financing receivables principal	—	612,361	—	34,772,082	—	35,384,443
Purchases of long-term investments	—	(996,123)	—	—	—	(996,123)
Other investing activities	—	195,361	10,082	(179,986)	—	25,457
Net cash provided by (used in) investing activities	(42,674,498)	(1,582,461)	14,170,617	3,413,849	11,694,875	(14,977,618)
Cash flows from financing activities:						
Cash transferred from subsidiaries to parent company for Reorganization	2,351,587	(2,351,587)	—	—	—	—
Proceeds and loans from Parent and other Group companies ⁽²⁾	—	22,669,987	(10,975,112)	—	(11,694,875)	—
Ordinary shares issued upon IPO, net of issuance costs	16,345,822	—	—	—	—	16,345,822
Ordinary shares issued upon follow-on public offering, net of issuance costs	15,284,283	—	—	—	—	15,284,283
Proceeds from short-term borrowings	—	—	—	250,000	—	250,000
Repayments of short-term borrowings	—	—	—	(970,000)	—	(970,000)
Proceeds from funding debts	—	—	—	3,260,988	—	3,260,988
Repayments of funding debts	—	—	—	(4,032,701)	—	(4,032,701)
Proceeds from long-term borrowings	—	42,040	—	—	—	42,040
Repayments of long-term borrowings	—	(4,528,725)	—	—	—	(4,528,725)
Other financing activities	169,915	(335,237)	—	(80,135)	—	(245,457)
Net cash provided by (used in) financing activities	34,151,607	15,496,478	(10,975,112)	(1,571,848)	(11,694,875)	25,406,250
Effect of exchange rate change on cash, cash equivalents and restricted cash						
	(668,623)	(1,517,097)	2,038	—	—	(2,183,682)
Net increase (decrease) in cash, cash equivalents and restricted cash	(9,263,689)	23,969,381	3,251,541	(350,334)	—	17,606,899
Cash, cash equivalents and restricted cash at the beginning of the year	12,525,274	8,646,891	3,264,450	7,493,961	—	31,930,576
Cash, cash equivalents and restricted cash at the end of the year	3,261,585	32,616,272	6,515,991	7,143,627	—	49,537,475

For the Year ended December 31						
2021						
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs	Eliminations	Consolidated
	(RMB in thousands)					
Cash flows from operating activities:						
Operating cash flow from from third parties	(10,302)	5,554,526	2,961	(1,952,063)	—	3,595,122
Operating cash flow from the Group companies ⁽⁴⁾	—	(347,163)	—	347,163	—	—
Net cash provided by (used in) operating activities	(10,302)	5,207,363	2,961	(1,604,900)	—	3,595,122
Cash flows from investing activities:						
Purchases of short-term investments	(4,756,634)	(35,872,756)	(2,450,000)	(4,775,300)	—	(47,854,690)
Maturities of short-term investments	8,682,468	21,774,553	1,970,470	5,551,500	—	37,978,991
Cash paid for business combination, net of cash acquired	—	(21,842)	—	—	—	(21,842)
Purchases of property, equipment and intangible assets	—	(1,419,401)	—	(10,576)	—	(1,429,977)
Investments in and loans to subsidiaries and VIEs ⁽²⁾	(4,581,814)	1,112,757	765,526	—	2,703,531	—
Loans to related parties	—	(28,100)	—	—	—	(28,100)
Repayments of loans from related parties	—	21,690	—	—	—	21,690
Financing receivables originated	—	(70,478)	—	(32,895,707)	—	(32,966,185)
Collections of financing receivables principal	—	109,238	—	36,169,780	—	36,279,018
Purchases of long-term investments	(3,243,210)	(14,640,921)	—	(255,369)	—	(18,139,500)
Other investing activities	715,957	595,711	(34,948)	(199)	—	1,276,521
Net cash provided by (used in) investing activities	(3,183,233)	(28,439,549)	251,048	3,784,129	2,703,531	(24,884,074)
Cash flows from financing activities:						
Proceeds and loans from Parent and other Group companies ⁽²⁾	—	3,923,208	(1,112,757)	(106,920)	(2,703,531)	—
Proceeds from short-term borrowings	—	260,000	—	—	—	260,000
Proceeds from funding debts	—	—	—	507,543	—	507,543
Repayments of funding debts	—	—	—	(1,840,853)	—	(1,840,853)
Other financing activities	7	(870)	—	—	—	(863)
Net cash provided by (used in) financing activities	7	4,182,338	(1,112,757)	(1,440,230)	(2,703,531)	(1,074,173)
Effect of exchange rate change on cash, cash equivalents and restricted cash	(12,822)	(443,407)	14,088	—	—	(442,141)
Net increase (decrease) in cash, cash equivalents and restricted cash	(3,206,350)	(19,493,255)	(844,660)	738,999	—	(22,805,266)
Cash, cash equivalents and restricted cash at the beginning of the year	3,261,585	32,616,271	6,515,991	7,143,628	—	49,537,475
Cash, cash equivalents and restricted cash at the end of the year	55,235	13,123,016	5,671,331	7,882,627	—	26,732,209

Notes:

- (1) Represents the intercompany balances among Parent, the Primary Beneficiary of VIEs, Other Subsidiaries, and VIEs, and the elimination among them.
- (2) Represents the investment in and loans to the Primary Beneficiary of VIEs and Other Subsidiaries by the Parent, and intercompany loans among the Primary Beneficiary of VIEs, Other Subsidiaries, and VIEs, and the elimination among

them, and share of income (loss) of subsidiaries and VIEs under the equity method of accounting. The Parent transfers cash to its wholly-owned Hong Kong subsidiaries by making capital contributions or providing loans, and the Hong Kong subsidiaries transfer cash to the Primary Beneficiary of VIEs and other PRC subsidiaries by making capital contributions or providing loans to them. The Primary Beneficiary of VIEs also have intercompany loans with Other Subsidiaries and certain VIEs as part of our cash management program.

- (3) Represents the intercompany transfer of intangible asset (advertising resources) from Parent to subsidiaries in 2020, transfer of a trademark from VIE to subsidiaries in 2018, the adjustment of amortization in relation to these intangible assets, and the elimination of gain recognized in this transaction.
- (4) Represents intercompany sales of services eliminated at the consolidation level, including payment platform, referral and other services provided by VIEs to Other Subsidiaries, and technical support services provided by Other Subsidiaries to VIEs.

Set forth below is the table showing the movement of investment in subsidiaries and VIEs in the Parent's financial statements as of and for the years ended December 31, 2019, 2020 and 2021.

Investment in subsidiaries and VIEs (RMB in thousands)

January 1, 2019	9,587,416
Share of loss of subsidiaries and VIEs	(1,588,194)
Share-based compensation costs incurred on behalf of subsidiaries and VIEs	2,892,352
Capital repatriation in connection with the Reorganization	(9,892,606)
Capital injection to subsidiaries	15,651,227
Payments made by subsidiaries on behalf of the Company	(76,836)
Share of other changes in the capital accounts of subsidiaries and VIEs	36,509
Foreign currency translation	21,009
December 31, 2019	16,630,877
Share of income of subsidiaries and VIEs	2,062,889
Share-based compensation costs incurred on behalf of subsidiaries and VIEs	2,252,589
Capital repatriation in connection with the Reorganization	(2,351,587)
Capital injection to subsidiaries	38,867,338
Ordinary shares issued to fund a subsidiary's acquisition	605,395
Share of other changes in the capital accounts of subsidiaries and VIEs	(51,228)
Foreign currency translation	(980,672)
December 31, 2020	57,035,601
Share of loss of subsidiaries and VIEs	(748,580)
Share-based compensation costs incurred on behalf of subsidiaries and VIEs	1,537,995
Capital injection to subsidiaries	4,581,814
Foreign currency translation	(117,766)
December 31, 2021	62,289,064

A. Selected Financial Data

The following selected consolidated statements of operations for the years ended December 31, 2019, 2020 and 2021, selected consolidated balance sheet data as of December 31, 2020 and 2021, and selected consolidated cash flow data for the years ended December 31, 2019, 2020 and 2021 have been derived from our audited consolidated financial statements included elsewhere in this annual report beginning on page F-1. The selected consolidated statements of operations for the year ended December 31, 2017 and 2018, selected consolidated balance sheet data as of December 31, 2017, 2018 and 2019, and selected consolidated cash flow data for the year ended December 31, 2017 and 2018 have been derived from our audited consolidated financial statements not included in this annual report. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Our historical results are not necessarily indicative of results expected for future periods. You should read this “Selected Financial Data” section together with our consolidated financial statements and the related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report.

	For the Year Ended December 31,					
	2017	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
(in thousands, except for share and per share data)						
Net revenues:						
Existing home transaction services	18,461,231	20,154,642	24,568,508	30,564,584	31,947,953	5,013,331
New home transaction services	6,419,251	7,471,924	20,273,860	37,937,886	46,472,378	7,292,530
Emerging and other services	625,216	1,019,933	1,172,538	1,978,508	2,332,108	365,959
Total net revenues	25,505,698	28,646,499	46,014,906	70,480,978	80,752,439	12,671,820
Cost of revenues						
Commission — split	(933,162)	(1,393,167)	(11,154,698)	(24,847,023)	(31,826,634)	(4,994,293)
Commission and compensation — internal	(15,663,301)	(15,767,582)	(19,444,127)	(23,324,145)	(26,306,569)	(4,128,075)
Cost related to stores	(3,543,781)	(3,400,545)	(3,078,672)	(3,206,601)	(3,809,757)	(597,834)
Others (including amounts of share-based compensation expenses of zero, zero, zero, RMB512 million, and RMB406 million (US\$64 million) for the years ended December 31, 2017, 2018, 2019, 2020 and 2021, respectively)	(597,397)	(1,215,229)	(1,069,365)	(2,243,352)	(2,990,064)	(469,206)
Gross profit	4,768,057	6,869,976	11,268,044	16,859,857	15,819,415	2,482,412
Sales and marketing expenses (including amounts of share-based compensation expenses of zero, zero, zero, RMB78 million, and RMB110 million (US\$17 million) for the years ended December 31, 2017, 2018, 2019, 2020 and 2021, respectively)	(998,575)	(2,489,692)	(3,105,899)	(3,715,278)	(4,309,116)	(676,194)
General and administrative expenses (including amounts of share-based compensation expenses of RMB476 million, RMB382 million, RMB2,956 million, RMB1,131 million, and RMB596 million (US\$93 million) for the years ended December 31, 2017, 2018, 2019, 2020 and 2021, respectively)	(4,281,571)	(4,927,367)	(8,376,531)	(7,588,809)	(8,924,470)	(1,400,444)
Research and development expenses (including amounts of share-based compensation expenses of zero, zero, zero, RMB532 million, and RMB426 million (US\$67 million) for the years ended December 31, 2017, 2018, 2019, 2020 and 2021, respectively)	(251,802)	(670,922)	(1,571,154)	(2,477,911)	(3,193,988)	(501,206)
Others	625,553	718,940	509,776	1,309,260	1,748,885	274,438
Income (loss) before income tax benefit (expense)	(138,338)	(499,065)	(1,275,764)	4,387,119	1,140,726	179,006
Income tax benefit (expense)	(399,283)	71,384	(904,363)	(1,608,796)	(1,665,492)	(261,352)
Net income (loss)	(537,621)	(427,681)	(2,180,127)	2,778,323	(524,766)	(82,346)
Weighted average number of ordinary shares used in computing net income (loss) per share, basic and diluted						
— Basic	1,345,194,322	1,362,565,880	1,378,235,522	2,226,264,859	3,549,121,628	3,549,121,628
— Diluted	1,345,194,322	1,362,565,880	1,378,235,522	2,267,330,891	3,549,121,628	3,549,121,628
Net income (loss) per share attributable to ordinary shareholders						
— Basic	(1.07)	(1.75)	(2.94)	0.32	(0.15)	(0.02)
— Diluted	(1.07)	(1.75)	(2.94)	0.32	(0.15)	(0.02)

The following table presents our selected consolidated balance sheet data as of the dates indicated:

	As of December 31,					
	2017	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Selected consolidated Balance Sheet Data						
Cash and cash equivalents	5,236,100	9,115,649	24,319,332	40,969,979	20,446,104	3,208,440
Total current assets	24,067,931	27,374,784	51,912,486	87,539,101	69,926,354	10,972,970
Total non-current assets	7,512,004	11,491,480	15,352,826	16,756,435	30,392,511	4,769,250
Total assets	31,579,935	38,866,264	67,265,312	104,295,536	100,318,865	15,742,220
Total current liabilities	16,047,286	20,572,881	27,797,675	33,633,346	28,936,137	4,540,711
Total non-current liabilities	3,095,864	3,434,843	7,932,045	3,869,674	4,327,235	679,038
Total liabilities	19,143,150	24,007,724	35,729,720	37,503,020	33,263,372	5,219,749

The following table presents our selected consolidated cash flow data for the periods indicated:

	For the Year Ended December 31,					
	2017	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Selected Consolidated Cash Flow Data						
Net cash provided by (used in) operating activities	(6,456,226)	3,216,797	112,626	9,361,949	3,595,122	564,153
Net cash provided by (used in) investing activities	(2,783,562)	2,609,149	(3,873,722)	(14,977,618)	(24,884,074)	(3,904,854)
Net cash provided by (used in) financing activities	9,576,284	(1,282,408)	23,026,396	25,406,250	(1,074,173)	(168,561)
Effect of exchange rate change on cash, cash equivalents and restricted cash	(330)	416	(94,922)	(2,183,682)	(442,141)	(69,382)
Net increase (decrease) in cash, cash equivalents and restricted cash	336,166	4,543,954	19,170,378	17,606,899	(22,805,266)	(3,578,644)
Cash, cash equivalents and restricted cash at the beginning of the year	7,880,078	8,216,244	12,760,198	31,930,576	49,537,475	7,773,511
Cash, cash equivalents and restricted cash at the end of the year	8,216,244	12,760,198	31,930,576	49,537,475	26,732,209	4,194,867

Contribution Margin

We also review contribution margin to measure segment profitability. The table below sets forth the contribution margin for each of our business lines for the periods indicated.

	For the Year Ended December 31,					
	2017	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands, except for percentages)					
Contribution (existing home transaction services)	5,635,332	7,731,846	9,554,244	12,499,133	11,824,452	1,855,515
Contribution margin (existing home transaction services)	30.5 %	38.4 %	38.9 %	40.9 %	37.0 %	37.0 %
Contribution (new home transaction services)	2,866,263	3,027,822	4,918,700	8,149,925	8,947,138	1,404,001
Contribution margin (new home transaction services)	44.7 %	40.5 %	24.3 %	21.5 %	19.3 %	19.3 %
Contribution (emerging and other services)	407,640	726,082	943,137	1,660,752	1,847,646	289,936
Contribution margin (emerging and other services)	65.2 %	71.2 %	80.4 %	83.9 %	79.2 %	79.2 %

We define contribution for each service line as the revenue less the direct compensation to our internal agents and sales professionals, and split commission to connected agents and other sales channels for such services. We define contribution margin as a percentage of contribution bearing to revenue.

The following table presents the calculation to arrive at contribution from net revenues, for each of the periods indicated:

	For the Year Ended December 31,					
	2017	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Existing home transaction services						
Net revenues	18,461,231	20,154,642	24,568,508	30,564,584	31,947,953	5,013,331
Less: Commission and compensation	(12,825,899)	(12,422,796)	(15,014,264)	(18,065,451)	(20,123,501)	(3,157,816)
Contribution	5,635,332	7,731,846	9,554,244	12,499,133	11,824,452	1,855,515
New home transaction services						
Net revenues	6,419,251	7,471,924	20,273,860	37,937,886	46,472,378	7,292,530
Less: Commission and compensation	(3,552,988)	(4,444,102)	(15,355,160)	(29,787,961)	(37,525,240)	(5,888,529)
Contribution	2,866,263	3,027,822	4,918,700	8,149,925	8,947,138	1,404,001
Emerging and other services						
Net revenues	625,216	1,019,933	1,172,538	1,978,508	2,332,108	365,959
Less: Commission and compensation	(217,576)	(293,851)	(229,401)	(317,756)	(484,462)	(76,023)
Contribution	407,640	726,082	943,137	1,660,752	1,847,646	289,936

Contribution margin demonstrates the margin that we generate after costs directly attributable to the respective revenue streams, including existing home transaction services, new home transaction services, and emerging and other services. The costs and expenses related to the platform infrastructure building and enhancement, including cost related to our *Lianjia* stores and the development cost of our technological platform, which are not directly attributable to the respective revenue streams, are not deducted from revenue when calculating contribution.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

An investment in our ADSs involves significant risks. Below is a summary of material risks we face, organized under relevant headings. These risks are discussed more fully in Item 3. Key Information—D. Risk Factors.

Risks Related to Our Business and Industry

- Our business is susceptible to fluctuations in China's general economic conditions and housing related industry.
- Our business is subject to government regulations and policies guiding China's economy in general and, specifically, on existing and new home transactions.
- If we are unable to continue to provide satisfactory experience to housing customers, our business and reputation may be materially and adversely affected.
- We may not succeed in continuing to maintain, protect and strengthen our brands, and any negative publicity about us, our business, our management, our business partners or the housing related industry in general may materially and adversely affect our reputation, business, results of operations and growth.
- If our platform is unable to continue to offer comprehensive authentic property listings, our business, financial condition and results of operations could be materially and adversely affected.

- We have a limited operating history under our platform business model, and our historical growth and performance may not be indicative of our future growth and financial results.
- Any failure or perceived failure by us to comply with the anti-monopoly and competition laws and regulations in the PRC may result in governmental investigations, enforcement actions, litigation or claims against us and could have an adverse effect on business, reputation, results of operations and financial condition.
- Our business generates and processes a large amount of data and is subject to various evolving PRC laws and regulations regarding cybersecurity and data privacy. Failure of cybersecurity and data privacy concerns could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential customers from using our services.
- Our business has been and may continue to be adversely affected by the outbreak of COVID-19.
- We have incurred net losses in the past, and we may not be able to remain profitable or increase profitability in the future.

Risks Related to Our Corporate Structure

- KE Holdings Inc. is not an operating company in China but a Cayman Islands holding company with no material operations of its own and no equity ownership in the VIEs. We conduct our operations primarily through (i) our PRC subsidiaries and (ii) the VIEs, with which we maintain contractual agreements. Investors in our ADSs thus are not purchasing equity interest in the VIEs in China but instead are purchasing equity interest in KE Holdings Inc., a Cayman Islands holding company. If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company in the Cayman Islands, the VIEs and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of the VIEs and our company as a group.
- We rely on contractual arrangements with the VIEs and their shareholders to exercise control over a portion of our business, which may not be as effective as direct ownership in providing operational control.
- Any failure by the VIEs or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on part of our business.

Risks Related to Doing Business in China

- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.
- Uncertainties with respect to the PRC legal system could materially and adversely affect us.
- The PRC government's oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our ADSs.
- The filing, approval or other administration requirements of the CSRC, the CAC or other PRC governmental authorities may be required in connection with our offshore offerings under PRC law.
- The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections.

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

Risks Related to Our ADSs

- The trading price of the ADSs may be volatile, which could result in substantial losses to investors.
- Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

Risks Related to Our Business and Industry

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

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

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

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

The housing related industry in China is also subject to government regulations and policies. The PRC government has in recent years announced a series of measures aimed to stabilize the growth of the PRC economy and specific sectors, including the housing related industry, to a more sustainable level. Moves in regulations and policies on the housing related industry were more often made during the times when the housing prices are increasing overwhelmingly, in line with the central government's principle that “housing is for living in, not for speculation,” which was clearly emphasized in the Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035 for the People's Republic of China, or the 14th Five-year Plan. The 14th Five-year Plan was formulated in October 2020 and approved by the National People's Congress of the PRC, in March 2021.

With the implementation of the 14th Five-Year Plan, the PRC governmental authorities have taken steps to strengthen the regulation of the real estate industry, including by promulgating new regulations and policies on the housing related industry aiming at achieving dynamic balance between demand and supply in the housing related industry, regulating speculative housing investment, and promoting social stabilization and welfare. For instance, in response to the highly volatile housing prices starting from the fourth quarter of 2020, the Ministry of Housing and Urban-Rural Development of the PRC, or the MOHURD, jointly with other seven PRC regulatory authorities, issued the Notice on Continuous Improvement and Regulation of the Real Estate Market Order on July 13, 2021, which aimed to strengthen the rectification of improper or illegal behaviors in real estate development, sales and leasing of properties, and property services by ways including, among others, rectifications of publishing false information of properties and illegal advertisements, which reflected the PRC regulatory authorities' focus on stabilization and long-term healthy growth of the housing related industry.

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

At the municipal level, many municipal governments have issued market control policies targeting at, among other things, restoring or strengthening restrictions on residential property speculation and tightening credit policy, over the past five years. In particular, central and local government authorities introduced the policies to specifically stabilize the housing related industry, including limiting the maximum amount of monthly mortgages and the maximum amount of total monthly debt service payments of an individual borrower; imposing a value-added tax on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties; increasing the minimum amount and percentage of down payment of the purchase price of the residential property of a family; tightening the availability of individual housing loans in the housing related industry to individuals and their family members with more than one residential properties; imposing a 20.0% individual income tax on the gain from the sale of second-hand properties; limiting the availability of individual housing provident fund loans for the purchase of second (or more) residential properties by employees and their family members; mandating the banks to contain their balance of all real estate loans and balance of all individual housing loans under a certain capped percentage of the total balance of all Renminbi loans provided by the bank; and publishing reference sale prices for existing home transactions at different regions in a city. In 2021, the housing authorities of several cities, such as Beijing and Shanghai, issued notices on enhancing comprehensive management on housing related industry or agents with respect to advertising, sale of real estate properties, and financing for housing transactions. The housing authorities of some cities also established a mechanism of reference sale prices for existing home transactions, such as Shenzhen and Xi'an. In particular, the circular and the list of reference sale prices on existing home transactions issued by the housing authorities in Shenzhen in early 2021 specified a tailored reference price for each of the nearly 3,600 residential communities in the city, and, as a result of this new policy, the transaction volume of existing homes in Shenzhen has dropped significantly.

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

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

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

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

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

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

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

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

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

We believe that our authentic property listings inventory is critical for us to gain trust from our housing customers, improve agent operating efficiency and maintain our competitive advantages. We have an obligation under PRC laws to review, monitor and verify the content of the listing information to ensure it is not fraudulent or misleading and is in compliance with applicable laws. We are not allowed to list certain property information for various reasons, including intellectual property infringement, non-compliance with real estate regulations and policies and non-compliance with advertising laws and competition laws, and we are legally required to delete such listing information that is reported by our customers as illegal or may constitute an infringement to others. Although we thrive to maintain the authenticity and accuracy of our property listings by enforcing strict authentic listing rules, constantly monitoring and checking the authenticity of property listings, timely updating or deleting unqualified listings and awarding customers for accurate reporting of incorrect information, we cannot assure you that all the real estate properties listed on our platform are authentic, accurate, up-to-date and not misleading at all times. See “Item 4. Information on the Company—B. Business Overview—Agent Cooperation Network (ACN)—Authentic Property Listings.” To the extent we fail to monitor and maintain the quality and authenticity of the listings in our property listing database, and the authenticity and accuracy of our property listings deteriorate, our platform could be less attractive to both housing customers and real estate agents and our transaction volume may decrease. We may

also be subject to regulatory investigations or penalties if the issues raise regulatory concerns. A public perception that inauthentic property information is displayed on our platform, even if factually incorrect or based on a few isolated incidents, could damage our reputation, diminish the value of our brand and negatively impact our business, financial condition and results of operations.

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

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

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

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

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

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

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

In addition, on November 15, 2021, the SAMR published the Overseas Anti-monopoly Compliance Guidelines for Enterprises, which is aimed at helping PRC companies establish and strengthen overseas anti-monopoly compliance systems to reduce overseas anti-monopoly compliance risks. The Guidelines applies to both PRC enterprises that conduct business and operation overseas and PRC enterprises that conduct business and operations in the PRC and may have certain impacts on overseas markets, in particular for those that conduct import and export trade, overseas investments, acquisition, transfer or license of intellectual properties and tendering and bidding activities. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Related to Anti-Monopoly and Anti-unfair Competition."

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

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

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

In the case of our failure or perceived failure to comply with these laws and regulations and new legislations or guidelines to be promulgated from time to time, governmental agencies and regulators may, among other things, prohibit or rescind our acquisitions, divestitures, or combinations, impose significant fines or penalties, require divestiture of certain of our assets, or impose other restrictions that limit or require us to modify our operations. It may be costly to adjust some of our business practice in order to comply with these laws, regulations, rules, guidelines and implementations, and any incompliance or associated inquiries, investigations and other governmental actions may divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, and materially and adversely affect our financial conditions, results of operations, and business prospects.

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

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

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

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

We are subject to various cybersecurity and data privacy laws and regulations in China, including without limitation, the PRC Civil Code and the PRC Cybersecurity Law. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Related to Internet Security and Privacy Protection.” Moreover, different regulatory bodies in China, including the Ministry of Industry and Information Technology of the PRC, or the MIIT, the CAC, the Ministry of Public Security, the SAMR, and the MOHURD, have enforced data privacy and protections laws and regulations with various standards and applications. The various standards in enforcement of data privacy and protection laws have caused us difficulties in ensuring full compliance and increase our operating cost, as we need to spend time and resources to deal with various inspections for compliance. While we have adopted a rigorous and comprehensive policy for the collection, processing, sharing, disclosure authorization and other aspects of data use and privacy and taken necessary measures to comply with all applicable data privacy and protection laws and regulations, we cannot guarantee the effectiveness of these policies and measures undertaken by us, or by the agents, brokerage brands and stores or other business partners on our platform. Any failure or perceived failure to comply with all applicable data privacy and protection laws and regulations, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with our internal control measures, may result in negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation, discourage current and potential agents, housing customers and subject us to fines and damages, which could have a material adverse effect on our business and results of operations.

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

Personal Information and Data Privacy

On August 20, 2021, the State Council of the PRC promulgated the PRC Personal Information Protection Law, effective from November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Entities handling personal information shall bear responsibilities for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to rectify, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Related to Privacy Protection.” The Anti-monopoly Guidelines for the Platform Economy Sector also published by the Anti-monopoly Committee of the State Council of the PRC also prohibits collection of user information through coercive means by online platform operators.

Data Security

On June 10, 2021, the Standing Committee of the National People’s Congress promulgated the PRC Data Security Law, which took effect in September 2021. The Data Security Law, among other things, provides for a security review procedure for the data activities that may affect national security. In addition, on December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures, which further restate and expand the applicable scope of the cybersecurity review. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that procure internet products and services, and network platform operators engaging in data processing activities, must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further stipulate that network platform operators holding over one million users’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review before listing on a foreign stock exchange. However, given the Cybersecurity Review Measures were recently promulgated, there are substantial uncertainties as to the interpretation, application and enforcement of the Cybersecurity Review Measures. The PRC government authorities have wide discretion in interpretation and implementation of the Cybersecurity Review Measures, including cybersecurity review on certain activities of critical information infrastructure operators and other circumstances that affect or may affect national security. The exact scope of “critical information infrastructure operators” under the current regulatory regime remains unclear and the identification of critical information infrastructure operators is subject to specific identification rules stipulated by relevant industry regulators and the notice from the relevant regulators pursuant to the Regulations on Protection of Critical Information Infrastructure. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Related to Internet Security and Privacy Protection.”

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

Furthermore, on November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments), which reiterate the circumstances under which data processors shall apply for cybersecurity review. The Administration Regulations on Cyber Data Security (Draft for Comments) also provides that data processors processing important data or going public overseas shall conduct an annual data security assessment by themselves or through a third-party data security service provider and submit assessment report to local agency of the CAC before January 31 of each year. However, it provides no further explanation or interpretation as to how to determine what constitutes “affecting national security”, and there remain uncertainties whether we would be subject to the cybersecurity review pursuant to such measures. As of the date of this annual report, there is no schedule as to when it will be enacted. Substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation.

It also remains uncertain whether the Cybersecurity Review Measures, the Administration Regulations on Cyber Data Security (Draft for Comments), or any future regulatory changes would impose additional restrictions on companies like us. We cannot predict the impact of the Cybersecurity Review Measures or the draft measures, including the Administration Regulations on Cyber Data Security (Draft for Comments), at this stage, and we will closely monitor and assess any development in the rule-making process. If the the Cybersecurity Review Measures or the enacted versions of the draft measures mandate clearance of cybersecurity review and other specific actions to be completed by China-based companies listed on a U.S. stock exchange, such as us, we face uncertainties as to whether such clearance can be timely obtained, or at all. As of the date of this annual report, there has been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations or investigation or other legal proceeding, pending or threatened against us initiated by competent government authorities or third parties, that will materially and adversely affect the business of us. As of the date of this annual report, we have not been involved in any formal investigations on cybersecurity review made by the CAC on such basis. However, if we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from the relevant application stores, among other sanctions, which could materially and adversely affect our business and results of operations.

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

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

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

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

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

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

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

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

We incur accounts receivable with, and pay earnest deposits to, real estate developers when we are engaged to sell new home projects and we grant them credit terms for our sales commissions in line with the industry practice in China. As of December 31, 2021, the balance of deposits paid to real estate developers was RMB0.6 billion (US\$0.1 billion) and the accounts receivable due from them was RMB11.0 billion (US\$1.7 billion). We may face risk collecting these amounts if the operation and liquidity condition of real estate developers deteriorate. Meanwhile, any policy change aiming at tightening regulations of real estate developers may limit their access to financing channels and may cause adverse impact on the collectability of our accounts receivable. For instance, since the end of 2020, the regulators have tightened the financial requirements for real estate developers to seek new debt financings, with the aim of curbing the rapid growth of debts of real estate developers. Under the rules, the growth rate of debt financing allowed for a real estate developer is contingent on its satisfaction of three debt-related financial metrics, and if it fails to meet all three metrics, it will be restricted from obtaining any new interest-bearing debt financing. If any of the real estate developers with significant outstanding accounts receivable and deposits were to become insolvent or otherwise become unable or refuse, to make payments in a timely manner, or at all, we would have to make additional provisions against such accounts receivable and deposits, or write off the relevant amounts, either of which could adversely affect our financial conditions and profitability.

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

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

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

Although we have a well-developed monetization model for our self-operated housing transaction services business through *Lianjia*, we are at the early stage of our platform business and our platform monetization model is evolving. Our *Beike* platform generates revenues from existing home transaction services by earning platform service fees from real estate brokerage firms on the platform as a percentage of the transaction commissions they earned on our platform, commissions from housing customers for transactions facilitated by our *Lianjia* brand or a split for commissions from other brokerage firms acting as principal agents in collaboration with our *Lianjia* agents to complete transactions, franchise fees from brokerage firms under our franchise brands such as *Deyou*, and service fees for other value-added services. We also generate revenues from new home transaction services by earning sales commissions from real estate developers for new home sales completed by us as well as other services such as financial services and home renovation services. We cannot assure you that we can successfully implement the existing business model to generate sustainable revenues, especially with respect to our attempts in broadening monetization with limited track records, or that we will be able to develop new monetization strategies to grow our revenues. If we fail to maintain the implementation of our existing business model or develop new monetization approaches, we may not be able to maintain or increase our revenues or effectively manage any associated costs. In addition, we may introduce new products and services for which we have little or no prior development or operating experience. If these new products or services fail to meet our expectations or are unable to attract or engage users, real estate agents, business partners or other platform participants, as the case may be, we may fail to diversify our revenue streams or generate sufficient revenues to justify our investments and costs, and our business and operating results may suffer as a result.

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

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

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

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

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

The real estate brokerage business in China is highly regulated by the PRC government. See also "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Related to Real Estate Brokerage Business and Real Estate Agency Enterprises." Pursuant to the Real Estate Brokerage Administrative Measures, to qualify as a real estate brokerage institution, an entity and its branches should have a sufficient number of qualified real estate brokers and file with relevant local real estate administrative authority within 30 days after obtaining its business license. The requirements of the local real estate administrative authorities for such filings may vary among cities and we cannot assure you that, to the extent that the filing is required by local authorities, we will be able to complete the filing in a timely manner, or at all. As of the date of this annual report, all of our subsidiaries and their branches operating real estate brokerage business have currently filed with the relevant authorities, except that a small subset of branches which are preparing for or in the process of completing such requirements. Thus far, the filing status of these branches has not caused any material adverse effect to our business operations. We cannot assure you that the outstanding filings and future filings will be completed in a timely manner, or at all. If not, we may be subject to penalties or other governmental sanctions for such failures.

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

Furthermore, as some of our businesses or services are innovative, we cannot assure you that the authorities may share the same view as ours on the identification or category of these businesses or services in the regime of foreign investment laws, including whether appropriate licenses or permits for them have been duly applied or obtained. If we enter into new service categories and businesses, or any of our current businesses or services are determined to be subject to new licensing or similar requirements in the future, especially due to the evolving application or interpretation of relevant laws and regulations, we may be required to obtain licenses or permits that we do not currently have or to upgrade the licenses or permits we currently have or satisfy other requirements arising from the government authorities.. We will strive to obtain and upgrade the relevant licenses and permits and satisfy all such requirements, but we cannot assure you that we will be able to obtain or upgrade such licenses and permits and complete relevant administrative procedures in a timely manner, or at all.

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

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

The satisfactory performance, reliability and availability of our platform, both online and offline, are critical to our success and our ability to attract and retain housing customers and real estate agents. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our online operations could reduce the transaction volumes and hamper transaction efficiency, and our platform as a whole will suffer. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website and mobile app slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill customer requests. Security breaches, computer viruses and hacking attacks have become more prevalent in our industry. Because of our brand recognition in the housing transactions and services industry in China, we believe we are a relatively attractive target for such attacks. We have experienced in the past such unexpected interruptions, and we have taken protective measures to enhance the security of our platform. We can provide no assurance that our current security mechanisms will be sufficient to protect our IT systems from any external intrusions, viruses or hacker attacks, information or data theft or other similar activities. Any such future occurrences could reduce customer satisfaction, damage our reputation and result in a material decrease in our revenues. If hostile hacking attacks result in revelation of personal data we are obligated to protect, we may be subject to administrative penalties or legal proceedings against us. If such attacks lead to leaked trade secrets, including our property listings, our business and results of operations may be materially and adversely affected.

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

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

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

Real estate agents and certain personnel on our platform are the ultimate providers of the services offered on our platform, and our brands and reputation may be harmed by their actions that are outside our control. We rely on our employees, including *Lianjia* agents, supporting staff and platform operation staff to provide housing transaction services and various other services. Notwithstanding the strictly enforced service protocols, our employees, especially our agents, may not fully comply with our protocols and relevant laws or regulations, and may engage in misconduct or illegal actions, which may result in negative publicity and adversely impact our reputation and brand image.

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

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

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

COVID-19 had a severe and negative impact on the Chinese and the global economy. Starting from the fourth quarter of 2020 and from time to time in 2021 and early 2022, a few waves of COVID-19 infections emerged from time to time in various regions of China, and varying levels of travel restrictions were reinstated, including those in Shanghai since March 2022. Whether this will lead to a prolonged downturn in the economy is still unknown. The global macroeconomic environment is also facing other challenges, including the end of quantitative easing, interest rate increases, and reduction in bond holdings by the U.S. Federal Reserve, the conflicts in Ukraine, sanctions on Russia and the resulting economic turbulences, the economic slowdown in the Eurozone since 2014, uncertainties over the impact of Brexit, and the ongoing global trade disputes and tariffs. The growth of the Chinese economy has slowed down since 2012 compared to the previous decade and the trend may continue. According to the National Bureau of Statistics of China, China's gross domestic product (GDP) growth was 2.3% in 2020 and 8.1% in 2021. There is considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. In addition, there have also been concerns about the relationship between China and the United States, resulted from the current trade tension between the two countries. It is unclear whether these challenges and uncertainties will be contained or resolved and what effects they may have on the global political and economic conditions in the long term. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any prolonged slowdown in the global or Chinese economy may have a negative impact on our business, results of operations and financial condition, and continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs. Our customers and business partners may reduce or delay spending with us, while we may have difficulty expanding our customer base and cooperative network fast enough, or at all, or to offset the impact of decreased spending by our existing customers and business partners.

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

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

- Investments and acquisitions could result in the use of substantial amounts of cash and, potentially dilutive issuances of equity securities. For instance, we expect to acquire Shengdu for an aggregate consideration of RMB3.92 billion in cash and 44,315,854 of our Class A ordinary shares in equity, and the issuance of new securities may have a dilutive effect on our existing shareholders. In addition, investments and acquisitions could involve, significant amortization expenses related to goodwill or intangible assets and exposure to potential unknown liabilities of the acquired business. If such goodwill or intangible assets become impaired, we may be required to record a significant decrease to our results of operations;
- Investments and acquisitions may require our management team to devote a significant amount of attention in implementation or remediation of controls, procedures and policies at the invested or acquired companies;
- The cost of identifying and consummating investments and acquisitions and integrating the acquired businesses into ours may be significant, and the integration of acquired businesses may be difficult or become disruptive to our existing business operations;
- We may also have to obtain approval from the relevant PRC governmental authorities or complete certain administrative procedures for the investments and acquisitions and comply with any applicable PRC rules and regulations, which may be costly;
- Actual or alleged misconduct or non-compliance by any company we acquire or invest in (or by its affiliates) that occurred may lead to negative publicity, government inquiry or investigations against such company or against us;

- Investments and acquisitions may raise regulatory concerns in relation to the anti-monopoly and competition laws, rules and regulations of China;
- Unexpected situations in the area where we conduct investments or acquisitions, such as local protectionism, may impede the closing of our investments or acquisitions and the proper functioning of the invested business;
- Our financial conditions and results of operations may be adversely affected as we provide loans to some of the companies we invest in;
- In the case of foreign acquisitions, we face difficulties and risks in addressing the need to integrate operations across different cultures and languages and to deal with the particular economic, currency, political and regulatory risks associated with specific countries; and
- We may fail to retain and integrate qualified employees of the invested or acquired companies.

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

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

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

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

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

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

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

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

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

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

The housing transactions and services industry in China is rapidly evolving and increasingly competitive. Although we believe no other industry player in China operates under the integrated platform business model similar to ours, we face competition from players in different segments of the housing transactions and services industry. We face competition with other online platform for housing transactions, property listings or traffic. As PRC authorities have proposed and led an initiative of developing a comprehensive nation-wide property database, our housing database might be exposed to fierce competition. We may also face intense competition from other housing transaction companies for their agent networks. For our new home sales business, we also compete with other new home sales channels. In addition to these platforms and companies at the national level, we compete with traditional real estate brokerage stores and brands for real estate agents and housing customers locally. We also compete with companies for other housing related services, such as other providers of home renovation and furnishing services.

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

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

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

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

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

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

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

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

We adopted a Pre-IPO Share Option Scheme in 2018, or the 2018 Share Option Plan, a 2020 Global Share Incentive Plan, or the 2020 Share Incentive Plan, to provide additional incentives to employees, directors and consultants. The maximum aggregate number of ordinary shares which may be issued under the 2018 Share Option Plan is 350,225,435. The maximum aggregate number of ordinary shares which may be issued under the 2020 Share Incentive Plan is initially 80,000,000, subject to annual increase. See “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans.” We have granted share-based awards and recorded RMB2,523 million, RMB2,253 million and RMB1,538 million (US\$241 million) in 2019, 2020 and 2021, respectively, in share-based compensation expenses in relation to such share-based award grants. We also expect to continue to grant awards under our share incentive plan, which we believe is of significant importance to our ability to attract and retain key personnel and employees. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our financial condition and results of operations.

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

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

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

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

As we entered into contractual relationship with various real estate developers, brokerage brands and stores and housing customers, we have been and may be involved in disputes and legal or administrative proceedings in the ordinary course of our business. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings.” We may also be involved and assume joint liability when we provide services to business partners on our platform who are named as defendants by housing customers due to various reasons including contract violations, lack of licenses or qualifications, lack of cash liquidity and bankruptcy of such business partners.

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

The above-mentioned inquiries, inspections, investigations, claims and complaints can be initiated or asserted under or on the basis of a variety of laws in different jurisdictions, including real estate laws, advertising laws, value-added telecommunication services laws, intellectual property laws, unfair competition laws, anti-monopoly laws, data protection and privacy laws, labor and employment laws, securities laws, cybersecurity laws, finance services laws, tort laws, contract laws and property laws. There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. If we fail to defend ourselves in these actions, we may be subject to restrictions, fines or penalties that will materially and adversely affect our operations. Even if we are successful in our attempt to defend ourselves in legal and regulatory actions or to assert our rights under various laws and regulations, the process of communicating with relevant regulators, defending ourselves and enforcing our rights against the various parties involved may be expensive, time-consuming and ultimately futile. These actions could expose us to negative publicity, substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business.

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

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

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

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

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

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

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

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

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

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

Our financial services may be subject to a variety of PRC laws and regulations governing financial services. The application and interpretation of these laws and regulations are ambiguous and evolving and may be interpreted and applied inconsistently between different government authorities or in different market environments. In particular, the PRC government's regulatory framework governing the new and rapidly-evolving online finance market and its ancillary services, which concerns the transactions that our platform facilitates between our housing customers and external financial institutions, the cooperation between us and financial institutions and other housing related financial services we provide, is rapidly evolving and is subject to further change, interpretation and uncertainties of local enforcement practice at this stage. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Related to Financing."

For example, pursuant to the Supplementary Provisions on Supervision and Administration of Financing Guarantee Companies, or the CBIRC Circular 37, which were issued in October 2019 and amended in June 2021, to further clarify that residential real estate guarantee companies shall be regulated under the financing guarantee regulations and shall acquire a financing guarantee business license before June 2020. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Related to Financing—Regulations Related to Financing Guarantee.” As we offer guarantee services through guarantee companies under Beike Financial, we are subject to the CBIRC Circular 37 and other regulations related to financing guarantee companies. Beijing Zhongrongxin Financing Guarantee Limited Co., Ltd., a subsidiary of Yiju Taihe, and Shenzhen Beike Financing Guarantee Limited Co., Ltd., one of our PRC subsidiaries, have obtained the license for financing guarantee business. However, as the interpretation and implementation of laws and regulations on financing guarantee are uncertain and still evolving, we cannot assure you that our financing guarantee business do not and will not violate relevant laws and regulations in China.

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

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

We must continue to enhance and improve the functionality, effectiveness and features of our websites, mobile apps and Weixin mini program. The internet and online mobile application industry are characterized by rapid technological evolution, changes in customer requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire or license technologies useful in our business, and respond to technological advances and emerging industry standards and practices in a cost-effective and timely way. In recent years, we invested in the development of many new technologies and business initiatives, such as virtual reality, Smart Hardware and Internet-of-Things and big data. The development of websites, mobile apps and other proprietary technologies entails significant technical and business risks. We cannot assure you that we will be able to successfully develop or effectively use new technologies, recoup the costs of developing new technologies or adapt our websites, mobile apps, proprietary technologies and systems to meet customer requirements or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or user preferences, whether for technical, legal, financial or other reasons, our business may be materially and adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our results of operations are subject to seasonal fluctuations.

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

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

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

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

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

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

In addition, under the PRC Social Insurance Law and the Administrative Measures on Housing Provident Fund, employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing provident funds, and employers are required, together with their employees or separately, to pay the contributions to social insurance and housing provident funds for their employees. The relevant government agencies may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. Certain of our PRC subsidiaries and the VIEs and their subsidiaries have failed to make social insurance and housing fund contributions in full for their employees. In addition, certain of our PRC subsidiaries and the VIEs engage third-party human resources agencies to make social insurance and housing fund contributions for some of their employees, and there is no assurance that such third-party agencies make such contributions in full in a timely manner, or at all. If the relevant PRC authorities determine that we shall make up for social insurance and housing fund contributions or that we are subject to fines and legal sanctions in relation to our failure to make social insurance and housing fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected.

Furthermore, pursuant to the Labor Contract Law, dispatched labor is only intended to be a supplementary form of employment, the number of which shall not exceed 10% of the employer's total labor force. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Related to Employment and Social Welfare—Labor Dispatch." We have historically hired dispatched workers from employment agencies from time to time and the number of dispatched workers may have exceeded 10% the total number of our labor force in the past. Although we aim to not assign dispatched workers on significant tasks, there is no assurance that the assignments performed by them are always temporary and ancillary in nature. We have formulated and implemented a plan to contain the number of dispatched workers and stay compliant. As of the date of this annual report, the number of our dispatched workers does not exceed 10% of the total number of our labor force. However, we cannot assure you that the number of dispatched workers we use will not exceed 10% of the total number of our labor force as we continue to develop and expand our business. If the number of our dispatched workers exceeds 10% of the total labor force in the future, we could be ordered to rectify within a specified period of time, and could be subject to fines if we fail to do so, which could have a material adverse effect to our business, financial condition and results of operations.

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

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

We derive certain amount of our revenues from online marketing services and other related services. In July 2016, the SAIC (currently known as the SAMR) promulgated the Interim Administrative Measures on Internet Advertising, or the Internet Advertising Measures, effective September 2016, pursuant to which internet advertisements are defined as any commercial advertising that directly or indirectly promotes goods or services through internet media in any form including paid-for search results. Under the Internet Advertising Measures, our online marketing services and other related services may constitute internet advertisement, and we may be therefore subject to additional obligations as an advertising distributor. For example, pursuant to the Internet Advertising Measures, an advertising distributor must examine, verify and record identity information of its advertisers, such as the advertiser's name, address and contact information, and maintain an updated verification of such information on a regular basis. Moreover, it must examine the supporting documentation provided by the advertisers and advertising operators. Where a special government review is required for specific categories of advertisements before posting, the advertising distributor must confirm that the review has been performed and approval has been obtained. If the content of the advertisement is inconsistent with the supporting documentation, or the supporting documentation is incomplete, the advertisement cannot be published. In addition, the Internet Advertising Measures require paid-for search results to be distinguished from natural search results so that consumers will not be misled as to the nature of these search results. As such, we are obligated to distinguish from others the listings characterized as paid-for search results and the real estate brokerage brands, stores or agents who purchase online marketing and related services or the relevant listings by these brands, stores or agents. On November 26, 2021, the SAMR published the Draft Administrative Measures on Internet Advertising for public comment, or the Draft Measures on Internet Advertising, which is aimed to strengthen the regulation of internet advertising business in various aspects. For example, the Internet Advertising Measures require that users should be able to close pop-up advertisements using one button, and the Draft Measures on Internet Advertising further provide that the pop-up advertisements shall not contain countdown timer or require more than one click to close and shall not pop up more than once on the same page. In addition, pursuant to the Draft Measures on Internet Advertising, internet advertising operators and distributors shall establish a system for registering and reviewing advertisers and advertisements and verify and update such system on a regular basis. Platform operators that provide internet information services are required to inspect the content of advertisements displayed and published by using their information services and cooperate with market supervision administration authorities to inspect advertisements and provide information and evidence on alleged illegal advertisements requested by such authorities. Moreover, the Draft Measures on Internet Advertising provide that advertising via live-streaming is subject to the new rules.

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

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

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

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

Following the identification of the material weakness, we have taken measures to remedy the material weakness. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2021 after the remediation. For details on these initiatives, please see "Item 15. Controls and Procedures-Internal Control Over Financial Reporting-Remediation of the Material Weakness in Internal Control over Financial Reporting Reported for the Years Ended December 31, 2019 and 2020."

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

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we or our auditor may identify other deficiencies in our internal control over financial reporting that are deemed to be material weaknesses and render our internal control over financial reporting ineffective. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements for prior periods.

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

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

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

From time to time, we purchase short-term investments, which mainly include bank time deposit and investments in wealth management products issued by financial institutions, and long-term investments. The methodologies that we use to assess the fair value of the short-term and long-term investments involve a significant degree of management judgment and are inherently uncertain. In addition, we are exposed to credit risks in relation to our short-term and long-term investments, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions will create fair value gains on our investments or we will not incur any fair value losses on our investments in the future. If we incur such fair value losses, our liquidity, financial condition, and results of operations may be adversely affected.

Risks Related to Our Corporate Structure

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

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

We are a Cayman Islands company, and our PRC subsidiaries are considered foreign-invested enterprises. Accordingly, our PRC subsidiaries are not eligible to provide value-added telecommunication services and certain financial services subject to foreign ownership restriction under PRC laws or certain qualification requirements for foreign investors under other applicable PRC laws and regulations. To ensure compliance with the PRC laws and regulations, we conduct our foreign investment-restricted business in China through the VIEs and their subsidiaries, which currently hold the value-added telecommunication business license, the license for online payment services, and other licenses necessary for our operation of such restricted business. Our applicable WFOEs have entered into a series of contractual arrangements with the VIEs and their shareholders, respectively, which enable us to (i) exercise effective control over the VIEs, (ii) receive substantially all of the economic benefits of the VIEs, (iii) have the pledge right over the equity interests in the VIEs as the pledgee; and (iv) have an exclusive option to purchase all or part of the equity interests in the VIEs when and to the extent permitted by PRC law. As a result of these contractual arrangements, we have control over and are the primary beneficiary of the VIEs and hence consolidate their financial results under U.S. GAAP. See “Item 4. Information on the Company—C. Organizational Structure” for further details.

In the opinion of our PRC legal counsel, Han Kun Law Offices, (i) the ownership structures of our WFOEs and the VIEs in China are not in violation of provisions of applicable PRC laws and regulations currently in effect; and (ii) each of the agreements under the contractual arrangements among our WFOEs, the VIEs and their shareholders governed by PRC law is not in violation of provisions of applicable PRC laws or regulations currently in effect, and valid and binding upon each party to such agreement and enforceable against each party thereto in accordance with their terms and applicable PRC laws and regulations currently in effect. However, we have been further advised by our PRC legal counsel that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Thus, the PRC governmental authorities may take a view contrary to the opinion of our PRC legal counsel. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structure will be adopted or if adopted, what they would provide. If we or the VIEs are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals to operate our business, the relevant PRC governmental authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on the operations of the VIEs;
- placing restrictions on our right to collect revenues;

- shutting down our servers or blocking our app/websites; or
- requiring us to restructure our ownership structure or operations;

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

If the PRC government determines that the contractual arrangements constituting part of the VIE structure do not comply with PRC regulations, or if these regulations change or are interpreted differently in the future, our ADSs may decline in value or become worthless if we are unable to assert our contractual control rights over the assets of the VIEs, which collectively held 29.5% of our group's cash, cash equivalents and restricted cash and 12.9% of our group's total assets as of December 31, 2021 and contribute to 1.2% of our net revenues in 2021, excluding inter-group transactions. Our holding company in the Cayman Islands, the VIEs and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of the VIEs and our company as a group.

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

Our currently effective articles of association allows the Baihui Partnership to appoint Executive Directors and nominate and recommend the chief executive officer of our company. Any Executive Director candidate duly nominated by the Baihui Partnership shall be approved and appointed by our board of directors and serve as an Executive Director of our company until expiry of his or her terms, subject to removal or termination in accordance with our currently effective memorandum and articles of association. The chief executive officer candidate nominated by the Baihui Partnership shall stand for appointment by the nominating and corporate governance committee of the board of directors. In the event that such candidate is not appointed by the nominating and corporate governance committee, the Baihui Partnership may nominate a replacement nominee until the nominating and corporate governance committee appoints such nominee as chief executive officer, or until the nominating and corporate governance committee fails to appoint more than three such candidates nominated by the Baihui Partnership consecutively, after which time the board of directors may then nominate and appoint any person to serve as the chief executive officer of the Company. See "Item 6. Directors, Senior Management and Employees—Baihui Partnership." This governance structure will limit your ability to influence corporate matters, including the matters determined at the board level.

In addition, the interests of the Baihui Partnership may not coincide with your interests. The partnership committee of the Baihui Partnership may make further determinations as to, among other things, the allocation of the bonus pool among all partners after the total amount of the bonus pool is determined each year by the board of directors, subject to approval of the compensation committee if such allocations are to partners who are executive officers or directors. These allocations may not be entirely aligned with the interest of shareholders who are not partners. Because the partners may be largely comprised of members of our management team, the Baihui Partnership and its Executive Director nominees may focus on the managerial strategies and decisions and operational and financial targets that differ from the expectations and desires of shareholders. To the extent that the interests of the Baihui Partnership differ from your interests on certain matters, you may be disadvantaged. The Baihui Partnership and its major rights and functions will not become effective until the Baihui Partnership consists of no less than five limited partners. Thus, the Baihui Partnership has yet come into effect as it currently has two limited partners.

In addition, the voting power that the Baihui Partnership may exercise is subject to uncertainties. Pursuant to a POA Arrangement, the Baihui Partnership will exercise the voting rights represented by the shares held by Propitious Global Holdings Limited. As such and to the extent Propitious Global Holdings Limited may dispose the shares it has in the future, the voting power to be exercised through the Baihui Partnership may be reduced. Currently, the partners of the Baihui Partnership are Mr. PENG Yongdong and Mr. SHAN Yigang, each of whom controls 50% of the Baihui Partnership. In case the partners have not reached a consensus with respect to whether and how the Baihui Partnership exercises its voting power or power of appointment and nomination as allowed by our currently effective memorandum and articles of association, such power of Baihui Partnership may not be exercised, which may negatively impact or impose uncertainties on our corporate governance structure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Doing Business in China

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

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

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

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

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules may not be uniform and enforcement of these laws, regulations and rules involves uncertainties. These evolutions and uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or tort claims. Besides, the PRC is geographically large and divided into various provinces and municipalities and, as such, different laws, rules, regulations and policies may have different and varying applications and interpretations in different parts of the PRC. Legislation or regulations, particularly in local applications, may be enacted without sufficient prior notice or announcement to the public. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis, or at all, and may have a retroactive effect. Given above, we may be required to take more responsibilities or meet additional requirements in the future than we currently expect, and may not be aware of our violation of any of these policies and rules until sometime after the violation. Agreements that are governed by PRC laws may be more difficult to enforce by legal or arbitral proceedings in the PRC than that in other countries with different legal systems. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

The PRC government's oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our ADSs.

We conduct our business primarily in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business, and may intervene or influence our operations as the government deems appropriate to advance regulatory and societal goals and policy positions. The PRC government has recently published new policies that significantly affected certain industries and we cannot rule out the possibility that it will in the future release regulations or policies that directly or indirectly affect our industry or require us to seek additional permission to continue our operations, which could result in a material adverse change in our operation and/or the value of our ADSs. Furthermore, the PRC government authorities are continuously strengthening the oversight and law enforcement in recent years, such as enhancing joint supervision of relevant governmental departments, systemically promulgating and implementing new rules, policies, guidelines and interpretations, and taking other comprehensive actions, which may affect our business model, monetization methods, daily operation, acquisition, investment and business development. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

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

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

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

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

Furthermore, the PRC government authorities may strengthen oversight over offerings that are conducted overseas and/or foreign investment in overseas-listed China-based issuers like us. Such actions taken by the PRC government authorities may intervene our operations at any time, which are beyond our control. For instance, the relevant PRC governments promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with the Law, among which, it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council of the PRC on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of domestic industry regulators and regulatory authorities.

On December 24, 2021, the CSRC published the draft Regulations of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), or the Administrative Provisions, and the draft Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic companies (Draft for Comments), or the Draft Measures, for public comments. Pursuant to these drafts, PRC domestic companies that directly or indirectly seek to offer or list their securities on an overseas stock exchange, including a PRC company limited by shares and an offshore company whose main business operations are in China and intends to offer securities or be listed on an overseas stock exchange based on its onshore equities, assets, incomes or other similar interests, are required to file with the CSRC within three business days after submitting their application documents to the regulator in the place of intended listing or offering. Particularly, as for the PRC domestic companies that have directly or indirectly listed securities in overseas markets intend to conduct follow-on offerings in overseas markets, such companies are required to submit the filing with respect to the follow-on offering within three business days after completion of the follow-on offering. Failure to complete the filing under the Administrative Provisions may subject the domestic company to a warning and a fine of RMB1 million to RMB10 million. In serious circumstances, the domestic company may be ordered to suspend its business or suspend its business pending rectification, or its permits or businesses licenses may be revoked. The period for which the CSRC solicits comments on these drafts ended on January 23, 2022. As of the date of this annual report, the Administrative Provisions and the Draft Measures are still in draft form and there is no schedule for the adoptions of such drafts, and it remains unclear whether the versions adopted will have any further material changes. There remains substantial uncertainties about how these drafts will be enacted, interpreted or implemented and how they will affect our operations and offshore offerings.

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

As of the date of this annual report, we have not received any formal inquiry, notice, warning, sanction, or any regulatory objection to any offshore offering from the CSRC, the CAC, or any other PRC regulatory agencies that have jurisdiction over our operations. If it is determined in the future that filings or approvals from the CSRC, the CAC, or other governmental requirements are required for our offshore offerings, it is uncertain whether we can or how long it will take us to complete such filings or obtain such approvals, and any such approval could be rescinded even obtained. Any failure to complete such filings, or failure to obtain or delay in obtaining such approvals for our offshore offerings, or a rescission of any such approval if obtained by us, would subject us to sanctions by the CSRC, the CAC, or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our ADSs. In addition, if the CSRC, the CAC, or other regulatory agencies later promulgate new rules or explanations requiring filings, approvals, registrations or other kinds of authorizations for offshore offerings, we cannot assure you that we can complete the filings, obtain the approvals, authorizations, or complete required procedures or other requirements in a timely manner, or at all, or obtain any waiver of aforesaid governmental requirements if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding such an approval or other requirements could materially and adversely affect the trading price of our ADSs.

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

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

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

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

Under PRC laws, legal documents for corporate transactions are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the SAMR. In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application which will then be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secure locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of any of our subsidiaries or VIEs. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

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

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

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

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

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

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

A number of PRC laws and regulations have established procedures and requirements that could make merger and acquisition activities in China by foreign investors more time consuming and complex. In addition to the Anti-monopoly Law itself and ancillary regulations, these include the M&A Rules, the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Security Review Rules on M&A, promulgated in 2011. These laws and regulations impose requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, pursuant to the Measures for the Security Review of Foreign Investment, which became effective on January 18, 2021, foreign investment in certain key areas with bearing on national security, such as important cultural products and services, important information technology and internet services and products, key technologies and other important areas with bearing on national security which results in the acquisition of de facto control of investee companies, shall be filed with a working mechanism office jointly established by NDRC and the Ministry of Commerce before such investment is carried out. In addition, pursuant to relevant anti-monopoly laws and regulations, the SAMR should be notified in advance of any concentration of undertaking if certain thresholds are triggered. In light of the uncertainties relating to the interpretation, implementation and enforcement of the anti-monopoly laws and regulations of the PRC, we cannot assure you that the anti-monopoly law enforcement agency will not deem our future acquisitions or investments to have triggered filing requirement for anti-monopoly review. Moreover, the Security Review Rules on M&A specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the Ministry of Commerce, and prohibit any attempt to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including clearance from the SAMR and approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

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

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

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

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulation Related to Stock Incentive Plans." We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been or will be granted incentive shares or options are subject to these regulations. Failure to complete SAFE registrations may subject us or them to fines and legal sanctions. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

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

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

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

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

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

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

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

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

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

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

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our director and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

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

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

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

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

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

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

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

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

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

The HFCAA, which was signed into law on December 18, 2020, states that if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection for the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in Mainland China and Hong Kong. The PCAOB identified our auditor as one of the registered public accounting firms that the PCAOB is unable to inspect or investigate completely.

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

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

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

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

In addition, political tensions between the United States and China have escalated due to, among other things, trade disputes, the COVID-19 outbreak, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the PRC central government and the executive orders issued by the U.S. government in August 2020 that prohibit certain transactions with certain selected leading Chinese internet companies as well as their products. Rising political tensions could reduce levels of trades, investments, technological exchanges, and other economic activities between the two major economies. Any of these factors could have a material adverse effect on our business, prospects, financial condition and results of operations. Such tensions between the United States and China, and any escalation thereof, may have a negative impact on the general, economic, political, and social conditions in China.

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

Risks Related to Our ADSs

The trading price of the ADSs may be volatile, which could result in substantial losses to investors.

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

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

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

In the past, shareholders of public companies have often brought securities class action suits against companies following periods of instability in the market price of their securities. Based on public records, our company and certain of our directors and officers were named as defendants in a putative securities class action filed in the United States. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings” for more information. When and if we are involved in a class action suit, it could divert a significant amount of our management’s attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether successful or not, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

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

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

As of the date of this annual report, holders of our Class B ordinary shares hold 885,301,280 Class B ordinary shares, representing 76.7% of the aggregate voting power of our total issued and outstanding ordinary shares due to the disparate voting powers associated with our dual-class voting structure. See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.” Holders of our Class B ordinary shares or their proxy have considerable influence over matters requiring shareholder approval, such as electing directors and approving material mergers, acquisitions, or other business combination transactions. This concentration of ownership may discourage, delay, or prevent a change of control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover, or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

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

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

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

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

Techniques employed by short sellers may drive down the market price of our ADSs.

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

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

On December 16, 2021, Muddy Waters Capital LLC issued a short seller report with allegations against us, or the Muddy Waters Report. On December 17, 2021, we announced that the audit committee of our board of directors commenced an internal review into the key allegations raised in the Muddy Waters Report, or the Internal Review, with the assistance of third-party professional advisors including an international law firm and forensic accounting experts from a Big-Four accounting firm that is not our auditor. On January 28, 2022, we announced that the Internal Review was substantially complete and that based on such Internal Review, the audit committee has concluded that the allegations in the Muddy Waters Report were not substantiated. Based on public records, our company and certain of our directors and officers were named as defendants in a putative securities class action filed in the United States. See "Item 8. Financial Information-A. Consolidated Statements and Other Financial Information-Legal Proceedings" for more information. Any such allegations may be followed by periods of instability in the market price of our ADSs and the corresponding negative publicity. If and when become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could be forced to expend a significant amount of resources to investigate such allegations or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable state law, or issues of commercial confidentiality. Such a situation could be costly and time-consuming and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations and shareholders' equity, and any investment in our ADSs could be greatly reduced or rendered worthless.

With respect to the class action in relation to the allegations in the short seller report, we cannot predict the timing, outcome or consequences of such class action, and there is no basis to conclude at this point whether our defenses will be successful or whether we will be subject to any damages, let alone how much. In the event we do not prevail or we enter into settlement arrangements in the proceeding, we may incur significant expenses, which may materially and adversely affect our financial condition and results of operations.

We currently do not expect to pay dividends in the foreseeable future and you must rely on price appreciation of our ADSs for return on your investment.

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

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

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

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

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

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

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

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

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

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

Under the deposit agreement, if no voting instruction from you is received, the depositary may give us a discretionary proxy to vote the Class A ordinary shares underlying the ADSs at shareholders' meetings if we have timely provided the depositary with notice of meeting and related voting materials and (i) we have instructed the depositary that we wish a discretionary proxy to be given, (ii) we have informed the depositary that there is no substantial opposition as to a matter to be voted on at the meeting, and (iii) a matter to be voted on at the meeting would not have a material adverse impact on shareholders.

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

Transfer of our ADSs is subject to limitations.

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

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

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

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

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our currently effective memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have the standing to initiate a shareholder derivative action in a federal court of the United States.

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

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of our board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Act of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see “Item 10. Additional Information—B. Memorandum and Articles of Association —Differences in Corporate Law.”

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

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

If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, by a federal or state court in the City of New York, which has non-exclusive jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waive the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before entering into the deposit agreement.

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

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

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

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

We are currently a “controlled company” as defined under the New York Stock Exchange’s corporate governance rules because Baihui Partners L.P. beneficially owns more than 50% of our total voting power through the voting proxy arrangements with Propitious Global Holdings Limited. For so long as we remain a controlled company under that definition, we are permitted to elect to rely, and may rely, on certain exemptions from corporate governance rules, including an exemption from the rule that a majority of our board of directors must be independent directors or that we have to establish a nominating committee composed entirely of independent directors. As a result, you will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

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

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

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

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

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

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

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

We may be a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. holders of the ADSs or our Class A ordinary shares.

A non-U.S. corporation, such as our company will be considered a passive foreign investment company, or “PFIC,” for any taxable year if either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the value of its assets (generally based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income. Although the law in this regard is not entirely clear, we treat the consolidated VIEs and their subsidiaries as being owned by us for U.S. federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with them. As a result, we consolidate their results of operations in the consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of the consolidated VIEs and their subsidiaries for U.S. federal income tax purposes, we would likely be treated as a PFIC for the current taxable year and any subsequent taxable year.

Assuming that we are the owner of the consolidated VIEs and their subsidiaries for U.S. federal income tax purposes and based on our income and assets, including goodwill and unbooked intangibles, we do not believe we were a PFIC for the taxable year ended December 31, 2021, and we do not presently expect to be a PFIC for the current taxable year or the foreseeable future. However, no assurance can be given in this regard because the determination of whether we will be or become a PFIC is a factual determination made annually that will depend, in part, upon the composition of our income and assets and the value of our assets.

Fluctuations in the market price of the ADSs may cause us to be or become a PFIC for the current or future taxable years because the value of our assets for purposes of the asset test, including the value of our goodwill and unbooked intangibles, may be determined by reference to the market price of the ADSs from time to time (which may be volatile). Under circumstances where our revenue from activities that produce passive income significantly increases relative to our revenue from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming a PFIC may substantially increase. Recent declines in the market price of our ADSs increased our risk of becoming a PFIC. The market price of our ADSs may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year.

If we are treated as a PFIC for any taxable year during which a U.S. investor held an ADS or a Class A ordinary share, certain adverse U.S. federal income tax consequences could apply to the U.S. Holder. See “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules.”

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

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

Item 4. Information on the Company

A. History and Development of the Company

We commenced operations in 2001 through Beijing Lianjia Real Estate Brokerage Co., Ltd., or Beijing Lianjia, which was founded in September 2001 by Mr. ZUO Hui, our permanent chairman emeritus. Beijing Lianjia and its subsidiaries developed various businesses over time and expanded nationwide in China. From November 2016 to January 2017, we restructured Beijing Yiju Taihe Technology Co., Ltd., or Yiju Taihe, which was originally a subsidiary of Beijing Lianjia and operated the financial service business, to mirror the holding structure substantially identical to that of Beijing Lianjia. In November 2017, we incorporated Tianjin Xiaowu Information & Technology Co., Ltd., or Tianjin Xiaowu, to conduct operations related to value-added telecommunication services.

Along with the launch of our *Beike* platform, we incorporated KE Holdings Inc. in the Cayman Islands in July 2018 as our holding company. From July 2018 to June 2019, KE Holdings Inc. established a series of intermediary holding entities which directly or indirectly hold the equity interests in Beike (Tianjin) Investment Co., Ltd., or Beike Tianjin, Jinbei (Tianjin) Technology Co., Ltd., or Jinbei Technology, Beike Jinke (Tianjin) Technology Co., Ltd., or Beike Jinke, and Beike (China) Investment Holdings Limited, or Beike Investment, all of which are our wholly-owned PRC subsidiaries (collectively, “WFOEs”). Through a series of transactions, most of the original subsidiaries and all of operating branches of Beijing Lianjia have become wholly-owned by the applicable WFOEs and our other PRC subsidiaries.

As part of the reorganization, most of the shareholders of Beijing Lianjia and Yiju Taihe or such shareholders’ affiliates subscribed for ordinary shares, Series B and C convertible redeemable preferred shares of KE Holdings Inc., as applicable, substantially in proportion to their respective equity interests in Beijing Lianjia and Yiju Taihe prior to the reorganization. Further, through a series of reorganization transactions, KE Holdings Inc. obtained control over Beijing Lianjia, Yiju Taihe and Tianjin Xiaowu through contractual arrangements.

In July 2020, we effected a 5-for-1 share subdivision, following which each of our issued and unissued ordinary shares and preferred shares was subdivided into five ordinary shares and preferred shares, respectively.

On August 13, 2020, our ADSs commenced trading on the NYSE under the symbol “BEKE.” We raised, from our initial public offering and from the underwriters’ full exercise of option to purchase additional ADSs, approximately US\$2,359 million in net proceeds after deducting underwriting commissions and the offering expenses payable by us.

In November 2020, we completed a registered follow-on public offering of our ADSs, raising approximately US\$2,323 million in net proceeds after deducting underwriting commissions and discounts and the offering expenses payable by us, upon the underwriters’ full exercise of option to purchase additional ADSs.

In July 2021, we entered into a definitive agreement with Shengdu Home Renovation Co., Ltd. (together with its subsidiaries and affiliates, “Shengdu”) and all of its existing shareholders and subsidiaries, pursuant to which we agreed to acquire 100% equity interest in Shengdu, subject to a staggered acquisition arrangement and customary closing conditions, including regulatory approvals. Shengdu is a full-service home renovation service provider in China. In April 2022, we entered into an amended the restated framework purchase agreement with Shengdu and its shareholders, pursuant to which the aggregate consideration for the acquisition is RMB3.92 billion in cash and 44,315,854 of our Class A ordinary shares in equity. As of the date of this annual report, we have paid the RMB3.92 billion cash consideration and have purchased 49% of the equity interest in Shengdu. The proposed acquisition is expected to close in the second quarter of 2022.

Due to the restrictions imposed by PRC laws and regulations on foreign ownership of companies engaged in value-added telecommunication services and certain financial businesses, our WFOEs entered into a series of contractual arrangements, as amended and restated, with the VIEs, through which we obtained control over the VIEs. As a result, we are regarded as the primary beneficiary of the VIEs and their subsidiaries for accounting purposes, and we have consolidated the financial results of the VIEs and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. For more details and risks related to the variable interest entity structure, please see “—C. Organizational Structure—Contractual Arrangements with the VIEs and their Shareholders” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure.”

Our principal executive offices are located at Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing 100086, People’s Republic of China. Our telephone number at this address is +86 10 5810 4689. Our registered office in the Cayman Islands is located at Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman KY1-1002, Cayman Islands. Our agent for service of process in the United States is Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, NY 10168.

SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC on www.sec.gov. You can also find information on investors.ke.com. The information contained on our website is not a part of this annual report.

B. Business Overview

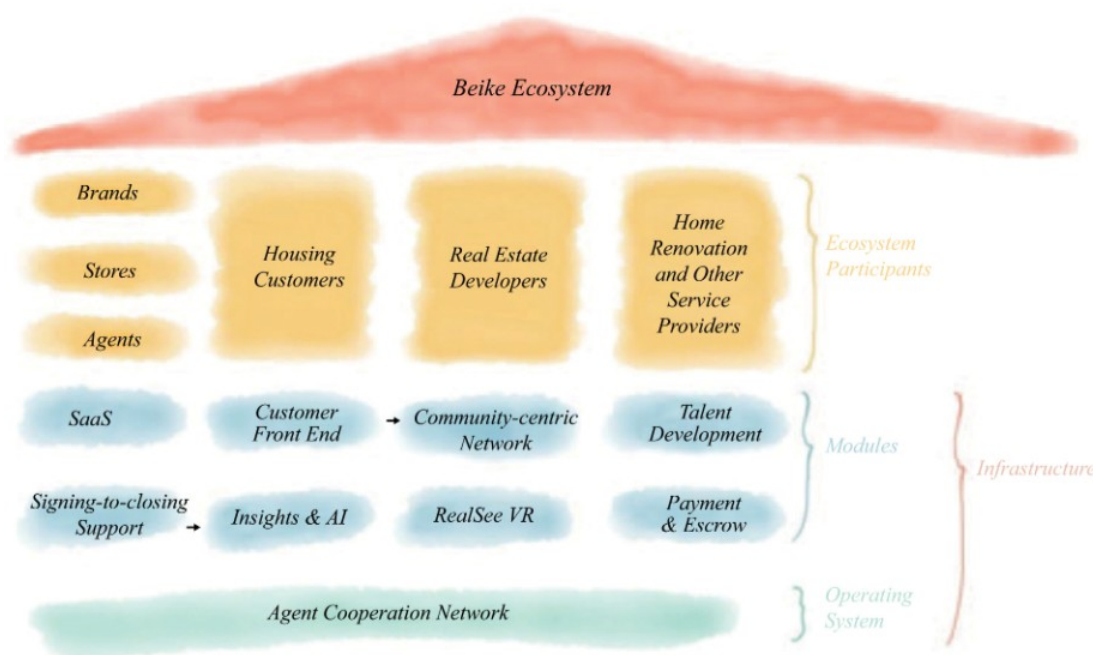
Beike is the leading integrated online and offline platform for housing transactions and services. We are a pioneer in building the industry infrastructure and standards in China to reinvent how service providers and housing customers efficiently navigate and complete housing transactions, ranging from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

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

Our Platform

We launched our *Beike* platform in 2018. Today, *Beike* is the leading integrated online and offline platform for housing transactions and services. We are a pioneer in building the industry infrastructure and standards in China to reinvent how service providers and housing customers efficiently navigate and complete housing transactions, ranging from existing and new home sales, home rentals, to home renovation and furnishing, and home services. We believe the success of *Lianjia*, China's leading real estate brokerage brand which we own and operate on our platform, paves the way for us to build the industry infrastructure and standard, and support the rapid growth of *Beike*. We implemented through *Lianjia*'s large network of stores a series of industry "firsts" over the years, including fostering agent collaborations for shared success through our ACN, building a "*Housing Dictionary*," promoting authentic property listings, and leveraging technology to digitalize and standardize processes. These efforts have ultimately resulted in *Lianjia*'s market leadership as well as industry-leading service quality and efficiency, making it a trusted household name. More importantly, *Lianjia* has laid the foundation for our infrastructure with ACN, operational know-hows, and technology systems that seamlessly integrate our online and offline network that has proven to work at a large scale. We further horizontally extended the core competencies of *Lianjia* to the *Beike* platform in 2018 so that we can help hundreds of real estate brokerage brands, including *Lianjia*, and their affiliated stores and agents to succeed. Meanwhile, we created an even more scalable infrastructure by a series of efforts, including digitalizing and standardizing three key components, namely, technology, transaction process and service quality to specifically address the challenges facing our industry.

Below is a diagram illustrating the composition and structure of our platform:



Our *Beike* platform is an open platform for participants in the housing related industry and ecosystem. It enables housing customers, including home buyers, home sellers, landlords and tenants, to enjoy smooth housing transactions with high-quality real estate brokerage brands, stores and agents. Our platform serves as an innovative sales channel for real estate developers and also enables other ecosystem participants such as home renovation service providers to benefit from our technology and extensive customer and agent base. The foundation of our platform is ACN, through which we streamline the entire housing transaction process by promoting collaborations among brokerage brands, stores and agents, standardizing authentic property listings and applying a series of cooperation rules. We also offer various service modules to our ecosystem participants, which, along with ACN, form the scalable infrastructure applicable and beneficial to the whole industry. These modules include SaaS systems, customer front end, community-centric network, technology applications, training and recruiting programs and transaction service centers.

Our service offerings to ecosystem participants mainly include:

- *To housing customers:* As the leading housing transactions and services platform, we provide comprehensive services to satisfy the evolving needs of housing customers. These services primarily belong to three categories: (1) brokerage services relating to existing and new home sales and home rentals; (2) signing-to-closing support that include contract service, secure payment, escrow, among other things; and (3) home renovation and furnishing services. Together with the brokerage brands, stores, agents and other service providers, we provide housing customers with access to the largest authentic property listing inventory in China and handhold our customers throughout various phases of home ownership lifecycle professionally and efficiently.
- *To brokerage brands, stores and agents:* Our infrastructure is open to all real estate brokerage brands, stores and agents joining our platform. We provide primarily two categories of services to the brands, stores and agents on our platform: (1) platform services, to enable the brokerage service providers on our platform to conduct automatic role-based commission allocation and use our infrastructure and its different modules in a collaborative manner, including SaaS, technology, training and recruiting, signing-to-closing service, among other things; and (2) branding services, which allow small brokerage stores to join reputable brokerage brands and benefit from better quality control and lead conversion.

- *To real estate developers:* Leveraging our established infrastructure and a broad base of housing customers, our platform is able to act as a powerful sales channel for new home projects, thereby reconstructing the value chain and transforming the way real estate developers discover and interact with home buyers. We primarily offer comprehensive sales and marketing solutions to real estate developers that include brokerage services, sales planning, reception services, online marketing as well as innovative tools.

We have three main revenue streams, namely existing home transaction services, new home transaction services, and emerging and other services. For existing home transaction services, we generate revenues (i) from our own *Lianjia* brand where we charge commissions for existing home sales and home rentals, and split of commissions from other brokerage firms that operate brokerage stores on our *Beike* platform in collaboration with *Lianjia* agents to complete transactions, (ii) from brokerage firms which own and operate brokerage stores on our *Beike* platform where we receive platform service fees, and those under our franchise brands such as *Deyou* to which we charge an additional franchise fee, and (iii) by providing other value-added services including transaction closing services, field work assistance such as on-site verification, agent recruiting and training services. For new home transaction services, we recognize revenues from sales commissions charged to real estate developers. In addition, we generate revenues from a variety of other housing related services, such as home renovation and furnishing services.

As we become a more trusted platform and the relationship between our agents and housing customers deepens, we are able to extend to other service verticals that are incidental to home ownership and other ecosystem participants. We endeavor to provide one-stop solutions that address customers' demands along the home ownership lifecycle, and we plan to further expand our service offerings and amplify the network effect of our ecosystem.

Agent Cooperation Network (ACN)

At the core of our infrastructure is ACN, an operating system that not only fosters reciprocity and bonding among various service providers, but also enables them to enhance service efficiency and customer experience through collaborative efforts and commission allocation. We designed our ACN to radically solve the underlying challenges faced by our industry. It serves as the operating system on *Beike* platform that consists of protocols and practices to specify roles in cooperative housing transactions and prescribe agents' rights and obligations through commission allocation mechanism. Through ACN, we standardize authentic property listings, promote cooperation and information sharing among agents, streamline the whole transaction process, and enable agents to be more specialized in a transaction process and knowledgeable in a particular region. Built on our profound understanding of China's housing related industry and goodwill accumulated throughout our 20-year operation of *Lianjia*, ACN has transformed the housing transactions and services industry in China through the following three reinventions: (i) fostering information and resource sharing among service providers to demolish the walls among isolated information islands, (ii) assigning cooperative roles of agents to achieve cross-store and cross-brand collaboration, and (iii) creating a professional network for agents, stores, brands and other service providers to get connected and engaged on the platform.

Agent Cooperation and Operational Rules

We actively promote agent cooperation on our platform to enhance efficiency of the housing transactions and services industry. We partition a complete existing home transaction, including existing home sales and rentals, into different steps and allow multiple agents cross-brand and cross-store to cooperate in one transaction and share commissions based on their roles, through which the agents can become more specialized in their roles. In 2021, 76% of the existing home sales completed on the *Beike* platform involve cross-store collaborations and 37% involve cross-brand collaborations following our ACN.

Our ACN encourages connection and collective work in conducting housing transactions by agents from both buy side and sell side on our platform. A home buyer's initiating agent can choose to cooperate with other buy-side agents who have more relevant transaction expertise or resources, and share commissions with the agent who closes the transaction. Under ACN, commission is allocated automatically based on agents' various roles in a housing transaction, and is not based on negotiations among agents.

Through role partition and commission allocation, we make sure that agents are fairly compensated for work they have done to facilitate a successful transaction, and thereby foster a healthy yet competitive working environment. More importantly, agents who are less experienced are incentivized to learn and accumulate expertise by taking relatively easy roles in more transactions and be compensated.

To protect property information and promote healthy competition among sell-side agents, we partition the geographic areas based on urban development and store distribution so that agents can become experts of the properties in their vicinity. A brokerage store has the right to manage existing home listings in vicinity of the store and act as sell-side agents for those listings. For buy-side agents, if their customers have intentions to buy homes in other regions, they can obtain a portion of the commission on completed transactions by recommending their housing customers to agents in the desired regions.

Platform Governance Mechanisms

We implement detailed rules to incentivize agents to follow our ACN and stick to the high standards of professionalism in service delivery, and offer them privileged access if they perform well. We have implemented platform governance mechanisms to encourage compliance with our ACN such as *Beike score* which indicates the agent's performance and service quality to encourage more proactive cooperation and behaviors on our platform.

Authentic Property Listings

We believe that authentic property listing is the foundation of agent cooperation as effective collaboration among agents require valid and reliable listing information. Authentic property listing encourages information transparency and trust from housing customers, increases agents' operating efficiency, enhances transaction experience, and strengthens our brand image. We monitor and verify the authenticity of property listings on our platform and timely update or delete unqualified listings through customer callback, physical visits and AI. As of December 31, 2021, we had approximately 4.3 million authentic property listings for existing home sales.

Modules in Our Infrastructure

Based on our ACN, we have been constantly innovating and building various modules to supplement our infrastructure that serves participants on our platform, such as agents, brokerage stores and brands, housing customers, and real estate developers. Examples of modules include SaaS systems for agents and store managers, *Beike* front end for housing customers, AI technology and applications as the foundation of our platform, virtual reality technology that benefits agents, housing customers and real estate developers, community-centric network that serves housing customers offline, payment solutions tied to electronic wallets that enable secure online and offline transactions, transaction service centers that streamline the transaction process for agents and housing customers, title clearance and escrow services that effectively help with closing, as well as agent development and recruiting services for agents and store managers. Together with ACN, these modules form integral parts of our infrastructure supporting various phases of housing transactions and other housing related services offered on our platform.

SaaS Systems

We provide various SaaS systems to our ecosystem participants. We empower agents and brokerage stores through our SaaS systems, which incorporate the cooperation mechanisms that we envision in ACN and many other tools and functions relating to housing transactions and services. We implement *A+ SaaS system* for connected brokerage stores and agents and *Link SaaS system* for *Lianjia* personnel. *Link SaaS system* includes functional support for our internal operation and is otherwise substantially the same with *A+ SaaS system*. Assisted by the SaaS systems in their day-to-day work, agents and store managers can seamlessly follow our digitalized and standardized housing transaction process. Agents and store managers can access the cloud-based SaaS systems conveniently through desktop application, website, or mobile application. We also provide SaaS systems for home renovation service providers. See “— Home Renovation and Furnishing Services—*Home SaaS* for Renovation and Furnishing.”

Beike Customer Front End

Our *Beike* customer front end, including *ke.com* website, *Beike* apps, *Beike* Weixin mini program, offers housing customers relevant housing transaction resources and guide them along their journey to make an informed housing transaction decision.

We believe that the authentic and extensive property listings on our platform form the foundation for high-quality customer services and successful transactions. Housing customers can easily access abundant existing and new home listings and rental listings through our *ke.com* website, *Beike* apps, and *Beike* Weixin mini program. Property listings can be filtered by neighborhood, price, number of rooms, floor area and other attributes.

For existing home listings, customers can view visual presentations including virtual reality or pictures, floor plans, certificate of the brokerage store, comments from agents on the listing and past transaction history in the same neighborhood. Additionally, for new home projects, we provide an introduction to floor plans offered by the projects, updates relating to the sales, comments from agents and discussion among other housing customers. For rental listings, we also specify facilities and furniture provided by the landlord and details of rent, commission and deposit, and display a draft contract for reference. In addition, we include neighborhood information extracted from our *Housing Dictionary*, such as transportation, education, healthcare and entertainment resources and other services, so that housing customers can take these into consideration.

We display information of agents under property listings and customers may initiate inquiries through instant messaging or phone calls with one click. We have built individual profiles for agents so that customers can view the agents' names and titles, employment history, transaction records, awards, and ratings and reviews from past customers. In addition, we display *Beike* score of the agents and percentile on our platform, which generally represents service quality of the agents. Capitalizing on the large agent base on our platform, we are able to serve housing customers in a timely and efficient manner.

Our Community-centric Network

Property transactions are generally high in value and involve high-risk, which requires substantial information analysis and research prior to consummation. Unlike a click-and-buy product, every residential property is unique in various aspects, such as location, property features, conditions and age, resulting in different values. Convenient accessibility and abundant local insights and knowledge on the community often carry heavy weights when housing customers select real estate brokerage agents in housing transactions. Furthermore, as China is a populous country, residential communities with high population density are prevalent in urban areas. Focusing on community outreach and engagement, community-centric network serves as convenient access points for local walk-in housing customers and as tangible offline touchpoints of our platform.

Our extensive network allows our platform to amass housing information offline and gain local insights in customer needs and property features. The connections between customers and agents through our online platform allow customers to quickly find stores and agents offline for speedy, efficient and convenient delivery of local service. In addition, the supporting tools available on our platform empowers store managers to build and manage larger teams of agents and increase operational efficiency at store level, solidifying our advantages as an integrated online and offline platform. As each store functions as a working unit, where store managers perform managerial functions, we are able to maintain operational efficiency as our scale continues to grow.

Working in a larger-sized team also helps increase productivity of agents, where one could build business rapport with the colleagues and get more motivated to perform better.

In recent years, an increasing number of stores on our platform start to offer complimentary convenience services, such as printing, charging, and internet browsing, to community residents. Through these high-frequency interactions, our agents are able to build connections with housing customers, which not only generates effective housing transaction leads, but also positions us well for other housing related services, such as home renovation and furnishing, and home services.

Professional Development and Support

As we believe the success of our platform substantially hinges on the efficiency and service quality of the agents on our platform, we are fully committed to sharing our accumulated industry know-hows with the agents and home renovation service providers on our platform through offline trainings and online courses. See also “—Home Renovation and Furnishing Service—Craftsman (Jinggong) Academy.”

Signing-to-closing Support

We offer comprehensive signing-to-closing transaction support to our housing customers. These services include contract service, secure payment, escrow, among other things.

Online and Offline Transaction Service Centers

A housing transaction is typically a stressful exercise that involves many steps and procedural formalities in China, such as submitting purchase agreement to the housing administration, paying taxes to the taxation authority, conducting title transfer and registration of housing ownership with the municipal housing administration, and completing loan application with a bank and/or guarantee services with a guarantee company. These steps often take weeks and involve tens of visits to different locations. To reduce the hassle for both housing customers and agents, we operate the NTS, our proprietary comprehensive online transaction support system available on *Beike* platform. Through the NTS, housing customers are able to accomplish many necessary transaction steps, such as signing the contracts online and submitting the contracts to the relevant housing administration. The NTS also makes transaction process visible via our apps and websites, which allows customers and agents to monitor various transaction steps and to provide feedbacks and inputs online.

In addition to the comprehensive online transaction support, we have established offline transaction service centers to facilitate housing transactions, helping housing customers and agents transfer property titles and complete administrative procedures seamlessly and effortlessly. We have opened transaction service centers in cities we entered and collaborate with banks, guarantee companies, real estate appraisers, and government agencies and station their personnel on-site. Our transaction support staff are also available to help with various administrative procedures in the transaction service centers. As a result, housing customers and agents are able to complete most steps necessary to close a transaction in our transaction service centers.

Combining the online NTS and the offline administrative support, we believe that our platform makes transactions much easier, saves time and cost, and leads to elevated customer experience.

Payment and Escrow Services

In 2014, we established *eHomePay*, an online payment platform providing digital payment processing services in housing transactions. As a licensed online payment platform, *eHomePay* also creates electronic wallets for participants on our platform. These electronic wallets are instrumental in automated accounting, settlement, and disbursement of funds from customers to real estate brokerage stores and agents.

Also functioning as an escrow service, *eHomePay* solves the trust problem in housing transactions in China where home buyers are concerned with whether the property titles to be received are free of encumbrance after making the payment, and home sellers are unwilling to transfer titles until they receive payment confirmation. The *eHomePay* platform would operate an escrow account to ensure both the buyer and the seller fulfill their obligations. The *eHomePay* platform enhances customer experience and ensures payment security, which in turn strengthens our brand image and attracts more customers to our *Beike* platform. Our *eHomePay* possesses a valid license granted by the People's Bank of China.

Other Modules

The modules in our infrastructure also include our insights and AI applications, as well as virtual reality and other technologies. See “—Insights and AI Applications” and “—Our Technology and Research and Development—*RealSee* Virtual Reality.”

Real Estate Brokerage Brands on Our Platform

We believe a large and active network of agents, brokerage stores and brokerage brands across China provides a solid foundation for serving a large number of housing customers. As of December 31, 2021, there were over 406,000 active agents and over 45,000 community-centric active brokerage stores on our platform, representing 300 real estate brokerage brands. As of December 31, 2021, there were over 454,000 agents and over 51,000 brokerage stores on our platform. Through the agents, stores and brokerage brands on our platform, we are able to effectively hone local market expertise, generate leads and build relationships with our housing customers.

Lianjia Brand

We started to operate real estate brokerage business under “*Lianjia*” brand in housing transactions and services industry in 2001 and *Lianjia* has been recognized as “China’s Famous Brand.” Through *Lianjia*, we provide brokerage services to housing customers, offer marketing and sales services to real estate developers for new home sales and extend brokerage business to home rentals. Leveraging our strong online and offline operational capabilities, we implemented through *Lianjia* a series of industry “firsts” and successfully developed rules, operational know-hows, AI and technology systems that resulted in superior service quality and efficiency. For example, *Lianjia* was among the first to propose tripartite agreements in housing transactions, including brokerage service providers as a party to provide full transparency and elevated trust. *Housing Dictionary* was launched on *Lianjia* in 2008. *Lianjia* pioneered the migration from offline to online through launching *Lianjia.com* in 2010 and building its own *Link SaaS* system ahead of our peers. *Lianjia* also established the prototype of ACN in 2011, which we tested and refined before rolling out on *Beike*.

Lianjia aims to provide highest quality customer services in China and has strived to provide best customer experience. Taking service quality as its priority, *Lianjia* has been improving its customer services and established a comprehensive set of rules and standards accumulated over the past 20 years. Many ACN rules developed during *Lianjia* business operations, including authentic property listings, were compiled to guide *Lianjia* agents. *Lianjia* also pioneers in adopting protocols on service quality, such as service commitments and customer complaint handbooks, which are now standards and rules we aim to apply throughout the entire *Beike* platform.

We screen and recruit high-quality agents on *Lianjia* and train them to provide efficient and professional services to housing customers. *Lianjia* has built a strong and comprehensive agent development program that encompasses campus recruiting, regular examinations, offline training and online courses. Approximately 46% of *Lianjia* agents were college graduates or above as of December 31, 2021. In particular, approximately 48% of *Lianjia* agents in Beijing and approximately 68% of *Lianjia* agents in Shanghai were college graduates or above as of December 31, 2021.

As of December 31, 2021, *Lianjia* had approximately 108,000 active agents and over 112,000 agents, and approximately 6,900 active offline brokerage stores across 29 cities in China and approximately 7,300 brokerage stores. As of December 31, 2021, *Lianjia* had over 26,800 and 20,700 active agents, as well as over 1,400 and approximately 1,000 active brokerage stores, in Beijing and Shanghai, respectively. Although the GTV served by *Lianjia* brand contributes to a significant portion of our total GTV, we expect its contribution as a percentage of our total GTV will decrease over time along with the proliferation of our platform.

Relationship between Lianjia and Beike

Capitalizing on our unparalleled industry know-hows and scalable infrastructure that we have established during our operation of *Lianjia*, we established *Beike* platform in 2018 to open our solutions to other qualified brokerage brands, stores and agents. Today, *Lianjia* is the most recognized and influential brand on *Beike* platform. In Beijing and Shanghai, where *Lianjia* has established significant market penetration, *Lianjia* is currently the only real estate brokerage brand with presence on *Beike* platform to guarantee high-quality customer services and strengthen market-leading positions in these two markets.

In cities other than Beijing and Shanghai, many other real estate brokerage brands have joined our platform because of *Lianjia*’s proven track record and market leadership. Today, *Lianjia* serves as the beacon for other brokerage brands on our platform thanks to its high operational efficiency, top-notch customer services and well-trained agents. *Lianjia* complies with qualifications and rules that we consistently implement on *Beike* platform just like other brokerage brands and is subject to a higher standard in many cases, such as the education level of its agents.

Deyou Brand

We own *Deyou* brand, which is offered for connected brokerage stores that seek for the branding effect and access to solutions offered by *Beike* platform. Participating brokerage stores can reduce their operating cost, increase business efficiency and productivity, enhance exposure to updated market news and industry trends, gain access to extensive authentic property listing inventory and gain high-quality customer leads on *Beike* platform. They are able to keep the culture of being a small team while enjoying the full-fledged infrastructure of a tremendous platform and cooperating within our extensive network.

Other Brands

By sharing our deep industry understanding, operational know-hows, and powerful infrastructure, as well as highly efficient online and offline integration, we help other real estate brokerage brands to grow and succeed. As of December 31, 2021, our platform connected 299 real estate brokerage brands other than *Lianjia*, which operated approximately 38,000 active brokerage stores with approximately 299,000 active agents. As of December 31, 2021, approximately 86% of the existing home listings on our platform were posted by agents affiliated with connected stores, including stores operated by our franchise brand *Deyou*. In 2021, approximately 64% of the GTV of existing and new home transactions on our platform was generated by connected real estate brokerage stores and the sales channels we specifically procured for new home transactions.

We generally enter into cooperation agreements with other brokerage brands. Under these agreements, we offer the brokerage brands access to the authentic property listing inventory and modules on our platform. The brokerage brands, in return, would commit to following our ACN as well as other protocols and practices on the platform and subscribe to an agreed-upon fee structure depending on the depth of cooperation. The cooperation agreements also specifically allocate responsibilities between the brokerage brands and us so that we are not responsible for the lawsuits and disputes arising from the brokerage brands' business activities.

Cooperation with Real Estate Developers

Leveraging our established infrastructure and trust with housing customers, we are able to act as a powerful sales channel for real estate developers. We are favored and trusted by real estate developers to facilitate a large number of new home sales in China. The number of new home projects on our platform was over 9,000 as of December 31, 2021. New home sales through our platform generated an aggregate GTV of RMB1,608.6 billion in 2021. While we continue to gain trust and mind share in the new home sales market, our receivable turnover remained healthy at 97 days in 2021, as a result of our robust and comprehensive risk assessment measures.

We have various cooperation methods with real estate developers. For example, we enter into strategic cooperation with big real estate developers to get favorable terms for facilitating the sales of their new home projects. We also have local business development teams that directly cooperate with individual new home projects under various cooperation modes. For new home sales facilitated by us, the real estate developer typically pays us the commission after the home buyer signs the sales and purchase agreement with the real estate developer and makes the down payment. Also, when a real estate developer requires us to allocate more resource and focus on a certain project within a certain time period to boost sales, they will pay us a deposit in advance.

In addition, as China's housing market becomes more competitive, the real estate developers are under pressure to refine their marketing and sales strategy to increase their operation efficiency and compete more effectively. Based on our extensive industry know-how, we developed a prototype SaaS solution tailored to address real estate developers' evolving needs for effective sales and marketing. Leveraging technologies such as cloud computing, virtual reality and artificial intelligence, the system can empower our real estate developers in many business scenarios.

Home Renovation and Furnishing Services

Leveraging close connection between our agents and housing customers, we started to provide home renovation, re-modeling, and home furnishing services to our customers. We officially launched our home renovation and furnishing services, *Beiwoo*, in April 2020, aiming to offer a one-stop solution to give housing customers access to a comprehensive range of home renovation and furnishing services, ranging from interior design, renovation, re-modeling, furnishing, supplies, to after-sales maintenance and repair. We actively explore our customers' needs for home renovation through our online platform, brokerage stores, and experience centers. Recognizing the lack of standardized service procedure and poor service performance in the industry, we are committed to offering smooth home renovation and furnishing services through standardized and visualized practices. In our *Beiwoo* mobile app, customers may browse through portfolios of various independent interior designers and explore their personalized renovation plans. We also use VR to virtually show our customers what their homes will look like in the future through *RealSee* VR technology, which features a realistic experience. During the actual implementation of the renovation plans, we have established detailed standards and practices for each step of the core service process and use technology tools and AI algorithms to plan, manage, monitor and coordinate the renovation process. We cooperate with qualified and strictly selected contractors and directly control the supply chain. We purchase high-quality supplies, distribute and deliver the supplies through our own supply chain, and manage construction teams to execute the work. In addition, housing customers are able to observe the working site in a real-time manner and track the renovation progress online through the app, which improves the transparency of the renovation and furnishing services. We have also implemented multiple service commitments to our customers, including, among others, providing four visits for on-site maintenance and repair services within two years after the completion of renovation and paying damages for unreasonable delay. We believe that our standardized, visualized service process leads to superior and care-free experience to housing customers, which further improves customer stickiness.

In July 2021, we entered into an acquisition agreement with Shengdu, a full-service home renovation service provider in China. The proposed acquisition is expected to close in the second quarter of 2022. We believe the proposed transaction would enable us to realize the strategic synergies across the industry chain, and further strengthen our capabilities in providing better renovation and furnishing services to satisfy the evolving needs of housing customers.

Home SaaS for Renovation and Furnishing

We launched *Home SaaS* for renovation and furnishing, an all-in-one SaaS that empowers home renovation professionals to manage the entire lifecycle of their projects in one place. Our system enables them to capture sales leads, manage customer and supplier relationship, perform managing and supporting functions, design the remodeling plan, sign contracts, schedule payments, implement the construction plan and manage the supply chain.

Craftsman (Jinggong) Academy

To address the lack of skill and career development infrastructure for renovation service providers in China, we established *Craftsman (Jinggong) Academy* in September 2021, a full-service vocational training base to provide a comprehensive step-by-step training system that caters to renovation service providers' upskilling needs. Located in Beijing, China, *Craftsman Academy* occupies over 2,000 square meters and features six lecture rooms and nine training labs, designed specifically to replicate the real-world residential renovation sites to provide participants with a practical learning experience. Aiming to build the industry standards and enhance the overall service quality, our training courses are tailored to meet the specific needs of service providers across the entire home renovation value chain, including leads consultants, account managers, interior designers, surveyors, engineers, general contractors and construction workers, among others.

We offer various levels of training to our home renovation service providers, including: (i) a mandatory pre-job orientation that equips new joiners with basic knowledge and skills related to renovation; (ii) a hands-on training program that involves skills essential to the practice of various trades, such as plumbing, carpentry, masonry, interior and exterior finishing, electrical wiring, tile setting, painting, installation, roof construction, among others; and (iii) a leadership training camp that offers interdisciplinary courses and introduces advanced management skills for people at senior levels. We believe our comprehensive training courses will empower service providers and increase their professional skills, thereby enhancing the service quality and our value propositions to housing customers.

Insights and AI Applications

Our platform generates a significant amount of insights from historical property information, interactions on our platform, and transactions that we facilitate. Moreover, given our scale, we have a holistic view of the market, including supply, demand and pricing trends. These valuable insights help us provide customized products and services, match agents with listings, housing customers, and facilitate transactions.

Our Housing Dictionary

We launched *Housing Dictionary* in 2008 and have been building it for over a decade. *Housing Dictionary* is the largest and most comprehensive residential housing knowledge base in China today, according to the CIC Report. It encompasses a wide range of housing related information from the neighborhoods, the communities, the buildings, to the floors and rooms. As of December 31, 2021, our *Housing Dictionary* covered approximately 257 million properties. Agents on our platform can browse information relating to their own cities in *Housing Dictionary* through our SaaS systems. Agents can supply new property information or raise amendment through mobile app, Weixin mini program and other entrances. Through *Housing Dictionary*, we verify the authenticity of property listings, supplement real estate information on our platform and offer property valuation services based on property information and past transaction history.

Artificial Intelligence (AI) Applications

We have provided some of our AI applications to other ecosystem participants. Examples of the AI applications on our platform include:

- *Intelligent search and prediction.* We use advanced machine learning algorithms such as relevance ranking and click-through-rate prediction to produce high-quality search results. We use deep learning algorithms to intelligently predict the transaction probability of a property listing based on static features and time series features. We also provide valuation services using our proprietary algorithm based on *Housing Dictionary* and extensive transaction history.
- *Beike's Pick.* We have deployed *Beike's Pick* that recommends high-quality property listings to housing customers based on a rating system that considers factors such as property features, property viewing history, and property showing records. Based on housing customers' profiles, we are able to predict their interests on *Beike's Pick* properties with high accuracy and push the listings to their agents before pushing the listings to corresponding agents, resulting in higher conversion rate. In general, property listings on *Beike's Pick* enjoy more exposure on our platform, resulting in faster transaction decision, shorter transaction period and higher conversion rate.
- *Textual and speech assistant.* We have developed *Smart Chat* using natural language processing (NLP) algorithms to provide intelligent customer services to housing customers through instant messaging system. We have also developed and continue to upgrade our AI Assistant (*Xiaobei*) to provide agents with real-time interactive feedback and training, and offers smart management functions to store owners, thereby increasing transaction efficiency and service quality. In 2021, agents used AI Assistant to assist in 86 million home transaction consultations, and adopted over 40% of its suggestions.
- *Futurehome renovation system.* We have developed *Futurehome*, an AI-empowered system that features automatic generation of home renovation and furnishing plans. It can also generate interactive floor plans and 3-dimensional within minutes. Once the floor plan has been created, our housing customers may walk through and experience the renovation design through rendered high-definition visual presentations. *Futurehome* makes it easy for renovation service providers to create and analyze multiple plans for one project with different layouts and costs, thereby helping housing customers to make better decision.

Our Technology and Research and Development

We aspire to lead the innovations in the new era of China's housing related industry by leveraging our technologies. Our platform is built on a robust cloud-based technology infrastructure with comprehensive functionalities that support the entire lifecycle of housing transactions from initial customer acquisition, agent cooperation, lead referrals to property listing management, transaction workflow management, and further to payment, and closing management. We have developed our AI technologies specifically to increase business operational efficiency on our platform and of our agents. See “—Insights and AI Applications.” Our platform also provides agents, real estate developers, and housing customers with access to advanced virtual reality options to enrich customer experience.

Research and Development

We invest substantial resources in research and development to improve our technology, develop new products that are complementary to existing products and find ways to better support agents and other participants on our platform. We spent RMB1,571 million, RMB2,478 million and RMB3,194 million (US\$501 million) in research and development in the years ended December 31, 2019, 2020 and 2021, respectively.

Our research and development team includes engineers that build and maintain our infrastructure, AI algorithm engineers that conduct modeling and algorithm research, security and risk management engineers that focus on cybersecurity and risk control, infrastructure maintenance engineers that maintain the stability of our platform, platform development engineers that develop and implement products and services on our platform, and virtual reality engineers that specialize on *RealSee* virtual reality products.

Technological Infrastructure

We have developed a secure, efficient and cost-effective cloud-based core system to operate our business. Cloud-based technology allows us to process large amount of complex data in-house, which significantly reduces cost and improves operational efficiency. We currently rely on our three data center rooms, as well as third-party cloud services such as Tencent Cloud, for our computing, storage, bandwidth, content delivery network, backup and other services. The robust technology infrastructure supports instant scaling with great flexibility to support traffic spikes. We have the capability to operate and serve during outbreaks related to servers, cables and power in data center scale or city scale. Even in the extreme hypothetical situation where all core data are deleted, we are able to restore to full service with our multi-layer backup system in a relatively short time. As of the date of this annual report, we have not experienced any service outbreak that materially affected our business operation. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—The proper functioning of technologies deployed by our platform is essential to our business. Any failure to maintain the satisfactory performance of our websites, mobile apps and systems could materially and adversely affect our business and reputation.”

RealSee Virtual Reality

We introduce VR experience to the housing transactions and services industry in China. We started to research on VR technology from as early as 2015 and built our VR lab in early 2016. We believe that the power of VR technology can help agents grow their business, get more housing customers, and deliver top-level services, especially when a growing number of housing customers start their housing transaction journeys by searching properties online. In addition, interactions between agents and housing customers during VR property showing sessions are digitalized and recorded, which can be used for agents' personalized training and skill improvement in a timely manner.

We believe that our *RealSee* VR technology has already been transforming the way the housing transactions and services industry functions. Typically, customers physically visit multiple properties before deciding on the one they want, which is inconvenient, expensive and time consuming. *RealSee* VR technology allows home buyers to virtually visit properties without leaving their couches and move within the properties by clicking on special hotspots in the interface. We offer our housing customers three-dimensional walkthroughs of properties along with on-demand real time explanation from our agents using *Beike* customer front end. We have also rolled out VR sales offices for new home projects where customers can check out virtually staged prototype homes and connect with our guiding agents with one click.

Technology for Financial Solutions

We have developed cutting-edge technology to power the financial services on our platform. The core of our financial technology lies in our electronic wallets built in *eHomePay*. Capable of handling money transactions with high frequencies and value on our ecosystem, the electronic wallet is essentially a robust system that digitally transfers, clears and settles money in a stringent financial accounting manner.

Our Environmental, Social and Governance (ESG) Initiatives

We believe our continued growth depends on our integration of ESG values into our corporate strategies and operations. With the unprecedented challenges regarding climate change and the COVID-19 pandemic, we have become more active to take on social responsibilities and we will continue to bring innovations to better serve everyone in our society. We are committed to operating on an ethical and compliant basis and elevating service experience through technological innovation. We will continue to promote a diverse and inclusive environment for talents, and pursue environmentally friendly operations following the principles of low carbon economy, thereby contributing to public welfare and helping build a wonderful community.

Environmental Sustainability Initiatives

With an understanding of the impact of climate change to our long-term development, we actively promote environmental sustainability and have put forward a “*Green, Intelligent, Community+*” development strategy. Through technological innovations, we aspire to promote the digitalized economic development following the principles of low carbon economy, tackle the challenges of climate change, and make contributions to global carbon neutrality. Our innovative technologies, such as VR initiatives, help reduce the hassle for offline commutes, and contribute to reduction of greenhouse gas emission associated with transportation. We advocate for green office practices to reduce our carbon footprint and constantly raise the awareness of environmental protection among our employees. For example, we actively promote paperless online contract signing in existing home sales and home rentals, and we have saved around 47.2 million sheets of paper in 2021 through online contract signing. We also take a series of energy-saving measures to improve energy efficiency for daily operations in our stores, such as promoting energy-efficient appliances and refined management of energy consumption to realize intelligent use of electricity. Our *Huaqiao Academy* was designed, constructed and operated following the green building standards and has received the certificate of Green Building Design Label. The building was designed with an energy-saving rate of 50%, a green space ratio of 30%, and a reusable and recyclable material utilization rate of 6%.

We are committed to supporting non-profit organizations devoted to protecting the environment. Through Beijing *Lianjia* Public Welfare Foundation, a charitable organization established in July 2016 where we act as the co-sponsor, we provide funds to charitable organizations in various areas between 2018 and 2020. We are currently supporting three influential environmental organizations, including: (i) a leading research center dedicated to connecting and analyzing environmental data, building information platforms on environmental protection and promoting green decision-making in government policies and business activities; (ii) a non-profit organization devoted to combating pollution through applying ecological data analytics and promoting public participation; and (iii) a long-standing non-profit organization dedicated to water protection and resource management that has conducted lots of field work.

In 2020, we jointly initiated the Blue Ocean Campaign, a low-carbon public welfare project, aimed at protecting and restoring mangroves in coastal wetland in Fujian, China. By the end of 2020, 109,000 mangroves had been planted in Fujian through this program, which will sequester an estimated 1,100 tons of carbon in the coming 40 years, according to data from a nonprofit group focusing on ecological protection in China. In November 2021, this project won an environmental award from China’s Green Economy Development Forum for its continuous efforts to leverage virtual reality technology to inspire green lifestyle and help reduce carbon footprints.

Social Responsibility Initiatives

We believe by integrating industrial advantages with community welfare, we are on the right path to promote efficient and sustainable community development. As the leading platform for housing transaction and services, we are able to support our communities through diversified interaction mechanisms and charity activities to meet community needs.

Elderly Care Service. We initiated an ongoing elderly care program where our agents teach elderly in the community to use smart phones through regular workshops and free Q&A sessions. As of December 31, 2021, the program has been established in over 2,000 communities in 48 cities nationwide, providing around 300,000 times of services to the elderly.

Rural Development. We are committed to providing charitable contributions to the underserved communities in China, many of which are in rural areas. We hope to leverage the power of our platform to address the living needs of these communities and offer localized and effective solutions. As of December 31, 2021, we contributed more than RMB70 million to the initiatives related to poverty relief, rural development and community charity, among other things. In addition, as of December 31, 2021, we have provided funding support for the education of nearly 80,000 students in rural areas in China, and have donated 201 charity libraries with over 600,000 books and contributed to funds that built 12 primary schools in less developed areas in China.

College Entrance Examination rest area. To support the community members' efforts in pursuing higher education, we launched the initiative in 2015 to offer comprehensive services and modify our stores as rest areas during the two or three-day period of the National College Entrance Examination in China.

Corporate Governance

We have built a sound corporate governance structure to ensure the effectiveness of our management. The board of directors authorized the nominating and corporate governance committee to oversee ESG-related issues and perform relevant ESG governance responsibilities on behalf of the board. Following the framework of COSO (The Committee of Sponsoring Organizations of the Treadway Commission) framework, we have built a risk management structure consisting of three lines of defense to identify and analyze financial and non-financial risks during operations and established effective risk prevention and control mechanisms to achieve long-term operational stability.

Initiatives to Support the COVID-19 Campaign

We believe it is our responsibility to stand out in difficult times and our commitment to society is embodied in our efforts during the COVID- 19 outbreak. We proactively supported China's nationwide efforts to contain the spread of COVID- 19 and launched a variety of initiatives to combat the pandemic. To promote better corporate governance, we formed an emergency committee to lead our efforts promptly after the outbreak. We also prioritized the well-being of our employees and the real estate agents on our platform by enforcing daily health checks and encouraging working-from-home arrangements to reduce the risk of contracting the disease to the extent possible. In addition, we launched free online courses on maintaining productivity in times of adversity.

At the same time, we took responsibility to support the communities. We made an RMB10 million donation to the China Red Cross Foundation to fund purchases of negative pressure ambulances, and donated face masks to a city in Hubei Province that suffered severely from the COVID- 19 pandemic. Our local branches also provided monetary support and supplies and organized fund-raising events to support the campaign. Moreover, to utilize our nationwide network, we encourage the brokerage stores on our platform to reach out to the anti-disease authorities in the communities to offer support, such as conducting body temperature checks and disinfecting public areas. We also established an initiative to organize emergency service centers in the communities to distribute supplies and receive packages. We believe our supportive efforts in this special time strengthened our ties with the communities we serve and consolidated our long-standing value in being socially responsible.

Marketing and Branding

We promote our platform and enhance brand awareness through a variety of online and offline branding and business development activities. We cooperate with websites and mobile apps, particularly popular search engines and social media platforms, for online and mobile marketing. We also conduct offline marketing primarily in the form of promotional events, posters, and television commercials. For example, in Chinese New Year holidays in 2019 and 2020, we engaged in extensive promotional activities in forms of television and movie advertising and posters in the transportation system. We also organized the 2019 New Brokerage Business Summit in November 2019 to welcome various participants in the industry, during which we also launched our new products and services. In addition, we started to sponsor the China Women's National Volleyball Team in January 2020 for a period of two years.

We believe that our high-quality real estate brokerage services lead to strong word-of-mouth referrals, which drive customer awareness of our brands. As we gain trust from housing customers through facilitating housing transactions, they often refer us to their families, friends and social acquaintance, or return to our platform when they have other housing related needs, be it home rentals, renovation or other services.

As of December 31, 2021, we had 6,015 business development and supporting staff engaged in expanding our business geographically. We follow a standard process to enter a new geographic area. After enlarging the information in the *Housing Dictionary* of the target city to reach a satisfying level, we will set out our business development team to reach out to local real estate brokerage stores that share similar vision and values with us to discuss on potential cooperation. As soon as we have built a comprehensive network of stores, agents and listings, we would then open offline stores and connect that city onto our online platform.

Intellectual Property

We regard our patents, trademarks, copyrights, domain names, know-hows, proprietary technologies, and similar intellectual property as critical to our success. As of December 31, 2021, we had 874 patents registered and 1,091 pending patent applications. We also owned 5,538 registered trademarks, 1,307 pending trademark applications, copyrights to 612 software programs developed by us relating to various aspects of our operations, and 113 registered domain names, including *ke.com* and *Lianjia.com*.

We seek to protect our technology and associated intellectual property rights through a combination of patent, copyright and trademark laws, as well as license agreements and other contractual protections. In addition, we enter into employment agreements with confidentiality arrangements with our employees, and cooperation agreements with confidentiality arrangements with brokerage brands and business partners to protect our proprietary rights. The agreements we enter into with our employees also provide that all patents, software, inventions, developments, works of authorship and trade secrets created by them during the course of their employment with us are our property.

We intend to protect our technology and proprietary rights vigorously. We have employed internal policies, confidentiality agreements, encryptions and data security measures to protect our proprietary rights. From time to time, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Our failure to protect our intellectual property rights may undermine our competitive position, and external infringements of our intellectual property rights may adversely affect our business” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We have been and may be subject to intellectual property infringement claims or other allegations, which may materially and adversely affect our business, financial condition and prospects.”

Competition

The housing related industry in China is rapidly evolving and increasingly competitive. We face competition from players in different segments of the housing transactions and services industry. We compete with other online housing transaction platforms for property listings and housing transactions, as well as traffic-focused platforms for customer traffic. For our new home sales business, we also compete with other new home sales channels. In addition to these platforms and companies at the national level, we compete with offline traditional real estate brokerage stores and brands for agents and housing customers locally. We also compete with other companies for value-added services related to housing transactions.

We believe that we are strategically positioned in China’s housing transactions and services industry and we compete with others primarily on the following factors: (i) the ability to build and expand our integrated online and offline platform for housing transactions and services; (ii) the amount and authenticity of property listings on our platform; (iii) the ability to further develop the industry infrastructure to enhance efficiency and customer experience; (iv) the superior service quality of our platform as well as the agents on our platform; (v) our brand recognition and reputation; and (vi) our ability to develop advanced technologies and utilize such technologies in housing transactions and services.

Insurance

In addition to providing social security insurance for our employees as required by PRC law, we also provide supplemental commercial medical insurance for our employees. Consistent with customary industry practice in China, we do not maintain business interruption or product transportation insurance, nor do we maintain key-man insurance. See “Item 3. Key Information—D. Risk Factors—Risk Factors Related to Our Business and Industry—We have limited insurance coverage, which could expose us to significant costs and business disruption.”

Regulation

Regulations Related to Foreign Investment

The establishment, operation and management of companies in China are governed by the PRC Company Law, as amended in 2005, 2013 and 2018. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies. The direct or indirect investment activities of a foreign investor shall be governed by the PRC Foreign Investment Law and its implementation rules. The PRC Foreign Investment Law, or the Foreign Investment Law, is promulgated by the National People’s Congress of the PRC on March 15, 2019 and took effect on January 1, 2020, which replaced the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the PRC Wholly Foreign-owned Enterprise Law. The Foreign Investment Law implements the administrative system of pre-entry national treatment along with a negative list for foreign investments, and establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition.

Pursuant to the Foreign Investment Law, “foreign investments” refer to any direct or indirect investment activities conducted by any foreign individual, enterprise, or organization (collectively referred to as “foreign investors”) in the PRC, which includes any of the following circumstances: (i) foreign investors establishing foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors acquiring shares, equity interests, property portions or other similar rights and interests thereof within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) other forms of investments as defined by laws, regulations, or as otherwise stipulated by the State Council of the PRC. According to the Foreign Investment Law, the State Council of the PRC shall promulgate or approve a list of special administrative measures for access of foreign investments, or the 2021 Negative List. The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the 2021 Negative List. The Foreign Investment Law provides that foreign investors shall not invest in the “prohibited” industries, and shall meet certain requirements as stipulated under the 2021 Negative List for making investment in “restricted” industries.

In addition, the Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; mandatory technology transfer is prohibited; and the capital contributions, profits, capital gains, proceeds out of asset disposal, licensing fees of intellectual property rights, indemnity or compensation legally obtained, or proceeds received upon settlement by foreign investors within China, may be freely remitted inward and outward in RMB or a foreign currency. Also, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. Furthermore, the Foreign Investment Law provides that foreign-invested enterprises established prior to the effectiveness of the Foreign Investment Law may maintain their legal form and structure of corporate governance within five years after January 1, 2020.

On December 26, 2019, the State Council of the PRC further issued the Regulations on Implementing the PRC Foreign Investment Law, or the Implementation Regulations, which came into effect on January 1, 2020, and replaced the Regulations on Implementing the PRC Equity Joint Venture Law, Provisional Regulations on the Duration of PRC Equity Joint Venture Law, the Regulations on Implementing the PRC Cooperative Joint Venture Law, and the Regulations on Implementing the PRC Wholly Foreign-owned Enterprise Law. The Implementation Regulations restate certain principles of the Foreign Investment Law and further provides that, among others, (1) if a foreign-invested enterprise established prior to the effective date of the Foreign Investment Law fails to adjust its legal form or governance structure to comply with the provisions of the Companies Act of the PRC or the Partnership Enterprises Law of the PRC, as applicable, and complete amendment registration before January 1, 2025, the enterprise registration authority will not process other registration matters of the foreign-invested enterprise and may publicize such non-compliance thereafter; (2) the provisions regarding equity interest transfer and distribution of profits and remaining assets as stipulated in the contracts among the joint venture parties of a foreign-invested enterprise established before the effective date of the Foreign Investment Law may, after adjustment of the legal form and governing structure of such foreign-invested enterprise, remain binding upon the parties during the joint venture term of the enterprise.

On December 27, 2021, the NDRC and the Ministry of Commerce promulgated the Special Entry Management Measures (Negative List) for the Access of Foreign Investment (2021 version), or the 2021 Negative List, which took into effect on January 1, 2022. In addition, the NDRC and the Ministry of Commerce promulgated the Encouraged Industry Catalogue for Foreign Investment (2020 version), or the Encouraged Industry Catalogue, which was promulgated on December 27, 2020 and took into effect on January 27, 2021. Industries not listed in the 2021 Negative List and Encouraged Industry Catalogue are generally open for foreign investments unless specifically restricted by other PRC laws. Establishment of wholly foreign-owned enterprises is generally allowed in encouraged and permitted industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority equity interests in such joint ventures. In addition, foreign investment in restricted category projects is subject to government approvals. Foreign investors are not allowed to invest in industries in the prohibited category.

Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises promulgated by the Ministry of Commerce, on October 8, 2016 and amended on July 30, 2017 and June 29, 2018, respectively, establishment and changes of foreign investment enterprises not subject to the approval under the special entry management measures shall be filed with the relevant commerce authorities. However, as the Foreign Investment Law has taken effect, the Ministry of Commerce and the SAMR jointly approved the Foreign Investment Information Report Measures, or the Information Report Measures, on December 19, 2019, which took effect on January 1, 2020. According to the Information Report Measures, which repealed the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises, foreign investors or foreign invested enterprises shall report their investment related information to the competent local counterpart of the Ministry of Commerce through Enterprise Registration System and National Enterprise Credit Information Notification System.

The NDRC and the Ministry of Commerce jointly promulgated the Measures for the Security Review of Foreign Investment, or the Security Review Measures on the Foreign Investment on December 19, 2020, which came into effect on January 18, 2021. Pursuant to the Security Review Measures on the Foreign Investment, the NDRC and the Ministry of Commerce will establish a working mechanism office in charge of the security review of foreign investment, and any foreign investment which has or would possibly have an impact on the national security shall be subject to security review by such working mechanism office. The Security Review Measures on the Foreign Investment define foreign investment as direct or indirect investment by foreign investors in the PRC, which includes (i) investment in new onshore projects or establishment of wholly foreign owned onshore companies or joint ventures with foreign investors; (ii) acquiring equity or asset of onshore companies by merger and acquisition; and (iii) onshore investment by and through any other means. It further require that foreign investors or their domestic affiliates to apply for clearance of national security review with the working mechanism office before they conduct any investment into any of the following fields: (i) investment in the military industry or military-related industry, and investment in areas in proximity of defense facilities or military establishment; and (ii) investment in any important agricultural product, important energy and resources, critical equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technologies and internet products and services, important financial services, critical technologies and other important fields which concern the national security where actual control over the invested enterprise is obtained.

Regulations Related to Real Estate Brokerage Business and Real Estate Agency Enterprises

Pursuant to the PRC Urban Real Estate Administration Law, the real-estate agencies include real-estate brokerage agencies. Real estate agencies are required to have: (a) their own names and entities; (b) fixed premises to offer services; (c) necessary property and fund for operation; (d) adequate number of professionals; and (e) other conditions stipulated by laws and administrative regulations. To establish a real estate brokerage agency, one shall apply for incorporation registration of such real estate brokerage agency with the competent local counterpart of SAMR to obtain its business license before opening its business operation.

Specifically, the real estate brokerage business in China is primarily governed by the Real Estate Brokerage Administrative Measures, which was jointly promulgated by the MOHURD, the NDRC and the Ministry of Human Resources and Social Security on January 20, 2011 and amended on April 1, 2016. Pursuant to the Real Estate Brokerage Administrative Measures, the real estate brokerage business refers to the activities of providing intermediary and agency services to and collecting commissions from clients by real estate brokerage institutions and real estate brokers for purpose of promoting real estate transactions. To qualify as a real estate brokerage institution, an entity and its branches shall have a sufficient number of qualified real estate brokers and file with the local counterpart of the MOHURD within 30 days after obtaining its business license. The real estate brokerage services shall be uniformly undertaken by real estate brokerage institution, with the service remunerations collected by the agencies collectively. Branches shall undertake businesses in the name of the parental real-estate agencies. Individual real estate brokers are not allowed to undertake real estate brokerage services in his/her own behalf. In addition, real estate brokerage entity which provide real estate brokerage services such as providing real estate information, on-site house viewing, and contract drafting shall enter into written real estate brokerage service agreements with their clients. Real estate brokerage agencies shall not charge any fee that is not published to the public and shall not use false or misleading price contents and other pricing technique to cheat on clients. Furthermore, real estate brokerage institutions and brokers must not: (a) counterfeit and disseminate the pricing information, or collude with real-estate developers or operators to reserve premises for higher price and manipulate the market price; (b) conceal the real housing transaction information from the interested parties, and earn price discrepancies between lower buy-in price and higher sell-out (rent) price; (c) solicit business through improper means such as concealing, fraud, coercing or bribing, or lure/force real estate buyers into transaction; (d) disclose or improperly use the personal information/business secret of real estate buyers to seek unjust profits; (e) for illegal purposes such as evasion of property transaction tax, sign contracts of different prices for the same house; (f) change the internal structure of the house and divide them for rental; (g) embezzle and misappropriate the property transaction capital; (h) buy or rent his/her own agent house; (i) offer brokerage services with respect to indemnificatory houses that are not permitted to be sold or prohibited-for-sales houses; and (j) conduct other behaviors prohibited by laws and regulations.

According to the Opinions on Strengthening the Management over Real-Estate Agencies to Promote Healthier Development of the Industry as jointly promulgated and implemented on July 29, 2016 by the MOHURD, NDRC, MIIT, People's Bank of China, or the PBOC, SAT, SAIC and China Banking Regulatory Commission, governmental departments undertake enhanced regulation of real estate brokerage institutions. Real estate brokerage institutions are required to check the ownership information of the property and the identification for the client before publication of the property information. Upon approval of the client, the agency shall verify the ownership information in the competent real-estate department and prepare specification of the house conditions. The property information published shall be authentic, comprehensive and accurate. The agency shall not publish the information of the properties without the prior written authorization of owner and shall not conceal the mortgage status of the property or other relevant information of the transaction. The real estate agency shall not in any form force client to take service of any financial institution it appoints. Property information shall be removed within 2 working days upon its sale or rental.

According to the Circular on Preventing Operating Loans from being Illegally Flowed into Real Estate Sector as jointly issued by the MOHURD, the PBOC and the China Banking and Insurance Regulatory Commission, or the CBIRC on March 26, 2021, banking financial institutions are required to formulate a "White List" of intermediary agencies and shall not cooperate with any intermediary agency which assists any borrower to illegally obtain operating loans. In addition, this circular also prohibits real estate agencies from providing any consultations or services related to financial products of operating loans which are guaranteed by the buyer's real estate and inducing any buyer to illegally use the funds from operating loans. When providing the real estate brokerage services, real estate agencies shall request home buyers to undertake in writing that they do not misuse operating loans to fund the housing transactions. The local branches of the MOHURD will also establish a "Black List" to record the offending real estate agencies and real estate brokers, and will regularly disclose cases of violations.

On July 13, 2021, the MOHURD and other seven PRC regulatory agencies issued the Notice on Continuous Improvement and Regulation of the Real Estate Market Order, which aimed to strengthen the rectification of improper or illegal behaviours in real estate development, sales and leasing of properties, and property services by ways including, among others, rectifications of publishing false information of properties and illegal advertisements.

On October 23, 2021, the National People's Congress of the PRC authorized the State Council of the PRC to launch a five-year pilot property tax reform program in selected regions where the owners of residential and non-residential properties (excluding rural households) will be required to pay property tax. The State Council of the PRC has the discretion in deciding where and how the property tax will be implemented and administrated.

Regulations Related to Value-Added Telecommunications Services

Regulations on Value-Added Telecommunications Services

The PRC Telecommunications Regulations, or the Telecommunications Regulations, promulgated on September 25, 2000 by the State Council of the PRC and most recently amended in February 2016, are the primary regulations governing telecommunications services. Under the Telecommunications Regulations, a telecommunications service provider is required to procure operating licenses from the MIIT or its provincial counterparts, prior to the commencement of its operations, otherwise such operator might be subject to sanctions including corrective orders and warnings from the competent administration authority, fines and confiscation of illegal gains. In case of serious violations, the operator's websites may be ordered to be closed.

The Telecommunications Regulations categorize all telecommunication services in China as either basic telecommunications services or value-added telecommunications services, and value-added telecommunications services are defined as telecommunications and information services provided through public network infrastructures. The Administrative Measures for Telecommunications Business Operating License promulgated by the MIIT in 2009 and most recently amended in July 2017, or the Telecom License Measures, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining the licenses and the administration and supervision of these licenses. Pursuant to the Telecom License Measures, a commercial operator of value-added telecommunication services must first obtain an operating license for value-added telecommunication business, or the VATS License. The Telecom License Measures also provides that an operator providing value-added services in multiple provinces is required to obtain a cross-region VATS License, whereas an operator providing value-added services in one province is required to obtain an intra-provincial VATS License. Pursuant to the Telecom License Measures, any telecommunication services operator must conduct telecommunication business pursuant to the type and within the scope of business as specified in its VATS License.

Pursuant to the Catalog of Telecommunications Services, which was promulgated by the Ministry of Information Industry of the PRC (the predecessor of the MIIT) on February 21, 2003 and last amended by the MIIT on June 6, 2019, both online data processing and transaction processing services and internet information services fall within Class 2 value-added telecommunication services. The "online data processing and transaction processing services" mean the online data processing and transaction/affair processing services provided for users through public communication networks or the internet, using various kinds of data and affair/transaction processing application platforms connected to various kinds of public communication networks or the internet. A telecommunication services operator engaged in online data processing and transaction processing services shall obtain a VATS License for online data processing and transaction processing services. The "information services" refer to the information services provided for users via the public communication network or the internet and by the information collection, development, processing and construction of information platforms. The Administrative Measures on Internet Information Services, or the Internet Content Measures, which was promulgated by the State Council of the PRC on September 25, 2000 and amended on January 8, 2011, sets out guidelines on the provision of internet information services. The Internet Content Measures classifies internet information services into commercial internet information services and non-commercial internet information services. Pursuant to the Internet Content Measures, commercial internet information services refer to the provision with charge of payment of information or website production or other service activities to online users via the internet, non-commercial internet information services refer to the provision with free of charge of information that is in the public domain and openly accessible to online users via the internet. The Internet Content Measures requires that a provider of commercial internet information services shall obtain a VATS License for internet information services. The Internet Content Measures further requires that a provider of non-commercial internet information services shall carry out record-filing procedures with the provincial level counterparts of the MIIT.

Regulations Related to Foreign Investment Restriction on Value-Added Telecommunications Services

According to the 2021 Negative List, the equity ratio of foreign investment in the value-added telecommunications enterprises is subject to the cap of 50% except for the investment in the e-commerce operation business, a domestic multi-party communication business, an information storage and re-transmission business and a call center business.

Specifically, foreign direct investment in telecommunications companies in China is governed by the Administrative Regulations on Foreign-Invested Telecommunications Enterprises, which was promulgated by the State Council of the PRC on December 11, 2001 and amended on September 10, 2008 and February 6, 2016. The regulations require that foreign-invested value-added telecommunications enterprises must be in the form of a Sino-foreign equity joint venture, and the ultimate capital contribution percentage by foreign investor(s) in a foreign-invested value-added telecommunications enterprise must not exceed 50%, other than certain exceptions. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprises operating the value-added telecommunications business in China must satisfy a number of stringent performance and operational experience requirements, including demonstrating a good track record and experience in operating value-added telecommunication business overseas. Foreign investors that meet these requirements shall obtain approvals from the MIIT, which retain considerable discretion in granting such approval.

In 2006, the predecessor to the MIIT issued the Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Business, according to which a foreign investor in the telecommunications service industry of China must establish a foreign invested enterprise and apply for a telecommunications businesses operation license. This circular further requires that: (i) PRC domestic telecommunications business enterprises must not lease, transfer or sell a telecommunications businesses operation license to a foreign investor through any form of transaction or provide resources, offices and working places, facilities or other assistance to support the illegal telecommunications services operations of a foreign investor; (ii) value-added telecommunications enterprises or their shareholders must directly own the domain names and trademarks used by such enterprises in their daily operations; (iii) each value-added telecommunications enterprise must have the necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license; and (iv) all providers of value-added telecommunications services are required to maintain network and internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with the requirements in the circular and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holder, including revoking its license for value-added telecommunications business.

Regulations Related to Mobile Internet Applications

In June 2016, the CAC promulgated the Administrative Provisions on Mobile Internet Application Information Services, or the Mobile Application Administrative Provisions, which became effective on August 1, 2016. Pursuant to the Mobile Application Administrative Provisions, a mobile internet app refers to an app software that runs on mobile smart devices providing information services after being pre-installed, downloaded or embedded through other means. Mobile internet app providers refer to the owners or operators of mobile internet apps. Internet app stores refer to platforms which provide services related to online browsing, searching and downloading of app software and releasing of development tools and products through the internet.

Pursuant to the Mobile Application Administrative Provisions, an internet app program provider must verify a user's mobile phone number and other identity information under the principle of mandatory real name registration at the back-office end and voluntary real name display at the front-office end. An internet app provider must not enable functions that can collect a user's geographical location information, access user's contact list, activate the camera or recorder of the user's mobile smart device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant app programs, unless it has clearly indicated to the user and obtained the user's consent on such functions and app programs. In respect of an internet app store service provider, the Mobile Application Administrative Provisions require that, among others, it must file a record with the local authority within 30 days after it rolls out the internet app store service online. It must also examine the authenticity, security and legality of internet app providers on its platform, establish a system to monitor app providers' credit and file a record of such information with relevant governmental authorities. If an app provider violates the regulations, the internet app store service provider must take measures to stop the violations, including giving a warning, suspension of release, withdrawal of the app from the platform, keeping a record of the incident and reporting the incident to the relevant governmental authorities.

Regulations Related to Advertising Services

On April 24, 2015, the Standing Committee of the National People's Congress of the PRC enacted the revised Advertising Law of the PRC, or the Advertising Law, effective on September 1, 2015 which was most recently amended in April, 2021. The Advertising Law increases the potential legal liability of advertising services providers and strengthens regulations of false advertising. The Advertising Law sets forth certain content requirements for advertisements including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest.

On July 4, 2016, the SAIC (currently known as the SAMR) issued the Interim Administrative Measures on Internet Advertising, or the Internet Advertising Measures, which came into effect on September 1, 2016. The Advertising Law and the Internet Advertising Measures require that online advertisements may not affect users' normal use of internet and internet pop-up ads must display a "close" sign prominently and ensure one-key closing of the pop-up windows. The Internet Advertising Measures provide that all online advertisements must be marked "advertisement" so that consumers can distinguish them from non-advertisement information. Moreover, the Internet Advertising Measures require that, among other things, sponsored search advertisements shall be prominently distinguished from normal research results and it is forbidden to send advertisements or advertisement links by email without the recipient's permission or induce internet users to click on an advertisement in a deceptive manner.

On November 26, 2021, the SAMR published the Draft Administrative Measures on Internet Advertising for public comment, or the Draft Measures on Internet Advertising, which require that users should be able to close pop-up advertisements using one button and provide that the pop-up advertisements shall not contain countdown timer or require more than one click to close and shall not pop up more than once on the same page. In addition, the Draft Measures on Internet Advertising provide that internet advertising operators and distributors shall establish a system for registering and reviewing advertisers and advertisements and verify and update such system on a regular basis. Platform operators that provide internet information services are required to inspect the content of advertisements displayed and published by using their information services and cooperate with market supervision administration authorities to inspect advertisements and provide information and evidence on alleged illegal advertisements requested by such authorities. Moreover, the Draft Measures on Internet Advertising provide that advertising via live-streaming is subject to the new rules.

Regulations Related to Financing

Regulations Related to Online Payment

On June 14, 2010, the PBOC issued the Administrative Measures on Non-Financial Institution Payment Service and its implementing rules, which set forth the basic regulatory requirements for payment market entry. According to the Administrative Measures on Non-Financial Institution Payment Service, non-financial institution payment service shall mean any of the following monetary asset transfer services provided by non-financial institutions as an intermediary between the payor and the payee: (i) online payment; (ii) pre-payment card issuance and receipt; (iii) bank card acceptance; (iv) other payment services as specified by the PBOC. Pursuant to the Administrative Measures on Non-Financial Institution Payment Service, non-financial institution which provides payment services shall obtain a payment business license to become a payment institution. No non-financial institution or individual shall engage in payment services without the PBOC's approval either expressly or in disguise.

On December 28, 2015, the PBOC issued the Administrative Measures for Internet Payment Services of Non-Bank Payment Institutions, or the Online Payment Administrative Measures. Pursuant to the Online Payment Administrative Measures, online payment services shall mean activities where a payor or payee initiates a remote payment instruction via public network information system from its computer, mobile terminal or other electronic devices and, without interaction between the electronic device of the payer and the exclusive device of the receiver, and where the payment institution provides money transfer services between the payee and the payor. A payment institution shall obtain an online payment service permit before engaging in the online payment business. Payment institutions licensed for Internet payment services may, open a payment account for the client as requested at his or her own discretion. Payment institutions only licensed for providing mobile payment, landline payment or digital television payment services shall not open payment accounts for clients. Payment institutions shall fully warn their clients about the potential risk of online payments and provide necessary safety education and risk warning before processing the online payment services. Payment institutions shall establish and perfect their risk reserve procedures and a transaction compensation procedure, and shall protect the legitimate rights and interests of their clients by compensating in full amount of the losses of their clients if such losses cannot be effectively proved to be caused by the clients. In addition, a payment institution shall also provide transaction record search service for their clients for free through websites with legal and independent domain names and uniform service hotline for clients to search transaction records of at least the last year.

On January 19, 2021, the PBOC issued the Measures for Deposit and Management of Clients' Reserves of Non-Bank Payment Institution, or the Administrative Measures of Reserves. Pursuant to the Administrative Measures of Reserves, clients' reserves mean the cash that payment institution received from its clients to be paid to the payee. Non-bank payment institutions are required to open a deposit account at the PBOC to deposit such reserves. The reserve received by non-bank institutions shall be fully deposit to the special reserve account opened at the PBOC or the qualified bank. The reserve can only be used for the payment business requested by the clients and any entity, individual cannot use, misappropriate, or borrow such reserve or use it as a guarantee.

Beijing Ehomepay Technologies Co., Ltd., one of the subsidiaries of the VIEs, has obtained the license for non-financial institution payment service covering online payment service.

Regulations Related to Micro Credit Business

According to the Guiding Opinion on the Pilot Operation of Micro Credit Companies, or the Guiding Opinion, which was promulgated by the CBIRC and the PBOC on May 4, 2008, a micro credit company is a company that specializes in operating a micro-loan business with investments from natural persons, legal entities or other social organizations, and which does not accept public deposits. The establishment of a micro credit company is subject to the approval of the competent government authority at the provincial level. The provincial governments may launch the pilot operation of micro credit companies within their prefectural regions if they could designate a competent department, financial affairs office or other relevant institutions to be responsible for the supervision and administration of micro credit companies and willing to take responsibility for handling the micro credit companies' risks.

Based on the Guiding Opinion, many provincial governments, including that of Beijing, promulgated local implementing rules on the administration of micro credit companies. In January 2009, the General Office of the People's Government of Beijing Municipality issued the Pilot Implementation Measures of Micro Credit Company of Beijing, which specifies the requirement for establishment and operation of micro credit companies in Beijing. According to this regulation, establishment of a micro credit company in Beijing is subject to the prior approval of the finance regulatory authority of the municipality. Besides, the funds of the micro loans provided by the micro credit company shall be limited to the capital contributions or donations of its shareholders, funds provided by no more than two banks and other funds as approved by the authorities.

On November 21, 2017, the Internet Financing Risk Special Rectification Work Leading Team Office, or the Leading Team Office, issued a Circular on Immediate Suspension on Approval of the establishment of Online Micro Credit Enterprises, which stated that effective from November 21, 2017, no local governmental authorities shall approve any newly established online micro credit enterprises or approve any new cross-province small loan lending business for existing micro credit enterprises.

Beijing Beike Micro Credit Co., Ltd., one of the subsidiaries of the VIEs, has obtained the approval for its establishment as a micro credit company in Beijing.

Regulations Related to Financing Guarantee

In March 2010, seven governmental authorities including the predecessor of the CBIRC, the Ministry of Commerce and the Ministry of Finance, promulgated the Interim Administrative Measures for Financing Guarantee Companies, which requires an entity or individual to obtain prior approval from the relevant governmental authority before engaging in the financing guarantee business. A financing guarantee is defined as an activity whereby the guarantor and the creditor, such as a financial institution in the banking sector, agree that the guarantor shall bear the guarantee obligations in the event that the borrower fails to meet its repayment obligations.

On August 2, 2017, the PRC State Council of the PRC promulgated the Regulations on the Supervision and Administration of Financing Guarantee Companies, which became effective on October 1, 2017. These regulations define “financing guarantee” as a guarantee provided for the debt financing, including but not limited to the extension of loans or issuance of bonds, and set out that the establishment of a financing guarantee company or engagement in the financing guarantee business without approval may result in administrative penalties and even criminal liabilities. These regulations on financing guarantee also set forth that the outstanding guarantee liabilities of a financing guarantee company shall not exceed ten times of its net assets, and that the balance amount of outstanding guarantee liabilities of a financing guarantee company for the same guaranteed party shall not exceed 10% of its net assets, while the outstanding guarantee liabilities of a financing guarantee company shall not exceed 15% of its net assets. On April 2, 2018, the seven governmental authorities further issued four supplementary administrative measures for implementing the Regulations on the Supervision and Administration of Financing Guarantee Companies, which provide further guidance on the application for and management of financing guarantee business license, the calculation of the outstanding guarantee liabilities of the financing guarantee companies, the administration of the asset ratio of financing guarantee companies, and the business cooperation between financing banks and financing guarantee companies.

On October 9, 2019, nine governmental authorities including the CBIRC, the NDRC, the Ministry of Commerce and the Ministry of Finance jointly issued another Circular on the Issuance of the Supplementary Provisions on Supervision and Administration of Financing Guarantee Companies, or the CBIRC Circular 37, which further clarified that residential real estate guarantee companies (centers) shall be regulated under the financing guarantee regulations and shall acquire a financing guarantee business license before June 2020. In addition, a financing guarantee company shall include the words “financing guarantee” in its company name. The CBIRC Circular 37 also amended one of the Four Supplementary Measures by including the outstanding liabilities of residential real estate guarantee business as a factor in calculating the overall outstanding guarantee liabilities of a financing guarantee company.

Beijing Zhongrongxin Financing Guarantee Co., Ltd., one of the subsidiaries of the VIEs, and Shenzhen Beike Financing Guarantee Co., Ltd., one of our PRC subsidiaries, have obtained the license for financing guarantee business.

Regulations Related to Insurance Brokerage

On February 1, 2018, the China Insurance Regulatory Commission, or the CIRC, the predecessor of CBIRC, promulgated the Provisions on the Regulation of Insurance Brokers, which became effective on May 1, 2018. Pursuant to the Provisions on the Regulation of Insurance Brokers, the establishment and operation of an insurance broker must meet the qualification requirements specified by the CIRC, obtain the approval from the CIRC and be licensed by the CIRC. Specifically, the paid-in registered capital of a cross-province insurance brokerage company must be at least RMB50 million and that for an intra-province insurance brokerage company (the one only operates within the province in which it is registered) must be at least RMB10 million.

On April 27, 2018, the CBIRC promulgated the Notice on Relaxing Restrictions on the Business Scope of Foreign-Funded Insurance Brokerage Companies, which became effective on April 27, 2018. Pursuant to this notice, the foreign-funded insurance brokerage institutions that obtain insurance brokerage business permits upon approval by the insurance regulatory authority of the State Council of the PRC may engage in the following insurance brokerage business within the territory of the People’s Republic of China: (i) drafting insurance application proposals, selecting insurers, and undergoing the insurance application formalities for insurance applicants; (ii) assisting the insured parties or beneficiaries in claiming compensation; (iii) reinsurance brokerage business; (iv) providing disaster or loss prevention or risk evaluation and management advisory services; (v) other business approved by the CBIRC.

On December 3, 2021, the General Office of the CBIRC issued the Circular on Clarifying Relevant Measures on Open up of Insurance Agency Markets, which provides that qualified foreign insurance brokerage companies with actual operation experience are allowed to set up insurance brokerage companies in China to conduct insurance brokerage business, and the following qualification requirements for the foreign investor of an insurance brokerage company are abolished: (i) the foreign investor shall have engaged in insurance brokerage business for more than thirty years within the territories of World Trade Organization members; (ii) the foreign investor shall have established its representative office in China for two consecutive years; and (iii) the total assets of the foreign investor shall be no less than US\$200 million as of the end of the year prior to its application.

Beijing Anli Insurance Brokerage Co., Ltd., one of the subsidiaries the VIEs, has obtained the license for insurance brokerage business.

Regulations Related to Commercial Factoring

On June 27, 2012, the Ministry of Commerce promulgated the Notice on Pilot Scheme for Commercial Factoring, or Notice 419, along with other circulars to launch the pilot scheme for commercial factoring in Shanghai Pudong New District, Tianjin Binhai New District and certain other areas. According to the local implementation rules, a commercial factoring enterprise may be established upon approval by the local counterparts of the Ministry of Commerce or other competent authorities (e.g. local financial work offices) in the said regions. The business scope of a commercial factoring company may cover trade financing services, management of sales ledgers, customer credit investigation and evaluation, management and collection of accounts receivable and credit risk guarantee. On May 8, 2018, the Ministry of Commerce announced that the regulatory authority of commercial factoring industry was transferred from the Ministry of Commerce to the CBIRC on April 20, 2018. On October 18, 2019, the CBIRC announced the Circular on Enhancing the Supervision and Management of Commercial Factoring Enterprises, which further emphasized that commercial factoring enterprises shall not engage in, among others, the following businesses: (i) absorbing public funds either directly or in disguise; (ii) lending or borrowing money from other commercial factoring enterprises, directly or in disguise; (iii) facilitating loans or entrusted by another person to facilitate loan.

Zhongjia Guotai Commercial Factoring (Shenzhen) Co., Ltd. and Beike (Tianjin) Commercial Factoring Co., Ltd., the subsidiaries of our PRC subsidiaries, are respectively approved by the competent authorities in Shenzhen and Tianjin to provide commercial factoring services.

Regulation Related to Internet Security and Privacy Protection

Regulations Related to Internet Security

The Decision in Relation to Protection of Internet Security enacted by the Standing Committee of the National People's Congress of the PRC on December 28, 2000, as amended in August 2009, provides that, among other things, the following activities conducted through the internet, if constituted a crime under PRC laws, are subject to criminal punishment: (i) hacking into a computer or system of strategic importance; (ii) intentionally inventing and spreading destructive programs such as computer viruses to attack the computer system and the communications network, thus damaging the computer system and the communications networks; (iii) in violation of national regulations, discontinuing the computer network or the communications service without authorization; (iv) leaking state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights through internet.

The Provisions on Technological Measures for Internet Security Protection, or the Internet Security Protection Measures, promulgated on December 13, 2005 by the Ministry of Public Security require internet service providers and organizations that use interconnection implementing technical measures for internet security protection, such as technical measures for preventing any matter or act that may endanger network security, for example, computer viruses, invasion or attacks to or destruction of the network. All internet access service providers are required to take measures to keep a record of and preserve user registration information. Under these measures, value-added telecommunications services license holders must regularly update information security and content control systems for their websites and must also report any public dissemination of prohibited content to local public security authorities. If a value-added telecommunications services license holder violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

On July 1, 2015, the Standing Committee of the National People's Congress issued the PRC National Security Law, which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cyber security development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact national security of China.

On November 7, 2016, the Standing Committee of the National People's Congress of the PRC promulgated the PRC Cybersecurity Law, which came into effect on June 1, 2017, and applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in China. The Cybersecurity Law defines "networks" as systems that are composed of computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with certain rules and procedures. "Network operators," who are broadly defined as owners and administrators of networks and network service providers, are subject to various security protection-related obligations, including: (i) complying with security protection obligations in accordance with tiered cybersecurity system's protection requirements, which include formulating internal security management rules and manuals, appointing cybersecurity responsible personnel, adopting technical measures to prevent computer viruses and cybersecurity endangering activities, adopting technical measures to monitor and record network operation status and cybersecurity events; (ii) formulating cybersecurity emergency response plans, timely handling security risks, initiating emergency response plans, taking appropriate remedial measures and reporting to regulatory authorities; and (iii) providing technical assistance and support for public security and national security authorities for protection of national security and criminal investigations in accordance with the law. Network service providers who do not comply with the Cybersecurity Law may be subject to fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses.

On April 13, 2020, twelve PRC government authorities including the CAC issued the Measures for Cybersecurity Review, with effect from June 1, 2020, which provide detailed cybersecurity review procedures for the purchase of network products and services by operators of "critical information infrastructure." According to the Measures for Cybersecurity Review, operators of "critical information infrastructure" are operators identified by the PRC governmental department in charge of the protection of critical information infrastructure, and "network products and services" primarily are core network equipment, high-performance computers and servers, mass storage equipment, large databases and applications, network security equipment, cloud computing services, and other network products and services that may have an important impact on the security of critical information infrastructure.

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures, which became effective on February 15, 2022 and replaced the Measures for Cybersecurity Review. Pursuant to Cybersecurity Review Measures, critical information infrastructure operators that purchase network products and services and network platform operators engaging in data processing activities are subject to cybersecurity review under the Cybersecurity Review Measures if such activities affect or may affect national security. According to the Cybersecurity Review Measures, before purchasing any network products or services, a critical information infrastructure operator shall assess potential national security risks that may arise from the launch or use of such products or services, and apply for a cybersecurity review with the cybersecurity review office of CAC if national security will or may be affected. In addition, network platform operators who possess personal information of more than one million users, and intend to be listed on a foreign stock exchange must be subject to the cybersecurity review.

To apply for a cybersecurity review, the applicant shall submit (i) an application letter, (ii) a report to analyze the impact or the potential impact on national security, (iii) purchase documents, agreements, the draft contracts or application documents for initial public offering or other listing application documents to be submitted to the relevant stock exchange regulators, and (iv) other necessary materials for conducting cybersecurity review. The Cybersecurity Review Measures further elaborate the factors to be considered when assessing the national security risks of the relevant activities, including, among others: (i) the risk of any critical information infrastructure being illegally controlled, interfered, or sabotaged; (ii) the harm to the business continuity of any critical information infrastructure caused by the disruption of supply of these products and services; (iii) the security, openness, transparency and variety of sources of these products or services, the reliability of supply channels, as well as risks of supply interruptions due to factors such as politics, diplomacy and trade; (iv) the level of compliance with PRC laws and regulations of the product and service providers; (v) the risk of core data, important data, or a large amount of personal information being stolen, leaked, destroyed, and illegally used or cross-border transferred; (vi) the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign governments and the cyber information security risk in connection with listing; and (vii) other factors that may adversely affect the security of critical information infrastructures, cyber security or data security.

If the cybersecurity review office of CAC deems it necessary to conduct a cybersecurity review, it should complete a preliminary review (including reaching a review conclusion suggestion and sending the review conclusion suggestion to the implementing body for the cybersecurity review mechanism and the relevant authorities for their comments) within 30 business days from the issuance of a written notice to the operator, or 45 business days for complicated cases. Upon the receipt of a review conclusion suggestion, the implementing body for the cybersecurity review mechanism and the relevant authorities shall respond with their opinions in writing within 15 business days. If the cybersecurity review office of CAC and these authorities reach a consensus, then the cybersecurity review office of CAC shall inform the operator in writing, otherwise, the case will go through a special review procedure. The special review procedure should be completed within 90 business days, or longer for complicated cases.

On June 10, 2021, the Standing Committee of the National People's Congress of the PRC promulgated the PRC Data Security Law, which became effective in September 2021. The Data Security Law requires data processing, which includes the collection, storage, use, processing, transmission, provision and publication of data, to be conducted in a legitimate and proper manner. The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data processing activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it may cause to national security, public interests, or legitimate rights and interests of individuals or organizations if such data are tampered with, destroyed, leaked, illegally acquired or illegally used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data is required to designate the personnel and the management body responsible for data security, carry out risk assessments of its data processing activities and file the risk assessment reports with the competent authorities. State core data, i.e. data having a bearing on national security, the lifelines of national economy, people's key livelihood and major public interests, shall be subject to stricter management system. Moreover, the Data Security Law provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information. In addition, the Data Security Law also provides that any organization or individual within the territory of the PRC shall not provide any foreign judicial body and law enforcement body with any data without the approval of the competent PRC governmental authorities. Violation of Data Security Law may subject the relevant entities or individuals to warning, fines, and business suspension, revocation of permits or business licenses, or even criminal liabilities.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the PRC jointly issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law, which request improvement on the laws and regulations related to data security, cross-border data transfer and the management of confidential information, strengthening principal responsibility for the information security of overseas listed companies, strengthening standardized mechanisms for providing cross-border information, and improvement of cross-border audit regulatory cooperation in accordance with the law and the principle of reciprocity.

On August 17, 2021, the State Council of the PRC promulgated the Regulations on Protection of Security of Critical Information Infrastructure, which took effect on September 1, 2021, and pursuant to which, “critical information infrastructures” refer to critical network facilities and information systems involved in important industries and sectors, such as public communication and information services, energy, transportation, water conservancy, finance, public services, governmental digital services, science and technology related to national defense industry, as well as those which may seriously endanger national security, national economy and citizen’s livelihood or public interests if damaged or malfunctioned, or if any leakage of data in relation thereto occurs. Pursuant to these regulations, the relevant governmental authorities are responsible for stipulating rules for the identification of critical information infrastructures with reference to several factors set forth in the regulations, and further identify the critical information infrastructure operators in the related industries in accordance with such rules. The relevant authorities shall also notify operators identified as the critical information infrastructure operators.

On November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments), or the Draft Regulations on Cyber Data Security, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing on a foreign stock exchange by the data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security.

In addition, the Draft Regulations on Cyber Data Security also provides specific requirements for data processors conducting data processing activities in China in various respects, including, among others, protection of personal information, security of important data, cross-border transfer of data, and obligations of internet platform operators. As for the protection of personal information, the Draft Regulations on Cyber Data Security provides that data processors shall provide individuals with convenient supports in respect of access, copy, rectification, restriction of the process, and deletion of their personal information, withdrawal of consent and deregistration of their accounts and shall not impose unreasonable restrictions for such requests. Data processors shall handle such requests and respond to the individuals within 15 business days. Data processors shall delete or anonymize personal information within 15 business days under any of the following circumstances: (i) the purpose of processing personal information has been achieved or the purpose of processing is no longer needed; (ii) the storage term agreed with the users or specified in the personal information processing rules has expired; (iii) the service has been terminated or the account has been canceled by the individual; or (iv) unnecessary personal information or personal information unavoidably collected due to the use of automatic data collection technology but without the consent of the individual.

The Draft Regulations on Cyber Data Security also requires data processors processing over one million users’ personal information to comply with the regulations on important data processors, including, among others, appointing a person in charge of data security and establishing a data security management organization, filing with the competent authority within fifteen working days after identifying its important data, formulating data security training plans and organizing data security education and training for all staff every year, and that the education and training time of data security related technical and management personnel shall not be less than 20 hours per year. Data processors are also required to reserve the records of consent of individuals, the logs of provision of personal information and sharing, transaction, commissioned processing of important data for at least five years. In addition, data processors processing important data or going public overseas are required to conduct an annual data security assessment by themselves or by entrusting data security service agencies, and submit the data security assessment report of the previous year to the local branch of CAC before January 31 each year. Where data collected and generated within the PRC are provided by the data processors overseas, if such data includes important data, or if the relevant data processor is a critical information infrastructure operator or processes personal information of more than one million people, the data processor shall go through the security assessment of cross-border data transfer organized by the CAC. Further, Internet platform operators shall establish platform rules, privacy policies and algorithm strategies related to data, and solicit public comments on their official websites and personal information protection related sections for no less than 30 working days when they formulate platform rules or privacy policies or makes any amendments that may have significant impacts on users’ rights and interests. Platform rules and privacy policies formulated by operators of large Internet platforms with more than 100 million daily active users, or amendments to such rules or policies by operators of large Internet platforms with more than 100 million daily active users that may have significant impacts on users’ rights and interests shall be evaluated by a third-party organization designated by the CAC and reported to local branch of the CAC for approval. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted.

On September 17, 2021, the CAC and other eight government authorities jointly issued the Guiding Opinions on Strengthening the Comprehensive Governance of Network Information Service Algorithms, with the aim to, within three years, gradually establish a comprehensive governance pattern for algorithm security with a complete governance mechanism, a refined regulatory system and a standardized algorithm ecosystem. According to the Guiding Opinions on Strengthening the Comprehensive Governance of Network Information Service Algorithms, enterprises shall establish an algorithm security accountability system and a system for the review of scientific and technological ethics, enhance the organizational structure for algorithm security, intensify efforts in the prevention of risks and the handling of hidden dangers, and increase the capacity and level in handling algorithm security emergencies. Enterprises shall raise their awareness of responsibility and assume primary responsibilities for outcomes caused by the application of algorithms.

On December 31, 2021, the CAC, the MIIT, the Ministry of Public Security, the Ministry of State Security promulgated the Administrative Provisions on Internet Information Service Algorithm Recommendation, which implements classification and hierarchical management for algorithm recommendation service providers based on varies criteria. Moreover, it requires algorithmic recommendation service providers to provide users with options that are not specific to their personal characteristics, or provide users with convenient options to cancel algorithmic recommendation services. If the users choose to cancel the algorithm recommendation service, the algorithm recommendation service provider shall immediately stop providing relevant services. Algorithmic recommendation service providers shall also provide users with the function to select, modify or delete user labels which are used for algorithmic recommendation services.

Regulations Related to Privacy Protection

On December 29, 2011, the MIIT issued the Several Provisions on Regulating the Market Order of Internet Information Services, pursuant to which an internet information service provider may not collect any user personal information or provide any such information to third parties without the consent of a user. In addition, an internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly maintain the user personal information, and in case of any leak or likely leak of the user personal information, online lending service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

Pursuant to the Decision on Strengthening the Protection of Online Information, issued by the Standing Committee of the National People's Congress of the PRC on December 28, 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information, issued by the MIIT on July 16, 2013, any collection and use of a user's personal information must be subject to the consent of the user, be legal, reasonable and necessary and be limited to specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering with or destroying any such information, or selling or providing such information to other parties. An internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Any violation of these laws and regulations may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

With respect to the security of information collected and used by mobile apps, pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps, which was issued on January 23, 2019, app operators should collect and use personal information in compliance with the Cybersecurity Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the personal information protection. Furthermore, app operators must not force their users to make authorization by means of bundling, suspending installation or in other default forms and should not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of Apps Infringing upon User's Personal Rights and Interests, which was issued by MIIT on October 31, 2019. On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SMAR jointly issued the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information. This regulation further illustrates certain commonly-seen illegal practices of apps operators in terms of personal information protection, including "failure to publicize rules for collecting and using personal information," "failure to expressly state the purpose, manner and scope of collecting and using personal information," "collection and use of personal information without consent of users of such App," "collecting personal information irrelevant to the services provided by such app in violation of the principle of necessity," "provision of personal information to others without users' consent," "failure to provide the function of deleting or correcting personal information as required by laws" and "failure to publish information such as methods for complaints and reporting." Among others, any of the following acts of an app operator will constitute "collection and use of personal information without consent of users": (i) collecting an user's personal information or activating the permission for collecting any user's personal information without obtaining such user's consent; (ii) collecting personal information or activating the permission for collecting the personal information of any user who explicitly refuses such collection, or repeatedly seeking for user's consent such that the user's normal use of such app is disturbed; (iii) any user's personal information which has been actually collected by the app operator or the permission for collecting any user's personal information activated by the app operator is beyond the scope of personal information which such user authorizes such app operator to collect; (iv) seeking for any user's consent in a non-explicit manner; (v) modifying any user's settings for activating the permission for collecting any personal information without such user's consent; (vi) using users' personal information and any algorithms to directionally push any information, without providing the option of non-directed pushing such information; (vii) misleading users to permit collecting their personal information or activating the permission for collecting such users' personal information by improper methods such as fraud and deception; (viii) failing to provide users with the means and methods to withdraw their permission of collecting personal information; and (ix) collecting and using personal information in violation of the rules for collecting and using personal information promulgated by such app operator.

Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens, issued on April 23, 2013, and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens, which was issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

Pursuant to the PRC Civil Code, which came into effect on January 1, 2021, the information processor shall take technical measures and other necessary measures to protect the personal information collected and stored by it and to prevent any information from being leaked, falsified and lost. In the event that any personal information is or may be leaked, falsified or lost, the information processor shall take immediate remedial measures, inform the natural person concerned and escalate such situation to the competent department as required.

On August 20, 2021, the Standing Committee of the National People's Congress of the PRC promulgated the Personal Information Protection Law of the PRC, or the Personal Information Protection Law, which became effective on November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information bear responsibilities for their personal information handling activities, and shall adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

Regulation Related to Intellectual Property

Patent

Patents in the PRC are principally protected under the Patent Law of the PRC. The Chinese patent system adopts a first-to-file principle. To be patentable, an invention or a utility model must meet three criteria: novelty, inventiveness and practicability. The duration of a patent right is either 10 years or 20 years from the date of application, depending on the type of patent right.

Copyright

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC and related rules and regulations. Under the Copyright Law, the term of protection for copyrighted software is 50 years. The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks, as most recently amended on January 30, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and internet service providers.

The Computer Software Copyright Registration Measures, or the Software Copyright Measures, promulgated by the National Copyright Administration on April 6, 1992 and amended on May 26, 2000 and February 20, 2002, regulates registrations of software copyright, exclusive licensing contracts for software copyright and assignment agreements. The National Copyright Administration administers software copyright registration and the Copyright Protection Center of China, is designated as the software registration authority. The Copyright Protection Center of China shall grant registration certificates to the Computer Software Copyrights applicants which meet the requirements of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013).

Trademark

Registered trademarks are protected under the Trademark Law of the PRC and related rules and regulations. Trademarks are registered with the Trademark office of National Intellectual Property Administration under the SAMR, formerly the Trademark Office of the SAMR. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Domain Name

Domain names are protected under the Administrative Measures on Internet Domain Names promulgated by the MIIT on August 24, 2017 and effective as of November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

Regulations Related to Employment and Social Welfare

Labor Contract Law

The PRC Labor Contract Law, which became effective on January 1, 2008 and amended on December 28, 2012, primarily aims at regulating rights and obligations of employer and employee relationships, including the establishment, performance, and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

Social Insurance

As required under the Regulation of Insurance for Labor Injury implemented on January 1, 2004 and amended on December 20, 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council of the PRC issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council of the PRC promulgated on December 14, 1998, the Unemployment Insurance Measures promulgated on January 22, 1999, and the PRC Social Insurance Law implemented on July 1, 2011 and amended on December 29, 2018, employers are required to provide their employees in China with welfare benefits covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, and medical insurance. These payments are made to local administrative authorities. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue. On July 20, 2018, the General Office of the State Council of the PRC and the General Office of the Central Committee of the Communist Party of China issued the Plan for Reforming the State and Local Tax Collection and Administration Systems, which stipulated that the tax authorities are solely responsible for collecting social insurance premiums from January 1, 2019.

Housing Fund

In accordance with the Regulations on the Administration of Housing Funds, which was promulgated by the State Council of the PRC in 1999 and amended in 2002 and 2019, employers must register at the designated administrative centers and open bank accounts for depositing employees' housing funds. Employers and employees are also required to pay and deposit housing funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time.

Labor Dispatch

Pursuant to the Labor Law of the PRC and Interim Provisions on Labor Dispatch, which was promulgated on 24 January 2014 and became effective on 1 March 2014, labor dispatch employment is a supplemental form which can only be adopted for temporary, auxiliary or alternative job positions. Temporary positions are positions subsisting for no more than nine months; auxiliary positions are positions of non-major business serving for major businesses; and alternative positions are positions that can be held by dispatched laborers for a certain period of time during which the former laborers are temporarily out of their positions for reasons. An employer is required to strictly control the number of dispatched laborers not to exceed 10% of the total number of its labor force.

Regulations Related to Foreign Exchange and Dividend Distribution

Regulations Related to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, which was promulgated by the State Council of the PRC on January 29, 1996, and most recently amended in 2008. Under PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

In 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, or Circular 59, as amended in May 2015, which substantially amends and simplifies the foreign exchange procedure. Pursuant to Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment, or SAFE Notice 13. Instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration.

The PRC governmental authorities have gradually relaxed restrictions on the settlement of the foreign exchange capitals of foreign-invested enterprises in recent years. In March 2015, SAFE promulgated the Circular of General Affairs Department of SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise, or Circular 19, which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 replaced both the Circular of SAFE on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises, or Circular 142, and the Circular of SAFE on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas, or Circular 36. Circular 19 allows all foreign-invested enterprises established in the PRC to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation, provides the procedures for foreign invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments and removes certain other restrictions that had been provided in Circular 142. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope and providing entrusted loans or repaying loans between non-financial enterprises. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, effective June 2016, which reiterates some of the rules set forth in Circular 19. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). On October 23, 2019, SAFE further issued Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment, or the Circular 28, which took effect on the same day. Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China as long as such investments do not violate the relevant negative list and the target investment projects are genuine and in compliance with laws. In addition, Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments.

Pursuant to the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business promulgated and effective on April 10, 2020 by SAFE, the reform of facilitating the payments of incomes under the capital accounts will be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt, and overseas listing, for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

Regulations Related to Dividend Distribution

The principal regulations governing distribution of dividends of foreign-invested enterprises are included in the Company Law of the PRC. Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with China accounting standards and regulations. In addition, a PRC company, including a foreign-invested enterprise in China, is required to allocate at least 10% of its accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprise. A PRC company may, at its discretion, allocate a portion of its after-tax profits based on China accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

Regulations Related to Foreign Exchange Registration of Overseas Investment by PRC Residents

In 2014, SAFE issued SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, replacing SAFE Circular on Issues Concerning the Regulation of Foreign Exchange in Equity Finance and Return Investments by Domestic Residents through Offshore Special Purpose Vehicles, or SAFE Circular 75. SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under SAFE Circular 37, a "special purpose vehicle" refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investment in China by PRC residents or entities through special purpose vehicles, namely, establishing foreign-invested enterprises to obtain ownership, control rights and management rights. SAFE Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch.

In 2015, SAFE promulgated SAFE Notice 13, which has amended SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of SAFE Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. An amendment to the registration is required if there is a material change with respect to the special purpose vehicle registered, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in SAFE Circular 37 and the subsequent notice, or making misrepresentations or failing to disclose the control of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign-invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

Regulations Related to Stock Incentive Plans

In February 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies, or the Stock Option Rules, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, domestic individuals, which means the PRC residents and non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures.

Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before exercising rights.

Regulations Related to Tax

Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC, or the EIT Law, which became effective on January 1, 2008 and was subsequently amended on February 24, 2017 and December 29, 2018, and its implementing rules, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. An enterprise established outside of the PRC with its "de facto management bodies" located within the PRC is considered a "resident enterprise," meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. Enterprises qualified as "High and New Technology Enterprises" are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The preferential tax treatment continues as long as an enterprise can retain its "High and New Technology Enterprise" status.

Value-added Tax and Business Tax

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. However, if the services provided are related to technology development and transfer, such business tax may be exempted subject to approval by the relevant tax authorities. Whereas, pursuant to the Provisional Regulations on Value-Added Tax of the PRC and its implementation regulations, unless otherwise specified by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or VAT, for revenues generated from sales of products, while qualified input VAT paid on taxable purchase can be offset against such output VAT.

In November 2011, the Ministry of Finance and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax. In March 2016, the Ministry of Finance and the State Administration of Taxation further promulgated the Notice on Fully Promoting the Pilot Plan for Replacing Business Tax by Value-Added Tax, which became effective on May 1, 2016. Pursuant to the pilot plan and relevant notices, VAT is generally imposed in lieu of business tax in the modern service industries, including the VATS, on a nationwide basis. VAT of a rate of 6% applies to revenue derived from the provision of some modern services. Certain small taxpayers under PRC law are subject to reduced value-added tax at a rate of 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the modern services provided.

On April 4, 2018, the Ministry of Finance and the SAT issued the Notice on Adjustment of VAT Rates, which came into effect on May 1, 2018. According to the abovementioned notice, the taxable goods previously subject to VAT rates of 17% and 11% respectively become subject to lower VAT rates of 16% and 10% respectively starting from May 1, 2018. Furthermore, according to the Announcement on Relevant Policies for Deepening Value-added Tax Reform jointly promulgated by the Ministry of Finance, the SAT and the General Administration of Customs, which became effective on April 1, 2019, the taxable goods previously subject to VAT rates of 16% and 10% respectively become subject to lower VAT rates of 13% and 9% respectively starting from April 1, 2019.

Dividend Withholding Tax

The EIT Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within China.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have met the relevant conditions and requirements under this arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued on February 20, 2009, if the relevant PRC tax authorities determine, in their discretions, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Pursuant to the Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties, which was issued on February 3, 2018 by the SAT and became effective on April 1, 2018, when determining the applicant’s status as the “beneficial owner” regarding tax treatments in connection with dividends, interests, or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant any tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and such factors will be analyzed according to the actual circumstances of the specific cases. This circular further provides that an applicant who intends to prove his or her status as the “beneficial owner” must submit the relevant documents to the relevant tax bureau pursuant to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements.

Tax on Indirect Transfer

On February 3, 2015, the SAT issued the Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or SAT Bulletin 7. Pursuant to SAT Bulletin 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises, may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a ‘reasonable commercial purpose’ in the transaction arrangement, features to be taken into consideration include, inter alia, whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income is mainly derived from China; and whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have a real commercial nature which is evidenced by their actual function and risk exposure. Pursuant to SAT Bulletin 7, where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. SAT Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange. On October 17, 2017, the SAT issued the Circular on Issues of Tax Withholding Regarding Non-PRC Resident Enterprise Income Tax, or SAT Bulletin 37, which was amended by the Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents issued on June 15, 2018 by the SAT. SAT Bulletin 37 further elaborates the relevant implemental rules regarding the calculation, reporting, and payment obligations of the withholding tax by the non-resident enterprises. Nonetheless, there remain uncertainties as to the interpretation and application of SAT Bulletin 7. SAT Bulletin 7 may be determined by the tax authorities to be applicable to our offshore transactions or sale of our shares or those of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved.

Regulations Related to Anti-Monopoly and Anti-Unfair Competition

On August 30, 2007, the Standing Committee of the National People’s Congress of the PRC adopted the PRC Anti-Monopoly Law, or the AML, which became effective on August 1, 2008 and provides the regulatory framework for the PRC anti-monopoly. Under the AML, the prohibited monopolistic acts include monopolistic agreements, abuse of a dominant market position and concentration of businesses that may have the effect to eliminate or restrict competition.

Pursuant to the AML, a business operator that possesses a dominant market position is prohibited from abusing its dominant market position, including conducting the following acts: (i) selling commodities at unfairly high prices or buying commodities at unfairly low prices; (ii) without justifiable reasons, selling commodities at prices below cost; (iii) without justifiable reasons, refusing to enter into transactions with their trading counterparts; (iv) without justifiable reasons, allowing trading counterparts to make transactions exclusively with itself or with the business operators designated by it; (v) without justifiable reasons, tying commodities or imposing unreasonable trading conditions to transactions; (vi) without justifiable reasons, applying differential prices and other transaction terms among their trading counterparts who are on an equal footing; and (vii) other acts determined as abuse of dominant market position by the relevant governmental authorities.

Pursuant to the AML and relevant regulations, when a concentration of undertakings occurs and reaches any of the following thresholds, the undertakings concerned shall file a prior notification with the anti-monopoly agency (i.e., the SAMR), (i) the total global turnover of all operators participating in the transaction exceeded RMB10 billion in the preceding fiscal year and at least two of these operators each had a turnover of more than RMB400 million within China in the preceding fiscal year, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion in the preceding fiscal year, and at least two of these operators each had a turnover of more than RMB400 million within China in the preceding fiscal year) are triggered, and no concentration shall be implemented until the anti-monopoly agency clears the anti-monopoly filing. “Concentration of undertakings” means any of the following: (i) merger of undertakings; (ii) acquisition of control over another undertaking by acquiring equity or assets; or (iii) acquisition of control over, or exercising decisive influence on, another undertaking by contract or by any other means.

In addition, pursuant to the AML and relevant regulations, entering into monopolistic agreements, which means agreements or concerted practices to eliminate or restrict competition, are prohibited, unless such agreements satisfy the specific exemptions prescribed therein, such as improving technologies or increasing the efficiency and competitiveness of small and medium-sized undertakings.

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

On September 11, 2020, the Anti-Monopoly Committee of the State Council of the PRC issued the Anti-Monopoly Compliance Guideline for Operators, which provides general guidance on compliance management system, compliance risk focus, compliance risk management, and compliance management guarantee on the basis of the AML to encourage the operators prevent the compliance risk of the AML.

In February 2021, the Anti-Monopoly Committee of the State Council of the PRC published the Anti-Monopoly Guidelines for the Platform Economy Sector. The Anti-Monopoly Guidelines for the Platform Economy Sector are consistent with the Anti-Monopoly Law and prohibit monopolistic conduct such as entering into monopoly agreements, abusing market dominance and concentration of undertakings that may have the effect to eliminate or restrict competition in the field of platform economy. More specifically, the Anti-Monopoly Guidelines for the Platform Economy Sector outlines certain practices that may, if without justifiable reasons, constitute abuse of a dominant position, including without limitation, discriminating customers in terms of pricing and other transactional conditions by virtue of big data and analytics, coercing counterparties into monopolistic arrangements, using technological means to block competitors' interface, using bundled services to sell services or products, and compulsory collection of users' unnecessary data. Besides, the Anti-Monopoly Guidelines for the Platform Economy Sector expressly states that concentration involving variable interest entity will also be subject to antitrust filing requirements, and therefore will also fall within the scope of the antitrust review.

If business operators fail to comply with the AML or other relevant regulations, the anti-monopoly agency is empowered to cease the relevant activities, unwind the transactions, and confiscate illegal gains and fines.

On August 17, 2021, the SAMR issued the Provisions on Preventing Online Unfair Competition (Draft for Public Comments), or the Draft Provisions on Preventing Online Unfair Competition, which aims to regulate the unfair competition behaviours of business operators through Internet and other information networks. The Draft Provisions on Preventing Online Unfair Competition provides, among others, business operators should not use any technical means to impede, interfere or conduct unfair competition behaviours.

On November 15, 2021, the SAMR published the Overseas Anti-monopoly Compliance Guidelines for Enterprises, which is aimed at helping PRC companies establish and strengthen overseas anti-monopoly compliance systems to reduce overseas anti-monopoly compliance risks. The Guidelines apply to both PRC enterprises that conduct business and operation overseas and PRC enterprises that conduct business and operations in the PRC and may have certain impacts on overseas markets, in particular for those that conduct import and export trade, overseas investments, acquisition, transfer or license of intellectual properties and tendering and bidding activities.

On December 24, 2021, the NDRC and other eight governmental authorities jointly issued the Opinions on Promoting the Standardized, Healthy and Sustainable Development of the Platform Economy which provide guidelines on regulating various aspects of online platform businesses in China, including, among other, anti-monopoly, unfair competition, platform-related price behaviors, investments in financial institutions and user data issues in the internet platform economy, to promote the industry's sound and sustained development.

Regulations on M&A Rules and Overseas Listings

On August 8, 2006, six PRC regulatory agencies, including the CSRC, adopted the Regulations on Mergers of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. However, the Foreign Investment Law has partly replaced the M&A Rules in terms of its rules on equity or assets acquisition of a non-related domestic company by a foreign investor. As for equity/assets acquisition of a related domestic company by a foreign investor, such activity shall still be subject to the M&A Rules.

On July 6, 2021, the General Office of the State Council of the PRC and General Office of the Central Committee of the Communist Party of China issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. The opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

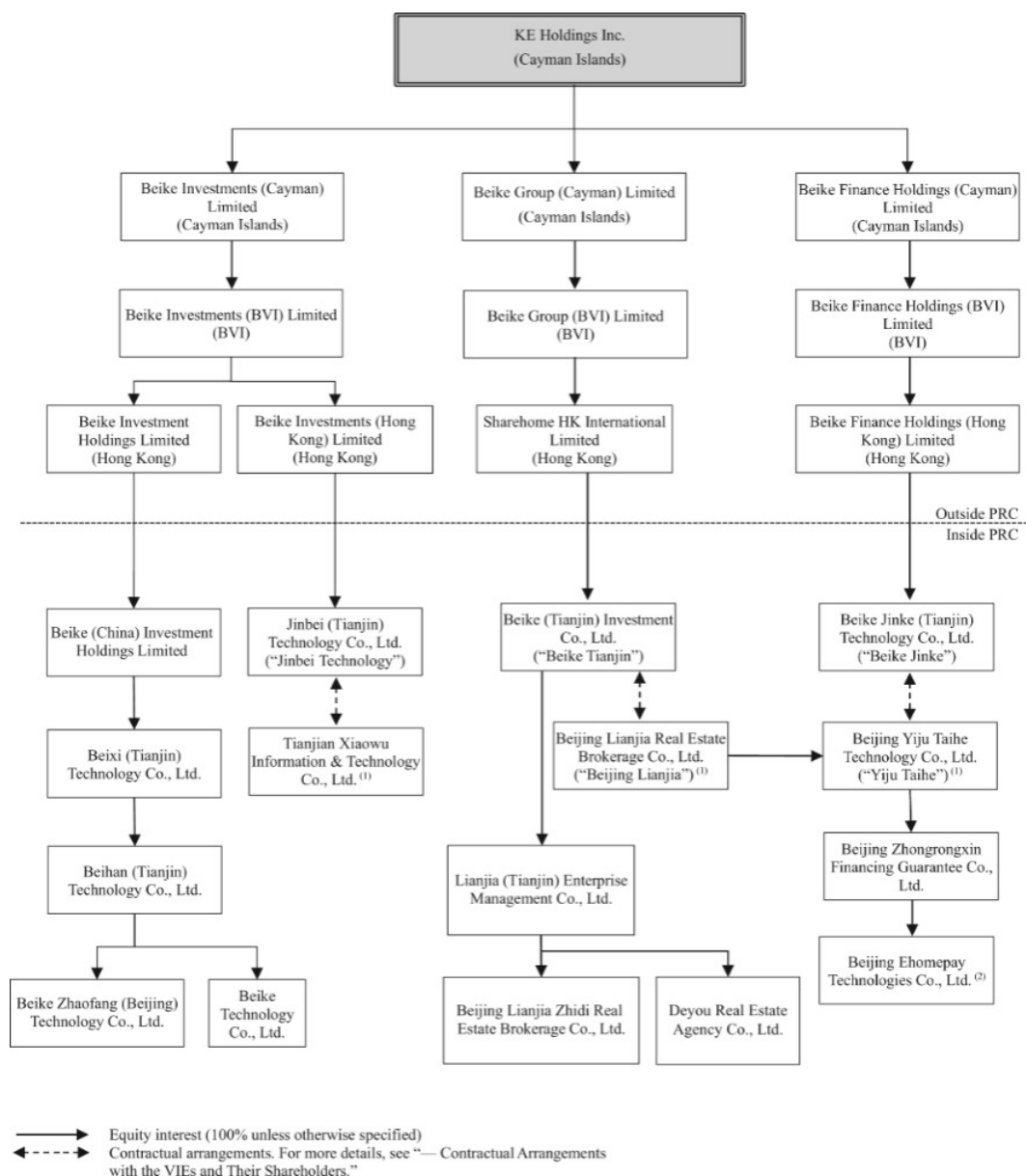
On December 24, 2021, the CSRC published the draft Administrative Provisions of the State Council on the Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments), or the Administrative Provisions, and the draft Measures for the Overseas Issuance and Listing of Securities Record-filings by Domestic Companies (Draft for Comments), or the Draft Measures, for public comments. Pursuant to these drafts, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, including a PRC company limited by shares and an offshore company whose main business operations are in China and intends to offer shares or be listed in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the regulator in the place of intended listing. Particularly, as for the PRC domestic companies that have directly or indirectly listed securities in overseas markets intend to conduct follow-on offerings in overseas markets, such companies are required to submit the filing with respect to the follow-on offering within three business days after completion of the follow-on offering. Failure to complete the filing under the Administrative Provisions may subject the domestic enterprise to a warning or a fine of a fine of RMB1 million to RMB10 million. If the circumstances are serious, the domestic enterprise may be ordered to suspend its business or suspend its business pending rectification, or its permits or businesses license may be revoked.

Pursuant to the Draft Measures, when determining whether an offering and listing shall be deemed as “an indirect overseas offering and listing by a Chinese company,” the principle of “substance over form” shall be followed, and if the issuer meets the following conditions, its offering and listing shall be determined as an “indirect overseas offering and listing by a Chinese company” and is therefore subject to the filing requirement: (a) the revenues, profits, total assets or net assets of the Chinese operating entities in the most recent financial year accounts for more than 50% of the corresponding data in the issuer’s audited consolidated financial statements for the same period; (b) the majority of senior management in charge of business operation are Chinese citizens or domiciled in the PRC, and its principal place of business is located in the PRC or main business activities are conducted in the PRC. The Draft Measures also require subsequent report to the CSRC on material events, such as material change in principal business and change of control.

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

C. Organizational Structure

The following diagram illustrates our corporate structure, including our principal subsidiaries, principal VIEs and their principal subsidiaries, and other entities that are material to our business, as of the date of this annual report:



Notes:

- (5) The registered shareholders of Beijing Lianjia are (i) Mrs. ZUO, Mr. SHAN Yigang, Mr. XU Wangang and entities controlled by Mr. PENG Yongdong or Mr. SHAN Yigang, holding 81% equity interests in aggregate and (ii) several other individuals and entities affiliated with us, holding 19% equity interests in aggregate. Mrs. ZUO is the spouse of Mr. ZUO Hui and a principal shareholder of us. Each of Mr. PENG Yongdong, Mr. SHAN Yigang and Mr. XU Wangang is our director. The registered shareholders of Tianjin Xiaowu are Mrs. ZUO and Mr. SHAN, holding 94% and 6% equity interests, respectively. The registered shareholders of Yiju Taihe are (i) Beijing Lianjia, holding 80% equity interests; (ii) Mrs. ZUO, Mr. SHAN, Mr. XU Wangang and entities controlled by Mrs. ZUO or Mr. SHAN, holding 17% equity interests in aggregate and (iii) several other individuals and entities affiliated with us, holding 3% equity interests in aggregate. The registered shareholders of Beijing Beijia are (i) Mr. PENG and Mr. XU Tao, holding 50% equity interests in aggregate and (ii) several other individuals affiliated with us, holding 50% equity interests in aggregate. The registered shareholders of Beijing Beihao are (i) Mr. XU Wangang, holding 4% equity interests; and (ii) several other individuals affiliated with us, holding 96% equity interests in aggregate.
- (6) Beijing Zhongrongxin Financing Guarantee Co., Ltd. owns 95% of the total equity interest, and Beijing Zhonghetai Investment Consulting Co., Ltd., a wholly-owned subsidiary of Yiju Taihe, owns the remaining 5%.

Contractual Arrangements with the VIEs and Their Shareholders

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunication services and certain financial services. We are a company registered in the Cayman Islands. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Related to Foreign Investment.” Our WFOEs are considered as foreign-invested enterprises. The following is a summary of the currently effective contractual arrangements by and among our WFOEs, the VIEs and their respective shareholders. Terms contained in each set of contractual arrangements with the VIEs and their respective shareholders are substantially similar. These contractual arrangements enable us to (i) exercise effective control over the VIEs; (ii) receive substantially all of the economic benefits of the VIEs; (iii) have the pledge right over the equity interests in the VIEs as the pledgee; and (iv) have an exclusive option to purchase all or part of the equity interests in and assets of the VIEs when and to the extent permitted by PRC law.

Arrangements that provide us effective control over the VIEs

Power of Attorney Agreements. Pursuant to the power of attorney agreements among our WFOEs, the VIEs and their respective shareholders, each shareholder of the VIEs irrevocably undertakes to appoint the WFOE, or a PRC citizen designated by the WFOE (including but not limited to directors and their successors and liquidators replacing the directors but excluding those non-independent or who may give rise to conflict of interests) as his/its attorney-in-fact to exercise all of his/its rights as a shareholder of the VIEs, including, but not limited to, the right to convene and attend shareholders’ meeting, file documents with the competent authorities, vote on any resolution that requires a shareholder vote, sign minutes, approve amendments to the articles of association, nominate or appoint the legal representatives, directors, supervisors, general manager and other senior management of the VIEs, and other voting rights pursuant to the articles of association (subject to the amendments) of the VIEs. Each power of attorney agreement is irrevocable and remains in effect as long as the shareholder continues to be a shareholder of the VIEs.

Equity Pledge Agreements. Pursuant to the equity pledge agreements among our WFOEs, the VIEs and their respective shareholders, shareholders of the VIEs pledged all of their respective equity interests in the VIEs to our WFOEs as security for performance of the obligations of the VIEs and their shareholders under the exclusive business cooperation agreements, the power of attorney agreements, the exclusive option agreements and the equity pledge agreements. As of the date of this annual report, we have registered all such equity pledges in the VIEs with the local branch of the SAMR in accordance with PRC laws to perfect their respective equity pledges. After the completion of the equity pledge registrations, in the event of a breach by the VIEs or their shareholders of contractual obligations under these agreements, our WFOEs, as pledgee, will have the right to request for enforcement of the pledge and have the priority right to receive the proceeds from auction or sale of the pledged equity interests in the VIEs. The shareholders of the VIEs also undertake that, during the term of the relevant equity pledge agreement, unless otherwise approved by our WFOEs in writing, they will not transfer the pledged equity interests or create or allow any new pledge or other encumbrance on the pledged equity interests. The pledges of equity interests under the equity pledge agreements take effect upon the completion of registration with the local branch of the SAMR in accordance with PRC laws and shall remain valid until (i) after all the contractual obligations of the VIEs and their shareholders under the relevant contractual arrangements have been fully performed and all the outstanding debts of the VIEs and their shareholders under the relevant contractual arrangements have been fully paid, or (ii) all the equity interests in the VIEs have been transferred to our WFOEs to the extent permitted by the PRC laws and regulations (where applicable).

Spousal Consent Letters. Pursuant to the spousal consent letters, each of the spouses of the applicable individual shareholders of the VIEs acknowledges and confirms the execution of the relevant exclusive business cooperation agreement, equity pledge agreement, exclusive option agreement and power of attorney agreement, and unconditionally and irrevocably agrees that the equity interest in the VIEs held by and registered in the name of his or her respective spouse will be disposed of pursuant to these agreements. In addition, each of them agrees not to assert any rights over the equity interest in the VIEs held by his or her respective spouses. In addition, in the event that any of them obtains any equity interest in the VIEs held by their respective spouses for any reason, such spouses agree to be bound by similar obligations and agree to enter into similar contractual arrangements.

Agreements that allow us to receive economic benefits from the VIEs

Exclusive Business Cooperation Agreements. Pursuant to the exclusive cooperation agreements among our WFOEs and the VIEs, respectively, our WFOEs have the exclusive right to provide the VIEs with services related to, among other things, comprehensive technical support and consulting services. Without prior written consent of our WFOEs, the VIEs agree not to directly or indirectly accept the same or any similar services provided by any others and shall not establish similar corporation relationship with any others regarding the matters ascribed by the exclusive business cooperation agreements. The VIEs agree to pay our WFOEs services fees, the amount of which will be 100% of the total consolidated profit of the relevant VIEs, after the deduction of any accumulated deficit of the VIEs in respect of the preceding financial years, operating costs, expenses and taxes or any other amount determined by our WFOEs, with reference to the working capital needs of the VIEs. Our WFOEs have the exclusive ownership of intellectual property rights created as a result of the performance of the agreements. The agreements will remain effective unless terminated in accordance with the provisions of the exclusive cooperation agreements or terminated in writing by the WFOEs. Unless otherwise required by applicable PRC laws, the VIEs shall not have any right to terminate the exclusive cooperation agreements unilaterally in any event.

Agreements that provide us with the option to purchase the equity interests in the VIEs

Exclusive Option Agreements. Pursuant to the exclusive option agreements among our WFOEs, the VIEs and their respective shareholders, the shareholders of each of the VIEs irrevocably grant the respective WFOE an exclusive option to purchase, or have its designated person to purchase, at its discretion, to the extent permitted under PRC law, all or part of their equity interests in the VIEs. The purchase price with respect to the equity interests in the VIEs shall be the amount of paid-in capital or the lowest price permitted by applicable PRC law. The shareholders of the VIEs also undertake that subject to the relevant PRC laws, they will return to our WFOEs or their designated person any consideration they receive in the event that any of the WFOEs exercises the options under the exclusive option agreements to acquire the equity interests in the VIEs. The shareholders of the VIEs further undertake to pay to our WFOEs any dividends and other distributions they receive in relation to the equity interests they held in the VIEs, to the extent permitted by PRC law. The shareholders of the VIEs undertake that, without prior written consent of our WFOEs, they will not create any pledge or encumbrance on their equity interests in the VIEs, approve any transfer or in any manner disposal of their equity interests, or any disposition of any assets of the VIEs (other than limited exceptions). The shareholders of each of the VIEs agree, among other things, without prior written consent of our WFOEs, not to cause the relevant VIEs to merge with any other entities, increase or decrease its registered capital, declare or distribute dividends, amend its articles of association, enter into any material contract (other than those occurring in the ordinary course of business), be liquidated or dissolved (unless mandated by PRC laws), incur any debts (except for payables incurred in the ordinary course of business other than through loans), or undertake any actions that may adversely affect the VIEs' operating status and asset value. The shareholders of the VIEs also agree to appoint the directors and senior management designated by our WFOEs. These agreements will remain effective till all of the equity interests of the relevant VIEs have been transferred to our WFOEs and/or their designated persons, or the parties to such agreements agree to terminate the agreement. Unless otherwise required by applicable PRC laws, the VIEs and their respective shareholders shall not have any right to terminate these agreements unilaterally in any event.

In the opinions of Han Kun Law Offices, our PRC legal counsel:

- the current ownership structures of our WFOEs and the VIEs do not violate applicable PRC laws or regulations currently in effect; and
- each of the agreements under the contractual arrangements among our WFOEs, the VIEs and their respective shareholders governed by PRC law currently is valid and binding, and do not violate applicable PRC laws or regulations currently in effect.

However, we have been further advised by our PRC legal counsel that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to or otherwise different from the above opinions of our PRC legal counsel. If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC government restrictions on foreign investment in our businesses, we could be subject to severe penalties including being prohibited from continuing operations. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could materially and adversely affect us.”

D. Property, Plant and Equipment

We are headquartered in Beijing where we leased an aggregate area of over 108,462 square meters as of December 31, 2021 for office space. We leased approximately 8,000 facilities as of December 31, 2021 primarily for real estate brokerage stores we operate under *Lianjia* brand across 29 cities in China. We owned a facility of approximately 55,210 square meters as of December 31, 2021 as our training center, *Huaqiao* Academy, in Kunshan, Jiangsu Province, China.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties about our business and operations. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those we describe under “Item 3. Key Information—D. Risk Factors” and elsewhere in this annual report on Form 20-F.

A. Operating Results

Overview

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

We have three main revenue streams, namely existing home transaction services, new home transaction services, and emerging and other services. For existing home transaction services, we generate revenues (i) from our own *Lianjia* brand where we charge commissions for existing home sales and home rentals, and split of commissions from other brokerage firms that operate brokerage stores on our *Beike* platform in collaboration with *Lianjia* agents to complete transactions, (ii) from brokerage firms which own and operate brokerage stores on our *Beike* platform where we receive platform service fees, and those under our franchise brands such as *Deyou* to which we charge an additional franchise fee, and (iii) by providing other value-added services including transaction closing services, field work assistance such as on-site verification, agent recruiting and training services. For new home transaction services, we recognize revenues from sales commissions charged to real estate developers. In addition, we generate revenues from a variety of emerging and other services, such as financial services and home renovation services.

Our total revenues increased by 53.2% from RMB46.0 billion in 2019 to RMB70.5 billion in 2020, and further by 14.6% to RMB80.8 billion (US\$12.7 billion) in 2021. We recorded a net loss of RMB2,180 million in 2019, a net income of RMB2,778 million in 2020 and a net loss of RMB525 million (US\$82 million) in 2021.

General Factors Affecting Our Results of Operations

We primarily engage in the housing related industry and are building an infrastructure for all industry participants in China. Activity level on our platform is greatly influenced, temporarily or in the long term, by the overall growth and prosperity of the housing related industry, which in turn is affected by many factors, including:

- China’s overall economic growth,
- the increase in per capita disposable income,
- the change in price, supply and demand dynamics in different geographic regions,
- the urbanization trend and demographic changes, and
- regulatory environment for China’s housing related industry and the financial condition of the industry players.

In particular, the evolving regulations have significantly affected the growth of China's housing related industry. The resulting fluctuations have affected the demand for real estate brokerage services. We expect the development of China's housing related industry, especially the penetration of brokerage services for housing transactions, to continue to have significant impacts on our results of operations in the foreseeable future.

Specific Factors Affecting Our Results of Operations

While our business is exposed to general factors affecting the housing related industry in China, we believe our results of operations are primarily and more directly affected by the following specific factors:

Our ability to attract housing customers and enhance customer experience

An increasing number of housing customers who use services on our platform is one of the most important drivers of the growth of our transaction volume, which directly affects our net revenues. Home ownership involves difficult decisions by most housing customers. Therefore, they tend to choose brokerage stores and agents that are most reliable and efficient in locating the ideal property and completing the transaction, and can provide high service quality and transparency. Our deep understanding of China's housing market and goodwill accumulated through our 20 years of operation have helped us gain trust from housing customers. In 2021, we facilitated over 4.5 million housing transactions on our platform and generated a GTV of RMB3,853.5 billion (US\$604.7 billion) in aggregate, increasing from over 3.6 million housing transactions and a GTV of RMB3,499.1 billion in 2020.

We believe we are able to attract housing customers mainly through our online and offline touch points, extensive and authentic property listings, and high-quality services rendered by agents on our platform, which collectively enhance our ability to help buyers and sellers meet their objectives efficiently. We aim to attract and retain more housing customers through our continuing efforts in enhancing customer experience, such as improving the service quality of the agents on our platform, introducing innovative technologies and initiatives such as VR property showing and one-stop transaction service centers, and improving our platform infrastructure. As we gain trust from customers through our services, they often refer us to their families, friends and contacts, and return to us when they have other housing related needs, be it home rentals, home renovation and furnishing, or other services.

Our ability to attract and retain real estate brokerage stores and agents on our platform

The growth in gross transaction value on our platform and platform service fees are also affected by the number of real estate brokerage stores and agents on our platform and their activity level. Since the inception of our *Beike* platform, we have attracted an increasing number of real estate brokerage stores and agents to join our platform while maintaining high service quality. As of December 31, 2021, there were over 406,000 active agents and more than 45,000 active stores, representing 300 real estate brokerage brands, as compared to over 445,000 active agents and over 43,000 active stores as of December 31, 2020.

Real estate brokerage stores and agents are attracted to our platform by the access to the extensive authentic property listing database, the large number of housing customers, the efficiency and collaborative efforts promoted by ACN, the standard protocols that ensure universally high service quality, and the convenient modules on our platform, which we believe empower real estate brokerage stores and agents to efficiently navigate business opportunities, deliver quality services and complete transactions.

Our ability to increase cooperation with real estate developers

The increasing sales commissions earned from real estate developers for our new home transaction services contributed significantly to our net revenue growth from 2019 to 2021. The GTV generated from new home transactions on our platform increased significantly from approximately RMB747.6 billion in 2019 to RMB1,383.0 billion in 2020, and further to RMB1,608.6 billion (US\$252.4 billion) in 2021.

As the supply and demand dynamics in China's housing market become more balanced, we are increasingly valued by real estate developers. We have achieved fast growth in new home transactions as an increasing number of real estate developers choose to work with us to take advantage of the infrastructure our platform has built, who cooperate with us in diverse ways and further build up our thriving ecosystem.

We believe our reputation for high-quality service among the large housing customer base and our growing network of real estate brokerage stores and agents that transact actively on our platform well position us to increase cooperation with existing and new real estate developers.

Our ability to better monetize the activities on our platform

The rapid adoption of our *Beike* platform has proven the compatibility of our infrastructure in empowering brokerage stores and agents. As of December 31, 2021, there were over 406,000 active agents and over 45,000 active brokerage stores on our platform, facilitating over 4.5 million housing transactions in 2021. As our platform grows, we expect its network effect to improve matching and capture more transactions, which in turn will generate greater opportunities for revenue growth, including commission fee, platform service fee, and franchise fee. We constantly improve our services and better empower real estate agents on our platform so that they can transact more efficiently. We believe the improved transaction efficiency of agents on our platform has in turn increased their stickiness to our service offerings, and potentially further increases their income and results in higher service fees to us as a portion of their income.

Our ability to expand service offerings on our platform

Our platform brings us close to a variety of participants in China's housing transactions and services industry. In addition to housing customers, brokerage agents and real estate developers, additional industry participants are drawn to our platform and actively transact and engage with each other. We see great potential to further monetize this massive and active ecosystem by increasing our value proposition and expanding our service offerings to all participants. We have been expanding our offerings further into areas such as home renovation and furnishing. We believe these efforts will help diversify our revenue mix.

Our ability to manage operating costs and expenses

Our results of operations are affected by our ability to control our operating costs and expenses. We expect our costs and expenses to continue to increase as we grow our business and attract more agents, housing customers, developers and other industry participants to our platform. Our cost of revenues consists primarily of compensation to internal agents and sales professionals, and split commission to connected agents and other sales channels, as well as cost related to our *Lianjia* stores. Our operating expenses increased year-on-year during the past three years as we continued to expand our platform, and we incurred share-based compensation expenses to attract and retain talents required for our platform business. Excluding share-based compensation expenses, our operating expenses as a percentage of revenue decreased from 21.9% in 2019 to 17.4% in 2020, and was 19.9% in 2021.

Despite the fluctuations of our operating expenses as a percentage of revenue in the past three years, we believe our massive scale, coupled with the network effect of our platform, will allow us to further improve our operational efficiency over time.

Impact of COVID-19 on Our Operations and Financial Performance

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

After the initial outbreak of COVID-19, from time to time, some instances of COVID-19 infections have emerged in various regions of China, including the infections caused by the Omicron variants in early 2022, and varying levels of temporary restrictions and other measures are reinstated to contain the infections, including those in Shanghai from March 2022. Our operations in these regions may be adversely affected when these restrictive measures are in force, under which our local stores may be forced to close temporarily or our home tour activities are restricted in certain communities. The emergence of such regional instances and the corresponding restrictive measures are beyond our control and may continue to adversely affect our operations. See also “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Our business has been and may continue to be adversely affected by the outbreak of COVID-19.”

Cash, cash equivalents, restricted cash, and short-term investments constitute our most liquid assets. Short-term investments include bank time deposit and investments in wealth management products issued by financial institutions. As of December 31, 2021, we had cash, cash equivalents, restricted cash and short-term investments of RMB56.1 billion (US\$8.8 billion). We believe that this level of liquidity is sufficient to successfully navigate an extended period of uncertainty.

Key Components of Results of Operations

Net revenues

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

Existing home transaction services. We generate revenue (i) from our own *Lianjia* brand where we charge commissions for existing home sales and home rentals, and split of commissions from other brokerage firms that operate brokerage stores on *Beike* platform in collaboration with *Lianjia* agents to complete transactions, (ii) from brokerage firms which own and operate brokerage stores on our *Beike* platform where we receive platform service fees, and those under our franchise brands such as *Deyou* to which we charge an additional franchise fee, and (iii) by providing other value-added services including transaction closing services, field work assistance such as on-site verification, agent recruiting and training services.

New home transaction services. We generate revenue from new home transaction services principally by earning sales commissions from real estate developers for new home sales facilitated through the *Beike* platform.

Emerging and other services. We generate revenue from emerging and other services such as financial services and home renovation and furnishing services.

Cost of revenues

Our cost of revenues consists primarily of compensation to our internal agents and sales professionals and split commissions to connected agents and other sales channels, as well as cost related to *Lianjia* stores.

Our compensation paid to our internal agents and other sales professionals is composed of fixed salaries and variable commissions based on the transactions they assist in closing; and we also pay commissions to connected agents and other sales channels for their services to assist us in completing new home and existing home transactions. We are acting as the principal agent for all new home transactions and a majority of existing home transactions. When connected agents and other sales channels assist us to complete these transactions, we will pay them a split of the total commissions we receive, which is recorded as commission – split in our cost of revenues.

Cost related to stores mainly includes rent, decoration, and utility bills for real estate brokerage stores under our *Lianjia* brand and signing-to-closing support facilities.

The following table sets forth the components of our cost of revenues by amounts and percentages of our total net revenues for the periods presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except for percentages)					
Cost of revenues:						
Commission — split	11,154,698	24.2	24,847,023	35.3	31,826,634	4,994,293
Commission and compensation — internal	19,444,127	42.3	23,324,145	33.1	26,306,569	4,128,075
Cost related to stores	3,078,672	6.7	3,206,601	4.5	3,809,757	597,834
Others	1,069,365	2.3	2,243,352	3.2	2,990,064	469,206
Total cost of revenues	34,746,862	75.5	53,621,121	76.1	64,933,024	10,189,408

Operating Expenses

Our operating expenses consist of sales and marketing expenses, general and administrative expenses, research and development expenses, and impairment of goodwill, intangible assets and other long-lived assets. The following table breaks down our total operating expenses by categories, both in absolute amount and as a percentage of total net revenues, for the periods presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except for percentages)					
Operating Expenses:						
Sales and marketing expenses	3,105,899	6.7	3,715,278	5.3	4,309,116	676,194
General and administrative expenses	8,376,531	18.2	7,588,809	10.8	8,924,470	1,400,444
Research and development expenses	1,571,154	3.4	2,477,911	3.5	3,193,988	501,206
Impairment of goodwill, intangible assets and other long-lived assets	—	—	236,050	0.3	746,705	117,174
Total operating expenses	13,053,584	28.3	14,018,048	19.9	17,174,279	2,695,018

Sales and marketing expenses. Our sales and marketing expenses mainly consist of (i) advertising and promotional expenses (ii) salaries, bonuses and benefits for our personnel engaged in sales and marketing activities, (iii) depreciation and amortization expenses related to sales and marketing activities (iv) travel, reception and related expenses, and (v) share-based compensation expenses.

General and administrative expenses. Our general and administrative expenses mainly consist of (i) salaries, bonuses and benefits for our personnel engaged in general corporate functions, (ii) rental and related expenses, (iii) general office expenses, (iv) recruitment and training expenses, (v) professional fees, (vi) travel, reception and related expenses, (vii) depreciation and amortization expenses related to general corporate activities, (viii) share-based compensation expenses, and (ix) provision for credit losses. We expect that our general and administrative expenses to increase modestly in the near future, as we continue to incur additional expenses related to the anticipated growth of our business and our operations as a public company.

Research and development expenses. Our research and development expenses mainly consist of (i) payroll and related expenses for the personnel engaged in research and development activities, (ii) depreciation and amortization of our technology infrastructure, and (iii) service fees related to research and development activities. We expect that our research and development expenses will continue to increase in absolute amounts, as we continue to build our technology infrastructure and improve our digitalization capabilities.

Impairment of goodwill, intangible assets and other long-lived assets. In the fourth quarter of 2020, we completed the integration of the business of Zhonghuan, and most of the employees and franchise stores of Zhonghuan would then act as sales channels of other brokerage firms on *Beike* platform, especially in new home transaction services, rather than as an individual real estate brokerage brand. As such, we reassigned goodwill to the reporting units affected using the relative fair value approach. We performed a quantitative impairment test for the reporting unit of Zhonghuan before the reassignment and no impairment was identified. We performed a qualitative analysis on the affected reporting units after the reassignment and no impairment was identified in these affected reporting units as their business were profitable and fast growing, and it was more-likely-than-not that the fair values of these reporting units were more than their carrying amounts.

In the second half of 2021, the market downturn and its impact on our operations caused a triggering event for possible impairment of goodwill. Based on the results of quantitative tests we performed on reporting units, we recorded a total goodwill impairment loss of RMB732.4 million in 2021 for the existing and new home transaction services.

Separately identifiable intangible assets and other long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for identifiable intangible assets and other long-lived assets is based on the amounts by which the carrying amounts of the assets exceed the fair values of the assets.

Contribution Margin

We also review contribution margin to measure segment profitability. The table below sets forth the contribution margin for each of our business lines for the periods indicated.

	For the Year Ended December 31,			
	2019 RMB	2020 RMB	2021	
			RMB	US\$
	(in thousands, except for percentages)			
Contribution (existing home transaction services)	9,554,244	12,499,133	11,824,452	1,855,515
Contribution margin (existing home transaction services)	38.9 %	40.9 %	37.0 %	37.0 %
Contribution (new home transaction services)	4,918,700	8,149,925	8,947,138	1,404,001
Contribution margin (new home transaction services)	24.3 %	21.5 %	19.3 %	19.3 %
Contribution (emerging and other services)	943,137	1,660,752	1,847,646	289,936
Contribution margin (emerging and other services)	80.4 %	83.9 %	79.2 %	79.2 %

We define contribution for each service line as the revenue less the direct compensation to our internal agents and sales professionals, and split commission to connected agents and other sales channels for such services. We define contribution margin as a percentage of contribution bearing to revenue.

The following table presents the calculation to arrive at contribution from net revenues, for each of the periods indicated:

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Existing home transaction services				
Net revenues	24,568,508	30,564,584	31,947,953	5,013,331
Less: Commission and compensation	(15,014,264)	(18,065,451)	(20,123,501)	(3,157,816)
Contribution	9,554,244	12,499,133	11,824,452	1,855,515
New home transaction services				
Net revenues	20,273,860	37,937,886	46,472,378	7,292,530
Less: Commission and compensation	(15,355,160)	(29,787,961)	(37,525,240)	(5,888,529)
Contribution	4,918,700	8,149,925	8,947,138	1,404,001
Emerging and other services				
Net revenues	1,172,538	1,978,508	2,332,108	365,959
Less: Commission and compensation	(229,401)	(317,756)	(484,462)	(76,023)
Contribution	943,137	1,660,752	1,847,646	289,936

Contribution margin demonstrates the margin that we generate after costs directly attributable to the respective revenue streams, including existing home transaction services, new home transaction services, and emerging and other services. The costs and expenses related to the platform infrastructure building and enhancement, including cost related to our *Lianjia* stores and the development cost of our technological platform, which are not directly attributable to the respective revenue streams, are not deducted from revenue when calculating contribution.

The contribution margin for existing home transaction services grew from 38.9% in 2019 to 40.9% in 2020, because we served more existing home transactions through *Beike* platform and charge platform fees and franchise fees which do not incur much direct compensation or commission cost. Our effort to optimize the compensation structure of our internal agents also contributed to the improved margin. The contribution margin for existing home transaction services decreased from 40.9% in 2020 to 37.0% in 2021, primarily attributable to a relatively higher percentage of fixed compensation costs for *Lianjia* agents and the compensation costs for transaction support staff.

The contribution for new home transaction services grew significantly from RMB4.9 billion in 2019 to RMB8.1 billion in 2020, and further to RMB8.9 billion (US\$1.4 billion) in 2021, as a fast growing number of real estate developers resort to us for effective marketing solutions. With the expansion of our *Beike* platform, an increasing percentage of new home transactions has been facilitated by connected agents and other sales channels. This structural change led to a decreased contribution margin from 24.3% in 2019 to 21.5% in 2020 and further to 19.3% in 2021. The expansion of dedicated sales teams with the expertise on new home transaction services on our platform in 2021 also contributed to the decreased contribution margin in 2021 compared to 2020.

Leveraging our industry know-hows and close connection with platform participants, we have also tapped into adjacent market opportunities, such as home renovation and furnishing. These emerging and other services can efficiently utilize our infrastructure in place, thus requires relatively less variable and direct costs to deliver. Consequently, we managed to keep a high contribution margin for our emerging and other services, which was 80.4%, 83.9% and 79.2% in 2019, 2020 and 2021, respectively.

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance or estate duty. There are no other taxes likely to be material to us levied by the government of Cayman Islands except for stamp duties which may be applicable on instruments executed in, brought to, or produced within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

British Virgin Islands

Our subsidiaries incorporated in the British Virgin Islands are not subject to income or capital gains tax under the current laws of the British Virgin Islands. In addition, payment of dividends by the British Virgin Islands subsidiaries to their respective shareholders who are not resident in the British Virgin Islands, if any, is not subject to withholding tax in the British Virgin Islands.

Hong Kong

Hong Kong income tax rate is two-tiered profits tax regime, under which tax rate is 8.25% or assessable profits on the first HK dollar 2 million and 16.5% or any assessable profits in excess of HK dollar 2 million. No Hong Kong profit tax has been levied as we did not have assessable profit that was earned in or derived from any Hong Kong subsidiaries during the periods presented. Under Hong Kong tax law, our Hong Kong subsidiaries are exempted from Hong Kong income tax on their foreign-derived income. Hong Kong does not impose a withholding tax on dividends.

PRC

Generally, our PRC subsidiaries, consolidated variable interest entities and their subsidiaries, which are considered PRC resident enterprises under PRC tax law, are subject to enterprise income tax on their worldwide taxable income as determined under PRC tax laws and accounting standards at a rate of 25%. A “high and new technology enterprise,” which is reassessed every three years, is entitled to favorable income tax rate of 15%. Certain of our PRC subsidiaries are currently enjoying favorable tax rates as high and new technology enterprise.

We are also subject to value added tax, or VAT, at a rate of 6% on most of the services we provide, less any deductible VAT we have already paid or borne. We are also subject to surcharges on VAT payments in accordance with PRC law.

Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding companies in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and receives approval from the relevant tax authority. If a Hong Kong subsidiary satisfies all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.”

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders and ADS holders.”

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any particular period are not necessarily indicative of our future trends.

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands, except for share and per share data)			
Net revenues:				
Existing home transaction services	24,568,508	30,564,584	31,947,953	5,013,331
New home transaction services	20,273,860	37,937,886	46,472,378	7,292,530
Emerging and other services	1,172,538	1,978,508	2,332,108	365,959
Total net revenues	46,014,906	70,480,978	80,752,439	12,671,820
Cost of revenues:				
Commission — split	(11,154,698)	(24,847,023)	(31,826,634)	(4,994,293)
Commission and compensation — internal	(19,444,127)	(23,324,145)	(26,306,569)	(4,128,075)
Cost related to stores	(3,078,672)	(3,206,601)	(3,809,757)	(597,834)
Others (including amounts of share-based compensation expenses of zero, RMB512 million, and RMB406 million (US\$64 million) in 2019, 2020 and 2021, respectively)	(1,069,365)	(2,243,352)	(2,990,064)	(469,206)
Gross profit	11,268,044	16,859,857	15,819,415	2,482,412
Sales and marketing expenses (including amounts of share-based compensation expenses of zero, RMB78 million, and RMB110 million (US\$17 million) in 2019, 2020 and 2021, respectively)	(3,105,899)	(3,715,278)	(4,309,116)	(676,194)
General and administrative expenses (including amounts of share-based compensation expenses of RMB2,956 million, RMB1,131 million, and RMB596 million (US\$93 million) in 2019, 2020 and 2021, respectively)	(8,376,531)	(7,588,809)	(8,924,470)	(1,400,444)
Research and development expenses (including amounts of share-based compensation expenses of zero, RMB532 million, and RMB426 million (US\$67 million) in 2019, 2020 and 2021, respectively)	(1,571,154)	(2,477,911)	(3,193,988)	(501,206)
Others	509,776	1,309,260	1,748,885	274,438
Income (loss) before income tax benefit (expense)	(1,275,764)	4,387,119	1,140,726	179,006
Income tax benefit (expense)	(904,363)	(1,608,796)	(1,665,492)	(261,352)
Net income (loss)	(2,180,127)	2,778,323	(524,766)	(82,346)
Weighted average number of ordinary shares used in computing net income (loss) per share, basic and diluted				
— Basic	1,378,235,522	2,226,264,859	3,549,121,628	3,549,121,628
— Diluted	1,378,235,522	2,267,330,891	3,549,121,628	3,549,121,628
Net income (loss) per share attributable to ordinary shareholders				
— Basic	(2.94)	0.32	(0.15)	(0.02)
— Diluted	(2.94)	0.32	(0.15)	(0.02)

Year ended December 31, 2021 Compared to Year ended December 31, 2020**Net revenues**

Our net revenues increased by 14.6% from RMB70.5 billion in 2020 to RMB80.8 billion (US\$12.7 billion) in 2021, primarily attributable to the increase in revenues from new home transaction services and existing home transaction services despite the market downturn in the second half of 2021.

Existing home transaction services. Our net revenues from existing home transaction services increased by 4.5% from RMB30.6 billion in 2020 to RMB31.9 billion (US\$5.0 billion) in 2021, primarily attributable to an increase in GTV of existing home transactions from RMB1,940.0 billion in 2020 to RMB2,058.2 billion (US\$323.0 billion) in 2021.

Commission revenue increased by 2.9% from RMB27.6 billion in 2020 to RMB28.4 billion (US\$4.5 billion) in 2021, primarily attributable to the growth in GTV of existing home transactions served by our *Lianjia* brand.

Additionally, the revenue derived from platform service, franchise service and other value-added services, which are mostly charged to connected agents on our platform, grew by 19.3% from RMB3.0 billion in 2020 to RMB3.6 billion (US\$0.6 billion) in 2021, as the GTV of existing home transactions served by connected agents on our *Beike* platform increased from RMB928.1 billion to RMB1,023.4 billion (US\$160.6 billion), as well as a moderate increase in existing home transaction commission rate charged from connected stores.

New home transaction services. Our net revenues from new home transaction services increased by 22.5% from RMB37.9 billion in 2020 to RMB46.5 billion (US\$7.3 billion) in 2021, primarily attributable to an increase in the GTV for new home transactions from RMB1,383.0 billion in 2020 to RMB1,608.6 billion (US\$252.4 billion) in 2021, within which the GTV of new home transaction services completed on *Beike* platform through connected stores, dedicated sales teams and other sales channels increased from RMB1,106.3 billion in 2020 to RMB1,334.6 billion (US\$209.4 billion) in 2021, while the GTV of new home transactions served by the *Lianjia* brand was RMB274.1 billion (US\$43.0 billion), compared to RMB276.7 billion in 2020, as well as a moderate increase of new home transactions commission rate.

Emerging and other services. Our net revenues from emerging and other services increased by 17.9% from RMB1,979 million in 2020 to RMB2,332 million (US\$366 million) in 2021. The increase was primarily attributable to an increase of RMB87 million in revenues from home renovation services, and an increase of RMB227 million in revenues from rental property management services.

Cost of revenues

Our cost of revenues increased by 21.1% from RMB53.6 billion in 2020 to RMB64.9 billion (US\$10.2 billion) in 2021, primarily attributable to the increase in split commission to connected agents and other sales channels and internal commission and compensation.

- *Commission — split.* Our cost of revenues for commissions to connected agents and other sales channels increased by 28.1% from RMB24.8 billion in 2020 to RMB31.8 billion (US\$5.0 billion) in 2021, which was primarily attributable to the increase in the GTV of new home transactions completed by connected agents and other sales channels through our platform.
- *Commission and compensation — internal.* Our cost of revenues for internal commissions and compensation increased by 12.8% from RMB23.3 billion in 2020 to RMB26.3 billion (US\$4.1 billion) in 2021, which was primarily attributable to the increase in the GTV of existing home transactions completed through our *Lianjia* brand and expansion of dedicated sales teams with the expertise on new home transaction services.
- *Cost related to stores.* Our cost related to stores increased by 18.8% from RMB3.2 billion in 2020 to RMB3.8 billion (US\$0.6 billion) in 2021 mainly attributable to an increase in the average number of stores for *Lianjia* brand and the incremental rise in rental fees of contract service centers opened in 2021.

Please see “—Contribution Margin” for the analysis of our segment profitability.

Operating expenses

Sales and marketing expenses. Our sales and marketing expenses increased by 16.0% from RMB3.7 billion in 2020 to RMB4.3 billion (US\$0.7 billion) in 2021. The increase was primarily attributable to (i) an increase of RMB598 million (US\$94 million) in payroll and related expenses, (ii) an increase of RMB64 million (US\$10 million) in advertising and promotional expenses, and (iii) an increase of RMB33 million (US\$5 million) in share-based compensation expenses to our sales and marketing personnel, partially offset by a decrease of RMB93 million (US\$15 million) in amortization expense.

General and administrative expenses. Our general and administrative expenses increased by 17.6% from RMB7.6 billion in 2020 to RMB8.9 billion (US\$1.4 billion) in 2021. The increase was primarily attributable to (i) an increase of RMB996 million (US\$156 million) in payroll expenses, (ii) an increase of RMB545 million (US\$86 million) in provision for credit losses, and (iii) an increase of RMB77 million (US\$12 million) in rental expenses, partially offset by a decrease of RMB536 million (US\$84 million) in share-based compensation expenses due to the relative higher expenses because of the recognition of options granted to our employees with the IPO performance condition satisfied in 2020.

Research and development expenses. Our research and development expenses increased by 28.9% from RMB2.5 billion in 2020 to RMB3.2 billion (US\$0.5 billion) in 2021. The increase was primarily attributable to (i) an increase of RMB779 million (US\$122 million) in payroll and related expenses as a result of the increased number of our research and development personnel and (ii) an increase of RMB29 million (US\$5 million) in technical service fee.

Impairment of goodwill, intangible assets and other long-lived assets. We recorded impairment of goodwill, intangible assets and other long-lived assets of RMB747 million (US\$117 million) in 2021, compared to RMB236 million in 2020, primarily attributable to the impairment of goodwill triggered by the market downturn and its impact on our operations in the second half of 2021.

Income tax expense

We recorded an income tax expense of RMB1,665 million (US\$261 million) in 2021, compared to an income tax expense of RMB1,609 million in 2020.

Net income (loss)

As a result of the foregoing, we recorded a net loss of RMB525 million (US\$82 million) in 2021, compared to a net income of RMB2,778 million in 2020. This change is primarily the result of the net loss we incurred in the third and fourth quarter of 2021. In response to the accelerating housing price appreciation in the first half of 2021, the PRC regulatory authorities have issued certain regulations and policies on China’s housing related industry. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Our business is subject to government regulations and policies guiding China’s economy in general and, specifically, on existing and new home transactions” for details. While these measures reflected the PRC regulatory authorities’ focus on establishing long-term mechanisms, some of them have affected the growth rate of the housing related industry in the near term and led to a decline in both existing home and new home transactions since the second half of 2021. The market weakness negatively affected our financial results in the third and fourth quarter of 2021. In the third quarter of 2021, our net revenues decreased by 11.9% to RMB18.1 billion from RMB20.5 billion in the same period of 2020, which was primarily attributable to the decline in total GTV of 20.9% to RMB830.7 billion from RMB1.0 trillion in the same period of 2020. In the fourth quarter of 2021, our net revenues decreased by 21.5% to RMB17.8 billion from RMB22.7 billion in the same period of 2020, which was primarily attributable to the decline in total GTV of 34.6% to RMB732.4 billion from RMB1,120.0 billion in the same period of 2020. As such, we recognized net loss of RMB1,766 million and RMB933 million in the third and fourth quarter of 2021, respectively, compared to net income of RMB75 million and RMB1,096 million in the same periods of 2020.

Year ended December 31, 2020 Compared to Year ended December 31, 2019**Net revenues**

Our net revenues increased by 53.2% to RMB70.5 billion in 2020 from RMB46.0 billion in 2019, primarily driven by the robust total GTV growth of 64.5% to RMB3,499.1 billion in 2020 from RMB2,127.7 billion in 2019.

Existing home transaction services. Our net revenues from existing home transaction services increased by 24.4% to RMB30.6 billion in 2020 from RMB24.6 billion in 2019, primarily attributable to a 49.5% increase in GTV of existing home transactions to RMB1,940.0 billion in 2020 from RMB1,297.4 billion in 2019. The higher growth rate of GTV of existing home transaction services was primarily attributable to the GTV mix shift in existing home transaction services from GTV served by *Lianjia* brand where revenue is recorded on a gross commission revenue basis, towards GTV served by connected agents on the our platform, where revenue is recorded on a net basis from platform service, franchise service and other value-added services.

The revenue derived from platform service, franchise service and other value-added services increased by 94.3% to RMB3.0 billion in 2020 from RMB1.5 billion in 2019, as the GTV of existing home transactions served by connected agents on our platform increased by 109.9% to RMB928.1 billion in 2020 from RMB442.1 billion in 2019, as well as moderate increase in existing home transaction commission rate charged from connected stores.

Commission revenue increased by 19.7% to RMB27.6 billion in 2020 from RMB23.0 billion in 2019, driven by the GTV of existing home transactions served by our *Lianjia* brand increased by 18.3% to RMB1,011.9 billion in 2020 from RMB855.3 billion in 2019.

New home transaction services. Our revenues from new home transaction services increased by 87.1% to RMB37.9 billion in 2020 from RMB20.3 billion in 2019, primarily attributable to an increase of 85.0% in the GTV of new home transactions to RMB1,383.0 billion in 2020 from RMB747.6 billion in 2019. The GTV of new home transactions served by *Lianjia* brand increased by 37.2% to RMB276.7 billion, while the GTV of new home transaction services completed on our platform through connected agents and other sales channels increased by 102.7% year-over-year to RMB1,106.3 billion. Although most of the brokerage stores on our platform were subject to lockdown and low activity level for a certain period of time in 2020 due to the COVID-19 pandemic, the significantly increased demand and capacity of our platform for new home transactions brought about a strong revenue growth over 2019.

Emerging and other services. Our net revenues from emerging and other services increased by 68.7% to RMB2.0 billion in 2020 from RMB1.2 billion in 2019. The increase was primarily attributable to the increase of service penetration level in the Company's financial services around the housing transaction services, as well as the increase in revenues from other services.

Cost of revenues

Our total cost of revenues increased by 54.3% to RMB53.6 billion in 2020 from RMB34.7 billion in 2019, primarily due to the increase in both split commission to connected agents and other sales channels, and internal commission and compensation.

- *Commission — split.* Our cost of revenues for commissions to connected agents and other sales channels increased by 122.7% to RMB24.8 billion in 2020 from RMB11.2 billion in 2019, which was primarily attributable to the significant increase in the number of new home transactions connected agents and other sales channels completed through our platform from around 426,500 in 2019 to around 789,600 in 2020, which in turn was driven by the increasing number of connected agents and other sales channels joining our platform.
- *Commission and compensation — internal.* Our cost of revenues for internal commission and compensation increased by 20.0% to RMB23.3 billion in 2020 from RMB19.4 billion in 2019, which was primarily attributable to the increase in the number of new home transactions completed through our *Lianjia* brand along with the expansion of our new home transaction services as well as a 12.4% year-over-year increase in the number of existing home transactions through *Lianjia*, despite the impact of the COVID-19 pandemic.

- *Cost related to stores.* Our cost related to stores increased by 4.2% to RMB3.2 billion in 2020 from RMB3.1 billion in 2019, mainly attributable to the increase in the number of stores under our *Lianjia* brand in top tier cities with higher rental cost, as well as a moderate general increase in store-level rental cost.

Please see “—Contribution Margin” for the analysis of our segment profitability.

Operating expenses

Sales and marketing expenses. Our sales and marketing expenses increased by 19.6% to RMB3,715 million in 2020 from RMB3,106 million in 2019. The increase was primarily attributable to (i) an increase of RMB686.9 million in advertising and promotional expenses, (ii) an increase of RMB144.0 million in amortization expense, and (iii) an increase of RMB77.6 million in share-based compensation expenses to our sales and marketing personnel, partially offset by a decrease of RMB317.9 million in other marketing-related expenses.

We entered into a business cooperation agreement with Tencent in late 2018, which grants us the access to the traffic of Tencent’s products, and allows us to use Tencent’s cloud and advertising services. We started utilizing such traffic access in early 2019, and accordingly recorded amortization expenses, attributing to the large increase in depreciation and amortization expenses within sales and marketing function.

General and administrative expenses. Our general and administrative expenses decreased by 9.4% to RMB7,589 million in 2020 from RMB8,377 million in 2019. The decrease was primarily attributable to a decrease of RMB1.8 billion in share-based compensation expenses due to a lump sum recognition of the share-based compensations to our senior management in the fourth quarter in 2019, partially offset by (i) an increase of RMB644.3 million in payroll expenses as a result of the rapid growth of city-level support staff and back office functions as our business expanded, and to a less extent the increased number of our headquarter personnel in preparation of the public offering and ongoing obligations as a public company, and (ii) an increase of RMB399.5 million in provision for credit losses due to our increased balance of deposits paid to real estate developers and accounts receivable from them along with our growth in new home sales services.

Research and development expenses. Our research and development expenses increased by 57.7% to RMB2,478 million in 2020 from RMB1,571 million in 2019. The increase was primarily attributable to (i) an increase of RMB532.0 million in share-based compensation expenses, and (ii) an increase of RMB242.1 million in payroll expenses due to an increase in headcount of experienced R&D personnel.

Impairment of goodwill and intangible assets. Our impairment of goodwill and intangible assets were RMB236 million in 2020, compared to zero in 2019. In the fourth quarter of 2020, in connection with integration of Zhonghuan, we reassigned goodwill to the reporting units affected using the relative fair value approach, and RMB1,192.9 million of goodwill was reassigned to the new home transaction segment, while RMB133.0 million remained in the existing home transaction segment. We performed a quantitative impairment test for the reporting unit of Zhonghuan before the reassignment and no impairment was identified. We performed a qualitative analysis on the affected reporting units after the reassignment and no impairment was identified in these affected reporting units as their business were profitable and fast growing, and it is more-likely-than-not that the fair values of these reporting units are more than their carrying amounts.

Goodwill associated with our acquired home improvement business was fully impaired of RMB16.2 million for the year ended December 31, 2020.

We performed an impairment testing on the intangible assets of Zhonghuan and our acquired home improvement business, and identified RMB213.4 million of impairment losses in these assets. Impairment charges of intangible assets were recognized zero and RMB213.4 million for the years ended December 31, 2019 and 2020.

Income tax expense (benefit)

We recorded income tax expense of RMB1,609 million in 2020, compared to income tax expense of RMB904 million in 2019.

Net income (loss)

As a result of the foregoing, we recorded net income of RMB2,778 million in 2020, compared to net loss of RMB2,180 million in 2019. This increase is the result of net loss of RMB1,231 million in the first quarter of 2020, compared to net income of RMB166 million in the first quarter of 2019, due to the impact of COVID-19 pandemic, and a record-high net income of RMB2,839 million in the second quarter of 2020, compared to net income of RMB391 million in the second quarter of 2019, after business activities resumed and demand was released. We were able to maintain positive net income of RMB75.3 million and RMB1,096 million in the third and fourth quarter of 2020, respectively.

Discussion of Key Balance Sheet Items***Cash, cash equivalents, restricted cash, and short-term investments***

Cash, cash equivalents, restricted cash, and short-term investments constitute our most liquid assets. Short-term investments include bank time deposit and investments in wealth management products issued by financial institutions. These products normally offer returns higher than bank deposits, maintain relatively low risk, and provide sufficient liquidity as they are redeemable upon short notice. We therefore consider such wealth management products part of our cash management program.

The total amount increased from RMB33.5 billion as of December 31, 2019 to RMB65.2 billion as of December 31, 2020, which was mainly attributable to the cash generated from operating and financing activities, especially to the initial public offering and follow-on public offering of our Class A ordinary shares. The total amount decreased from RMB65.2 billion as of December 31, 2020 to RMB56.1 billion (US\$8.8 billion) as of December 31, 2021, which was mainly attributable to the net cash used in investing activities of RMB24.9 billion (US\$3.9 billion), including RMB18.1 billion (US\$2.8 billion) of purchase of long-term investments.

Accounts receivable, net of allowance for credit losses

A significant portion of accounts receivable was due from real estate developers for our new home transaction services. Our accounts receivable, net of allowance for credit losses increased from RMB8.1 billion as of December 31, 2019 to RMB13.2 billion as of December 31, 2020, as we continued to expand our new home transaction service business. Our accounts receivable, net of allowance for credit losses decreased from RMB13.2 billion as of December 31, 2020 to RMB9.3 billion (US\$1.5 billion) as of December 31, 2021, primarily due to the improvement of accounts receivable turnover days.

We serve real estate developers in our new home transaction services and grant them credit terms relatively longer compared to individual and small brokerage firm clients in accordance with the market practice. As such, we may face risks related to the collection of our accounts receivable from real estate developers, especially during times when tightened regulatory measures negatively affect the operations and liquidity conditions of these real estate developers. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Our business is subject to government regulations and policies guiding China’s economy in general and, specifically, on existing and new home transactions” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We face risk in collecting our accounts receivable and deposits from real estate developers” for more details. In light of the liquidity concerns faced by certain real estate developers in 2021, we have been implementing various prudent measures to ensure effective risk control and timely collection of accounts receivable. Our collection of accounts receivable for new home transaction services amounted to RMB51.7 billion (US\$8.1 billion) in 2021, compared to the net revenue from new home transaction services of RMB46.5 billion (US\$7.3 billion), and we managed to reduce our accounts receivable turnover days of new home transaction services from 103 days in 2020 to 97 days in 2021 in spite of the market downturn. The increase of accounts receivable turnover days for new home transaction services to 103 days in 2020 was a result of the slowdown in collection activities due to the COVID-19 pandemic, particularly in the first quarter in 2020. The accounts receivable turnover days for existing home transaction service, where our clients are individual housing customers and brokerage firms on our platform, were 10 days in 2019, 8 days in 2020 and 6 days in 2021. We plan to continue to prudently manage our accounts receivable, in particular with respect to new home transaction services.

Accounts receivable turnover days for a given period are equal to average balances of accounts receivable at the beginning and the end of the period divided by total revenues during the period and multiplied by the number of days during the period.

Intangible assets, net

Our intangible assets net of accumulated amortization and impairment amounted to RMB2,560 million, RMB1,643 million and RMB1,141.3 million (US\$179.1 million) as of December 31, 2019, 2020 and 2021, respectively. The decrease was primarily due to amortization of the business cooperation agreement and impairment charges related to Zhonghuan's intangible assets in 2020.

Long-term investments, net

Our long-term investments amounted to RMB2,334 million, RMB3,140 million and RMB17.0 billion (US\$2.7 billion) as of December 31, 2019, 2020 and 2021, respectively. The significant increase from December 31, 2020 to December 31, 2021 was mainly due to purchase of long-term wealth management products.

Goodwill

Our goodwill was RMB2,477 million, RMB2,467 million and RMB1,806 million (US\$283 million) as of December 31, 2019, 2020 and 2021, respectively. The decrease in 2021 was primarily due to the goodwill impairment loss of RMB732.4 million for the existing and new home transaction services due to the market downturn and its impact on our operations in 2021.

Prepayments, receivables and other assets

The following table set forth the breakdown of this account as of the dates indicated.

	As of December 31,		
	2020	2021	
	RMB	RMB	US\$
		(in thousands)	
Current:			
Advances to suppliers	474,629	388,319	60,936
Deposits paid to new home developers	2,124,204	558,286	87,607
Prepaid rental and other deposits	771,010	748,516	117,458
Staff advances	215,007	104,615	16,416
Receivables from escrow account	15,029	10,672	1,675
Interests receivable	37,227	39,156	6,144
VAT-input deductible	655,016	762,927	119,721
Prepaid income tax	108,989	138,716	21,768
Others	276,267	378,743	59,433
Total	4,677,378	3,129,950	491,158
Non-current:			
Deferred tax asset	884,435	1,060,131	166,359
Others	109,959	121,290	19,033
Total	994,394	1,181,421	185,392

Deposits paid to real estate developers represent the earnest deposits we pay to developers for new home sales, and will be collected back after we meet our service commitment. We implement stringent selection process for the real estate projects for which we provide brokerage service, and will only agree to make earnest deposits for those we are confident in meeting our sales commitment. The significant decrease in 2020 and further 2021 was mainly due to collections of deposits paid to real estate developers for new home transactions and fewer projects for which we make earnest deposits.

Accounts payable

Our accounts payable was RMB4,213 million, RMB6,595 million and RMB6,009 million (US\$943 million) as of December 31, 2019, 2020 and 2021, respectively. The increase in 2020 was primarily the result of increasing payables related to new home transaction services and advertising expenses. Commission payable related to new home transaction services increased from RMB3,528 million as of December 31, 2019 to RMB5,467 million as of December 31, 2020, as increasingly more brokerage firms joined and transacted on our *Beike* platform and increased the GTV of housing transactions they facilitated on our platform. Consequently, the ending balance of commission payable to them for their services in assisting us selling new homes grew rapidly. The advertising fee payable also increased in 2020, as a result of our effort to promote our *Beike* platform. The accounts payable decreased from RMB6,595 million as of December 31, 2020 to RMB6,009 million (US\$943 million) as of December 31, 2021, which was primarily the result of a decrease in payable related to new home transaction services.

Short-term borrowings

As of December 31, 2019, 2020 and 2021, our short-term borrowings was RMB720 million, zero and RMB260 million (US\$41 million). The increase of borrowings as of December 31, 2021 was a result of a RMB260 million bank loan at a fixed borrowing rate of 3.9% which started in August 2021.

Long-term borrowings

Our long-term borrowings were RMB4,890 million, zero and zero as of December 31, 2019, 2020 and 2021, respectively. The significant decrease was primarily because our borrowings of a US\$675 million syndicate loan and a bank loan at a fixed borrowing rate of 4.9% were fully paid off in advance by the end of December 31, 2020.

Inflation

To date, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2019, 2020 and 2021 were increases of 4.5%, 0.2% and 1.5%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected by higher rates of inflation in China in the future.

B. Liquidity and Capital Resources

The following table sets forth a summary of our cash flows for the periods presented:

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

To date, we have financed our operating and investing activities through cash flows from operations and cash provided by historical equity and debt financing activities. As of December 31, 2019, 2020 and 2021, respectively, our cash, cash equivalents, restricted cash and short-term investments were RMB33.5 billion, RMB65.2 billion and RMB56.1 billion (US\$8.8 billion). Our cash and cash equivalents primarily consist of cash on hand, demand deposits and highly liquid investments placed with banks or other financial institutions with original maturities of less than three months. Our restricted cash are primarily pledged for bank borrowings, and escrow payments collected from the property buyers on behalf of and payable to the property sellers.

We believe that our current cash, cash equivalents and restricted cash and expected cash provided by operating activities will be sufficient to meet our current and anticipated working capital requirements and capital expenditures for an extended period of time. We may, however, need additional cash resources in the future if we experience changes in business conditions or other developments. We may also need additional cash resources in the future if we identify and wish to pursue opportunities for investment, acquisition, capital expenditure or similar actions.

Although we consolidate the results of the VIEs and their subsidiaries, we only have access to the assets or earnings of the VIEs and their subsidiaries through our contractual arrangements with the VIEs and their shareholders. See “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with The VIEs and Their Shareholders.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—Holding Company Structure.”

Substantially all of our revenues have been, and we expect they are likely to continue to be, in the form of Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Our PRC subsidiaries are required to set aside at least 10% of its after-tax profits after making up previous years’ accumulated losses each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Historically, our PRC subsidiaries have not paid dividends to us, and they will not be able to pay dividends until they generate accumulated profits. Furthermore, capital account transactions, which include foreign direct investment and loans, must be approved by and/or registered with SAFE, its local branches and certain local banks.

As a Cayman Islands exempted company and offshore holding company, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries only through loans or capital contributions, subject to the approval or registration of government authorities and limits on the amount of capital contributions and loans. This may delay us from using the proceeds from our initial public offering in July 2020 and our ADS offering in November 2020 to make loans or capital contributions to our PRC subsidiaries. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies may delay us from using the proceeds of our offshore offering to make loans or additional capital contributions to our PRC subsidiaries and to make loans to the VIEs, which could materially and adversely affect our liquidity and our ability to fund and expand our business.”

Operating activities

Net cash generated from operating activities in 2021 was RMB3,595 million (US\$564 million). The difference between net cash generated from operating activities and net loss of RMB525 million (US\$82 million) in 2021 was the result of adding back RMB4,499 million (US\$706 million) for adjustments of non-cash items, adding back RMB77 million (US\$12 million) for dividends received from long-term investments and removing RMB488 million (US\$77 million) of gain on short-term investments, which are by nature investing activities, and adding RMB32 million (US\$5 million) released from working capital.

The adjustment of non-cash items primarily consisted of RMB1,538 million (US\$241 million) in share-based compensation expenses, RMB1,327 million (US\$208 million) in net impairment loss on financial assets, RMB880 million (US\$138 million) in depreciation expenses, and RMB747 million (US\$117 million) in impairment of goodwill, intangible assets and other long-lived assets.

The additional cash released from working capital was the result of a RMB2,646 million (US\$415 million) decrease in accounts receivable, a RMB1,450 million (US\$228 million) decrease in prepayments, receivables and other assets and a RMB589 million (US\$92 million) increase in lease liabilities, partially offset by a RMB2,562 million (US\$402 million) decrease in customer deposits payable, a RMB1,400 million (US\$220 million) decrease in employee compensation and welfare payable and a RMB567 million (US\$89 million) decrease in accounts payable.

Net cash generated from operating activities in 2020 was RMB9,362 million. The difference between net cash generated from operating activities and net income of RMB2,778 million in the same period was the result of adding back RMB3,729 million for adjustments of non-cash items, adding back RMB38.6 million for dividends received from long-term investments, removing RMB174.8 million of gain on short-term investments, which is by nature an investing activity, and adding another RMB2,991 million released from working capital.

The adjustment of non-cash items primarily consisted of RMB2,253 million in share-based compensation expenses, RMB781.7 million in net impairment loss on financial assets, RMB621.2 million in amortization of intangible assets and RMB552.8 million in depreciation expenses.

The cash released from working capital was the result of a RMB2,360 million increase in customer deposits payable, a RMB2,303 million increase in accounts payable, a RMB2,119 million increase in employee compensation and welfare payable, a RMB1,323 million increase in lease liabilities, a RMB559.1 million decrease in prepayments, receivables and other assets, and a RMB443.0 million decrease in amounts due from related parties, partially offset by a RMB5,835 million increase in accounts receivable, and a RMB1,196 million increase in right-of-use assets. The significant increase in customer deposits payable was due to the significant increase in GTV and number of transactions on our platform in the last three quarters of 2020 along with the surge of demand for housing transactions after the economy started to recover from the negative impact of COVID-19.

Net cash provided by operating activities in 2019 was RMB113 million. The difference between net cash provided by operating activities and net loss of RMB2,180 million in the same period was the result of adding back RMB4,159 million for adjustments of non-cash items, removing RMB105 million of realized gain on short-term investments, which is by nature an investing activity, and deducting RMB1,762 million used for working capital.

The adjustment of non-cash items primarily consisted of RMB2,956 million in share-based compensation expense, RMB562 million in depreciation expenses, RMB477 million in amortization of intangible assets and RMB382 million in net impairment losses on financial assets.

The additional cash used for working capital was the result of a RMB5,041 million increase in accounts receivable, a RMB3,401 million increase in prepayments, receivables and other assets, partially offset by a RMB2,720 million increase in accounts payable and a RMB1,589 million increase in customer deposits payable. We collected deposits from housing customers to secure transactions that are in the process of closing, and this amount increased as a result of our growing gross transaction value.

Investing activities

Net cash used in investing activities in 2021 was RMB24.9 billion (US\$3.9 billion), consisting primarily of (i) RMB47.9 billion (US\$7.5 billion) used to purchase short-term investments, offset by RMB38.0 billion (US\$6.0 billion) maturities of short-term investments, and (ii) RMB33.0 billion (US\$5.2 billion) of financing receivables originated, offset by RMB36.3 billion (US\$5.7 billion) of financing receivables principal collected, and (iii) RMB18.1 billion (US\$2.8 billion) of purchases of long-term investments.

Net cash used in investing activities in 2020 was RMB15.0 billion, consisting primarily of (i) RMB53.0 billion used to purchase short-term investments, offset by RMB39.8 billion maturities of short-term investments, and (ii) RMB37.2 billion of financing receivables originated, offset by RMB35.4 billion of financing receivables principal collected. The short-term investments are on low-risk and highly liquid products, and are part of our cash management program.

Net cash used in investing activities in 2019 was RMB3.9 billion, consisting primarily of (i) RMB16.2 billion of financing receivables originated in our financing service, offset by RMB14.8 billion of financing receivables collected, (ii) RMB10.4 billion used in purchases of short-term investments, offset by RMB11.1 billion maturities of short-term investments, and (iii) RMB1.9 billion of cash paid on long-term investments and time deposit.

Financing activities

Net cash used in financing activities in 2021 was RMB1,074 million (US\$168.6 million), consisting primarily of RMB1,841 million (US\$289 million) of repayments of funding debts, partially offset by RMB508 million (US\$80 million) of proceeds from funding debts and RMB260 million (US\$41 million) of proceeds from short-term borrowings.

Net cash provided by financing activities in 2020 was RMB25.4 billion, consisting primarily of (i) RMB16.3 billion of proceeds from our initial public offering, net of issuance costs, (ii) RMB15.3 billion of proceeds from ordinary shares issuance in our follow-on public offering, net of issuance costs, and (iii) RMB3.3 billion of proceeds from funding debts, partially offset by RMB4.5 billion of repayment of long-term borrowings and RMB4.0 billion of repayment of funding debts.

Net cash provided by financing activities in 2019 was RMB23.0 billion, consisting primarily of (i) RMB15.8 billion of proceeds from issuance of preferred shares, (ii) RMB9.9 billion of reinjection of capital from preferred shareholders and (iii) RMB4.9 billion of proceeds from long-term borrowings, partially offset by (i) RMB6.9 billion of repatriation of capital to preferred shareholders to facilitate reorganization, (ii) RMB2.6 billion of repayment of funding debts and (iii) RMB2.4 billion of payment for preferred share buyback.

Material Cash Requirements

Our material cash requirements as of December 31, 2021 and any subsequent interim period primarily include our capital expenditures and contractual obligations. We intend to fund our material cash requirements with our cash balance. We will continue to make cash commitments, including capital expenditures, to meet the expected growth of our business.

Capital Expenditures

Our capital expenditures were RMB703 million in 2019, RMB887 million in 2020 and RMB1,430 million (US\$224.4 million) in 2021. Capital expenditures represent cash paid for purchase of property and equipment and intangible assets.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2021.

	Total	Less than 1 year	1 - 3 years (RMB in thousands)	3 - 5 years	More than 5 years
Operating lease and other commitments	4,591,087	3,938,502	480,504	159,659	12,422
Lease liability obligations	7,601,729	2,911,311	3,386,690	1,054,628	249,100

As of December 31, 2021, our total contractual obligations included RMB8.3 million in obligation to purchase property and equipment, RMB1.4 million in obligation to purchase services, RMB3,633.0 million in investment commitment, and RMB948.5 million in operating lease commitments, and our funding debt obligations included RMB194.2 million in obligation to repay the consolidated trusts, RMB3.2 million in obligation to repay the interest.

We did not have any other long-term obligations or guarantees as of December 31, 2021.

Off-Balance Sheet Arrangements

We provide financial guarantees through our subsidiaries for loans that we facilitate for certain financial partners or individual lenders. We are obligated to compensate the lenders for the principal and interest payment in the event of the borrowers' default. Therefore, we effectively provide guarantees to lenders against the credit risk.

Other than the above, we have not entered into any other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Holding Company Structure

KE Holdings Inc. is not an operating company in China but a Cayman Islands holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and the VIEs in China. As a result, KE Holdings Inc.'s ability to pay dividends depends upon dividends paid by our PRC subsidiaries. Our PRC subsidiaries in turn generate income from their own operation, and in addition enjoy all economic benefit and receive service fees from the VIEs pursuant to the exclusive business cooperation agreement with the VIEs. The VIEs collectively held 29.5% of our group's cash, cash equivalents and restricted cash and 12.9% of our group's total assets as of December 31, 2021. Revenues contributed by the VIEs, excluding inter-group transactions, accounted for 11.6%, 1.4% and 1.2% of our total net revenues for the fiscal years 2019, 2020 and 2021, respectively. Investors in our ADSs are not purchasing equity interest in the VIEs in China but instead are purchasing equity interest in KE Holdings Inc., a holding company incorporated in the Cayman Islands.

Beijing Lianjia, one of the VIEs, and its subsidiaries used to be the operating entities of our existing home transaction and new home transaction services and certain other home-related emerging and other services before the completion of our reorganization, which started from November 2018 and was completed in July 2019. Through a series of restructuring transactions, most of such subsidiaries of Beijing Lianjia, as well as all of the operating branches of Beijing Lianjia, have become wholly-owned by the applicable WFOEs and our other PRC subsidiaries. Since July 2019, consequently, our PRC subsidiaries have replaced Beijing Lianjia to be the providers of such existing home transaction and new home transaction services and certain home-related emerging and other services. The decrease in net revenues, excluding inter-group transactions, contributed by the VIEs from 11.6% in 2019 to 1.4% in 2020 and 1.2% in 2021 is primarily attributable to the reorganization.

If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. Under PRC law, each of our subsidiaries and the VIEs in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our subsidiaries and the VIEs in China may allocate a portion of its after-tax profits based on PRC accounting standards to a surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

C. Research and Development

See "Item 4. Information on the Company—B. Business Overview—Our Technology and Research and Development" and "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2021 that are reasonably likely to have a material and adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions.

E. Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are other items within our financial statements that require estimation but are not deemed critical, as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements. For a detailed discussion of our significant accounting policies and related judgments, see “Note 2 Significant Accounting Policies” in the Notes to Consolidated Financial Statements included elsewhere in this annual report.

Provision for credit losses of accounts receivable

For accounts receivable, we make estimates of expected credit and collectability trends for the allowance for credit losses based upon assessment of various factors, including historical experience, the age of the accounts receivable balances, creditworthiness of the customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from the customers. We estimate the allowance by segmenting accounts receivable based on certain credit risk characteristics and determining an expected loss rate for each segmentation based on historical loss experience adjusted for judgments about the effects of relevant observable data including current and future economic conditions.

One of the most significant judgments involved in estimating the provision for credit losses relates to the forecasts of future economic used to estimate credit losses. The proxy variable of the provision credit losses relates to the forecasts of future economic is China’s banking sector non-performing loan ratio for real estate loans, which is issued by China Banking and Insurance Regulatory Commission. The forecasts of future economic incorporates a series of macroeconomic variables.

As money supply is one of significant determinants of non-performing loan, we consider the key variable related to forecasts of future economic is M2, a measurement of money supply including cash and non-cash assets that are highly liquid, which is issued by the People’s Bank of China. Changes in the M2 would affect the allowance for credit losses as follow (in thousands):

Assumption	Basic Point Change	Increase/(Decrease)
M2	+/- 100 bps	13,677/(9,513)

Assessment for impairment of goodwill

For goodwill, we test for impairment annually, or when events or circumstances indicate that their carrying value may not be recoverable. A significant amount of judgment is required in performing impairment tests, including the optional assessment of qualitative factors for the annual impairment test, which is used to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In the qualitative assessment, we consider primary factors such as, industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. This assessment serves as a basis for determining whether it is necessary to perform a quantitative impairment test.

The quantitative evaluation compares the carrying value of each reporting unit that has goodwill with the estimated fair value of the respective reporting unit. Should the carrying value of a reporting unit be in excess of the estimated fair value of that reporting unit, a goodwill impairment loss will be recognized. We estimated the fair value of these reporting units using an income approach based on a discounted cash flow model (“DCF model”). Significant estimates and assumptions used in the DCF model included management’s best estimate of forecast revenues used to calculate projected future cash flows, discount rates and long-term growth rate.

Forecasted revenue. The financial projection covering a five-year period of each reporting based on the financial budgets approved by our management, which considering the historical performance and its expectation for future market development.

Discount rate. When measuring possible impairment, future cash flows are discounted at a rate that is consistent with a weighted-average cost of capital that we anticipate a potential market participant would use. Weighted-average cost of capital is an estimate of the overall risk-adjusted pre-tax rate of return expected by equity and debt holders of a business enterprise.

Long-term growth rate. A growth rate is used to calculate the terminal value of the business and is added to the present value of the debt-free interim cash flows. The growth rate is the expected rate at which an asset group's business unit's earnings stream is projected to grow beyond the planning period.

During 2021, in line with the central government's "housing is for living in, not for speculation" principle, a slew of city-specific policies and severe market-cooling measures were rolled out in China in order to effectively stabilize the land price, home price and market expectations. As a result, there were 29 of our reporting units failed the qualitative analysis. Quantitative assessments were performed on these reporting units for impairment testing. We determined that 14 reporting units were impaired and RMB732.4 million goodwill impairment has been recorded.

For the reporting units that no goodwill impairment was identified in the quantitative impairment test, as of December 31, 2021, fair value exceeded carrying value by at least 26% and there was no indication of a significant risk of goodwill impairment based on current projections and valuations. The headroom by segment is as follows, and the fair value of these reporting units would equal its carrying amount if the key assumptions were to change as follows (in thousands, except for percentages):

	As of December 31, 2021	
	Existing home transaction services	New home transaction services
Headroom	1,006,969	7,500,681
Forecasted revenue	-46%~85%	-30%~94%
Post-tax discount rate	5%~35%	3%~112%

Fair value of long-term investments

For unlisted equity securities measured at fair value, we make estimate of the fair value of the investee by applying the DCF model and the guideline public company approach. For DCF model, major factors considered include historical financial results and assumptions including future growth rates, an estimate of weighted average cost of capital, effective tax rates. The guideline public company approach relies on publicly available market data of comparable companies and uses comparative valuation multiples of the investee's revenue.

Additionally, we use fair value measurements from time to time in connection with investment impairment testing. For equity investments without readily determinable fair value for which we have elected to use the measurement alternative we make a qualitative assessment of whether the investment is impaired at each reporting date, applying significant judgment in considering various factors and events including (i) adverse performance and cash flow forecasts of investees; (ii) adverse industry developments affecting investees; and (iii) adverse regulatory, social, economic or other developments affecting investees. If a qualitative assessment indicates that the investment is impaired, we estimate the investment's fair value in accordance with the principles of ASC 820. During the year, certain equity investments without readily determinable fair values were measured using significant unobservable inputs and written down from their respective carrying values to fair values, with impairment charges incurred and recorded in earnings for the years then ended. The fair value is valued based on the DCF model with unobservable inputs including the future revenues, the discount rate and the terminal growth rate or valued based on market approach with unobservable inputs including selection of comparable companies and multiples and estimated discount for lack of marketability.

During 2021, due to the unsatisfied financial performance, we determined that there were triggering events related to our investment in Shenzhen Yuanjing Mingchuang Management Consulting Co. ("Yuanjing Mingchuang"). The fair value of Yuanjing Mingchuang was measured using significant unobservable inputs (Level 3) based on the DCF model. Based on the impairment assessments performed, we recorded an impairment loss of RMB168.0 million. The table below estimates the effect on the impairment amount of an increase/decrease in discount rates and future revenue (in thousands, except for percentages):

Factor	Basis	As of December 31, 2021
	Point Change	Increase/(Decrease)
Discount rate	+/- 100 bps	12,129/(13,152)
Future revenue	+/- 5%	(9,871)/10,194

Liabilities related to employee welfare benefits

For employee welfare benefit, we make estimate of the provision dependent upon the timing of reversal, which can significantly affect liability amounts. The major factors considered when determining the timing of reversal including general administrative practice, historical precedent cases, and legal advice. Currently, the provisions made are to be reversed if a) the potential exposures that the provisions were made for do not occur for a period of time and b) we believe that the probability that such exposures would materialize in the future is remote based on most recent developments. Refer to Note 2.26 for additional information on employee benefit provision as of December 31, 2021.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Baihui Partnership

To ensure the sustainability and governance of our company and better align them with the interests of our stakeholders, our management has established an executive partnership, the Baihui Partnership, to help us better manage our business and to carry out our vision, mission and value continuously. The structure of the Baihui Partnership is designed to promote people with diverse skillsets but sharing the same core values and beliefs that we hold dear.

The Baihui Partnership is operated under principles, policies and procedures that evolve with the development of our business and encompass the following major aspects:

Nomination and Election of Partners

Partners will be elected annually through a nomination process, whereby existing partners may propose candidates to the partnership committee (the “Partnership Committee”). Election of new partners requires the affirmative vote of not less than 75% of all the partners. In order to be elected a partner, the partner candidate must meet certain quality standards to be determined by the Baihui Partnership from time to time.

The Baihui Partnership and its major rights and functions, such as its right to appoint Executive Directors to our board and CEO nomination right, will not become effective until the Baihui Partnership consists of no less than five limited partners. The partners of the Baihui Partnership include Mr. PENG Yongdong and Mr. SHAN Yigang, each holding 50% of limited partnership interests, and thus, the Baihui Partnership has yet come into effect.

Partnership Committee

The Partnership Committee will be the primary management body of the Baihui Partnership. The Partnership Committee must consist of no more than five partners, and all decisions of the Partnership Committee will be made by certain votes of the members. The authorities of the Partnership Committee include, but not limited to, the following areas:

- allocating the relevant portion of the annual cash bonus pool for the Partner members of management, with any amounts payable to Partners who are the Company’s directors and executive officers subject to approval of the compensation committee of the Company’s board of directors;
- manage, invest, distribute and dispose of the assets of the Baihui Partnership, including the aggregate deferred bonuses and any income thereof, or Partnership Assets, for the benefit of the partnership;

- propose to Baihui Partnership candidates to be nominated as the executive director or the chief executive officer, replace or remove the executive director and the chief executive officer, pursuant to our currently effective memorandum and articles of association; and
- administrating the election of partners.

Partnership Committee members serve for a term of two years and may serve multiple terms, unless terminated upon his or her death, resignation, removal, incapacity of such member or termination of his or her membership in the partnership or certain conditions as determined by Baihui Partnership. Prior to each election that takes place once every certain years, the Partnership Committee will nominate a number of partner candidates to stand for election by Baihui Partnership. The members of the Partnership Committee include Mr. PENG Yongdong and Mr. SHAN Yigang.

Executive Director Appointment and CEO Nomination Right

The Baihui Partnership will be entitled to appoint Executive Directors and nominate and recommend the chief executive officer of the company.

An Executive Director refers to a director of the company that is (i) neither a director who satisfies the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange nor a director who is affiliated with or was appointed to our board by a holder or a group of affiliated holders of preferred shares and/or Class A ordinary shares converted from preferred shares of our company prior to our initial public offering, and (ii) maintains an employment relationship with our company.

Pursuant to our currently effective articles of association and subject to applicable law or listing rules, our board of directors shall consist of not less than three but not more than nine directors, and the Board shall include (i) at least two (2) Executive Directors, if there are no more than five (5) Directors on the Board of Directors, (ii) at least three (3) Executive Directors, if there are more than five (5) Directors but no more than seven (7) Directors and (iii) at least four (4) Executive Directors, if there are more than seven (7) Directors but no more than nine (9) Directors on the Board of Directors. The Executive Directors shall be nominated by the Baihui Partnership for so long as the Baihui Partnership consists of at least five (5) limited partners and is operating under the terms of its partnership agreement, which we refer to as the Partnership Condition hereinafter. Our board of directors is obligated to cause the Executive Director candidates duly nominated by the Baihui Partnership to be appointed as Directors by the board upon the delivery by the Baihui Partnership of a written notice (duly executed by the general partner of Baihui Partnership on behalf of Baihui Partnership) to us.

In the event that any such Executive Director candidate is not appointed by the Board or any Executive Director nominated by the Partnership is removed in accordance with our currently effective memorandum and articles of association, the Partnership shall have the right to appoint a different person to serve as an interim Executive Director until the next general meeting of our company. Such appointment of the interim Executive Directors to the board shall become effective immediately upon the delivery by the Baihui Partnership of a written notice (duly executed by the general partner of Baihui Partnership on behalf of Baihui Partnership) to us, without the requirement for any further resolution, vote or approval by the shareholders or the board.

If at any time the total number of Executive Directors on the board nominated by the Baihui Partnership is less than two, three or four, as applicable based on the then board composition, for any reason, the Baihui Partnership shall be entitled to appoint such number of Executive Directors to the board as may be necessary to ensure that the board includes the number of Executive Directors as required pursuant to our articles of association. Such appointment of the Executive Directors to the board shall become effective immediately upon the delivery by the Baihui Partnership of a written notice (duly executed by the general partner of Baihui Partnership on behalf of Baihui Partnership) to us, without the requirement for any further resolution, vote or approval by the shareholders or the board.

Subject to the right of the Baihui Partnership to appoint Executive Directors, our board of directors may, by the affirmative vote of a simple majority of the directors present and voting at a board meeting, appoint any person as a director, to fill a casual vacancy on the board or as an addition to the existing board.

Under our currently effective articles of association, for so long as the Partnership Condition is satisfied, the Baihui Partnership has the right to nominate candidates for chief executive officer of our company. Any such candidate who has been nominated by the Baihui Partnership shall stand for appointment by the nominating and corporate governance committee of the board of directors.

In the event that such candidate is not appointed by the nominating and corporate governance committee, the Baihui Partnership may nominate a replacement nominee until the nominating and corporate governance committee appoints such nominee as chief executive officer, or until the nominating and corporate governance committee fails to appoint more than three such candidates nominated by the Baihui Partnership consecutively, after which time our board of directors may then nominate and appoint any person to serve as the chief executive officer of our company.

Bonus Allocation

Each year, the board of directors, acting on the recommendation of our compensation committee, shall approve (i) the aggregate cash bonus pool for senior management of the company for the preceding fiscal year based on a percentage of our adjusted pre-tax operating profits for such fiscal year; and (ii) the allocation of such cash bonus pool between senior management member who are also partners of the Baihui Partnership and who are not partners.

Once the aggregate cash bonus pool is determined, the Partnership Committee will then determine (i) the allocation of the aggregate bonus pool between current year bonus pool and deferred bonus pool, if it deems advisable; and (ii) the allocation of the bonus pool among the partners. The bonus amounts payable to partners who are executive officers or directors will be subject to approval of the compensation committee. The Partnership Committee may also determine, at its sole discretion, to pay bonus out of the Partnership Assets.

Partner Termination, Retirement and Removal

Partners may elect to retire or withdraw from the Baihui Partnership at any time. Conditions of automatic retirement as determined by Baihui Partnership apply to partners. Unless otherwise provided, partners may be removed upon affirmative vote of not less than 75% of all partners, in the event that the Partnership Committee determines that such partner fails to meet any of the qualifying standards and so recommend to the partnership.

Amendment of Partnership Agreement

Amendment of the partnership agreement requires certain affirmative vote of all partners. The Partnership Committee may administer and modify the terms of the partnership agreement, but only to the extent such modifications are administrative or technical in nature that are not inconsistent with other provisions of the partnership agreement as in effect at the time.

Directors and Executive Officers

ZUO Hui, our founder and permanent chairman emeritus, was a pioneer, visionary and respected leader in China's housing transactions and services industry. Through his vision and leadership, we have gained tremendous amount of industry and operational know-hows through over 20 years of execution excellence, and evolved into the leading platform we are today. During his chairman capacity, Mr. ZUO, together with Beike's co-founders, Mr. PENG Yongdong and Mr. SHAN Yigang, had led our senior management to execute his strong vision to build and launch our *Beike* platform, pioneer the creation of ACN, continuously invest in talents and technologies, and proactively address industry-wide issues to achieve our continued growth and success. Honored as permanent chairman emeritus, Mr. ZUO's values and beliefs have been imprinted in our core DNA, strengthening the commitment of our management team and leading our self-driven transformations along the journey ahead.

Mr. ZUO served as our chairman since he founded Beijing Lianjia in 2001. In addition, Mr. ZUO held positions in various social organizations, such as the vice president of China Institute of Real Estate Appraisers and Agents since 2013, the vice president of the China Real Estate Chamber of Commerce since 2016, and a standing member of the 12th Executive Committee of All-China Federation of Industry and Commerce since 2017.

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
PENG Yongdong	42	Co-Founder, Chairman of the Board and Chief Executive Officer
SHAN Yigang	49	Co-Founder and Executive Director
XU Tao	48	Executive Director and Chief Financial Officer
XU Wangang	56	Executive Director and Chief Operating Officer
LI Zhaohui (Jeffrey)	46	Director
CHEN Xiaohong	52	Independent Director
ZHU Hansong	52	Independent Director
WU Jun	53	Independent Director

PENG Yongdong has served as our executive director since December 2018 and the chairman of the board of directors since May 2021, and he co-founded *Beike* with Mr. ZUO and Mr. SHAN. Mr. PENG has been the chief executive officer of Lianjia.com (Beijing) Technology Co., Ltd., which later changed its name to Beike Zhaofang (Beijing) Technology Co., Ltd., since 2017 and successively served as the vice general manager and general manager of Beijing Lianjia since 2010. Prior to that, Mr. PENG served as a senior consultant of strategy and revolution at IBM China Company Limited between 2006 and 2010. He acted as a senior manager at E-Power (Hangzhou) Co., Ltd. from 2001 to 2003. Mr. PENG received his bachelor's degree in electrical engineering and automation from Zhejiang University in 2001 and an IMBA degree from Tsinghua University in 2006 (a joint program by Tsinghua University and Massachusetts Institute of Technology).

SHAN Yigang has served as our executive director since July 2018, and he co-founded *Beike* with Mr. ZUO and Mr. PENG. He served as a director of Beijing Lianjia from 2007 to 2021. Prior to joining Beijing Lianjia, Mr. SHAN was the co-founder and served as the vice president of Dalian Haowangjiao Real Estate Brokerage Co., Ltd. from 1999 to 2007. Mr. SHAN obtained his EMBA degree from Tsinghua University in 2019.

XU Tao has served as our executive director since August 2021 and as the chief financial officer of *Beike* since 2016. Prior to that, Mr. XU was the chief financial officer of Beijing SenseTime Technology Development Co., Ltd. from June to October in 2016. Between 2014 and 2015, he served as the chief financial officer of Beijing Didi Infinity Technology and Development Co., Ltd. From 2011 to 2014, Mr. XU served as the chief financial officer of China region of the China Region of Dimension Data Information Technology (Beijing) Co., Ltd. From 2008 to 2011, Mr. XU served as the financial director of China region of Sun Microsystems China Co., Ltd. From 2001 to 2008 Mr. XU successively served as the financial director of Greater China and chief financial officer at Lucent Technology (China) Co., Ltd. From 1999 to 2001, he worked as the financial manager of Beijing Sohu Internet Information Service Co., Ltd. Prior to that, Mr. XU worked at Pepsi. Mr. XU received his bachelor's degree in economics from Capital University of Economics and Business in 1996 and a master's degree of commerce in international professional accounting from the University of New South Wales in 2005.

XU Wangang has served as our executive director since May 2021, our chief operating officer since April 2021, and our co-chief operating officer from May 2018 to April 2021. From July 2017 to May 2018, Mr. XU worked as the head of western region of our company. From 2015 to 2017, Mr. XU served as the general manager at Sichuan Lianjia Real Estate Brokerage Co., Ltd., our subsidiary. Mr. XU was the founder of Sichuan Eden City Real Estate E-Commerce Co., Ltd. and Sichuan Yicheng Real Estate Brokerage Co., Ltd., the latter of which was acquired by us in December 2015 and renamed as Sichuan Lianjia Real Estate Brokerage Co., Ltd., and served as its general manager from 2009 to 2015. Mr. XU served as a manager of Chengdu Chengdian Wantong Investment Co., Ltd. from 2001 to 2004. Mr. XU served successively as a staff member and manager in technology R&D department at No. 10 Research Institute of Ministry of Electronics Industries (currently known as China Electronics Technology Group Corporation No.10 Research Institute from 1986 to 2001. Mr. XU graduated from University of Electronic Science and Technology of China with a bachelor's degree in electronic engineering in 1986.

LI Zhaohui (Jeffrey) has served as our director since December 2018. Mr. LI joined Tencent Holdings Ltd. (HKEx: 700) in 2011 and currently serves as the vice president and head of mergers and acquisitions department at Tencent Holdings Ltd., and as the managing partner of Tencent Investment. Before joining Tencent in 2010, Mr. LI served as an investment principal at Bertelsmann Asia Investment Fund from 2008 to 2020. Prior to that, Mr. LI held various positions related to product and business in Google and Nokia. Mr. LI has been a director of Kuaishou Technology (HKEx: 1024) since March 2017, Zhihu Inc. (NYSE: ZH) since September

2015 and Howbuy Wealth Management Co., Ltd. (NEEQ: 834418) since December 2013. Mr. LI received a bachelor's degree in economics from Peking University in 1998 and an MBA degree from Duke University Fuqua School of Business in 2004.

CHEN Xiaohong has served as our independent director since August 2020. Ms. CHEN is the founding and managing partner of H Capital. Before founding H Capital in 2014, Ms. CHEN served as a managing director at Tiger Global responsible for its investment activities in China from 2004 to 2012. Prior to that, Ms. CHEN was at Joyo.com in 2004 for eight months serving as a vice president and at Veronis Suhler Stevenson from 1994 to 2004, lastly serving as a managing director. Ms. CHEN currently serves on the board of directors of a number of private companies. Ms. CHEN received her bachelor's degree in history from Peking University in 1992 and a master's degree in library service from Rutgers University in 1994.

ZHU Hansong has served as our independent director since August 2021. Mr. ZHU has been serving as an independent director of Kidswant Children Products Co., Ltd. (SZSE: 301078) since March 2020 and of Missfresh Limited (Nasdaq: MF) since June 2021. Mr. ZHU worked for Goldman Sachs from 2000 to 2019 and held several positions, including associate, executive director, managing director and partner. Before retiring from Goldman Sachs in 2019, Mr. ZHU was the co-head of China Investment Banking, the head of industrial and natural resources group in Asia Ex-Japan, the chief executive officer of Goldman Sachs Gao Hua Securities Company Limited, and a member of the Asia Pacific Commitments Committee and Investment Banking Division Client and Business Standards Committee of Goldman Sachs. Prior to joining Goldman Sachs, Mr. ZHU worked at China International Capital Corporation Limited from 1995 to 2000. Mr. ZHU received a bachelor's degree in economics from Nanjing University in 1991 and a master's degree in economics from Peking University in 1994.

WU Jun has served as our independent directors since March 2022. Mr. WU is the founder and has been serving as the chairman of the board of Beijing Radium Lab Technology Co., Ltd. since 2018. He is a co-founder of Beijing Wisdon Technology Co., Ltd. where he joined in 2017. From 2010 to 2017, Mr. WU held various positions, including chief executive officer, chief financial officer and executive vice president, at AsiaInfo Holdings, LLC (formerly known as AsiaInfo-Linkage, Inc., a provider of telecommunication software solutions and services in China that was listed on the Nasdaq from 2000 to 2014). From 2008 to 2010, Mr. WU served as the chief financial officer of iSoftStone Information Technology (Group) Co., Ltd., a subsidiary of iSoftStone Holdings Limited, a China-based IT services provider that was listed on the NYSE from 2010 to 2014. Prior to that, Mr. WU served as a vice president in the finance department at Huawei Technologies Co., Ltd. from 2006 to 2008. From 1997 to 2005, Mr. WU worked for Lucent Technology (China) Co., Ltd. and held various positions, lastly as the chief financial officer in the Greater China area. From 1995 to 1996, he was an accountant at the Beijing Representative Office of SAP AG and subsequently at SAP (Beijing) Software System Co., Ltd. Prior to that, Mr. WU held certain financial management positions, including the management accountant, sales routine supervisor and logistics assistant manager, at Wall's China Co., Ltd. from 1991 to 1995. Mr. WU has served as an independent non-executive director of Beijing Evercare Medical Technology Group Co., Ltd. since July 2021. Mr. WU graduated from University of International Business and Economics with a diploma majoring in international accounting in 1989 and he received an MBA degree from City University of Seattle in 1999.

B. Compensation

Compensation of Directors and Executive Officers

For the year ended December 31, 2021, we paid an aggregate of RMB27.4 million (US\$4.3 million) in cash to our directors and executive officers. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers. Our PRC subsidiaries and the VIEs are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause upon 60-day advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. The executive officer may resign at any time with a three-month advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third-party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, customers or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination, without our express consent.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

Share Incentive Plans

2018 Share Option Plan

In 2018, our shareholders and board of directors adopted the Pre-IPO Share Option Scheme, or the 2018 Share Option Plan, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants, and promote the success of our business. Before we incorporated our Cayman holding company KE Holdings Inc. and adopted this 2018 Share Option Plan, Beijing Lianjia, our main operating entity in China before the reorganization, had also granted share awards to our employees. Upon the adoption of 2018 Share Option Plan at the Cayman holding company level, we and our employees agreed to switch all share awards granted at Beijing Lianjia level to the options to purchase ordinary shares in KE Holdings Inc., under the same terms and conditions.

The maximum aggregate number of Class A ordinary shares issuable pursuant to all awards under the plan is 350,225,435, subject to further amendment.

The following paragraphs describe the principal terms of the Plan.

Type of Awards. The Plan permits the awards of options.

Plan Administration. The Plan is administered by the Administrator(s) designated by our board of directors from time to time. The Administrator determines, among others, the participants eligible to receive awards, the number of options to be granted to each eligible participant, and the terms and conditions of each award grant. Mr. PENG Yongdong is currently the Administrator of the plan.

Award Agreement. Awards granted under the Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, restrictions on transfer of the award, and the provisions applicable in the event that the grantee's employment or service terminates.

Eligibility. We may grant awards to our employees, directors and consultants.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise of Awards. Our board of directors and the Administrator determine the exercise price, as applicable, for each award, which is stated in the relevant award agreement. Options that are vested and exercisable will terminate if they are not exercised prior to the time set by the Administrator at the time of grant.

Transfer Restrictions. Awards may not be transferred in any manner by the participant unless approved by the Board in writing or, on the death of the grantee, to his or her personal representative(s).

Termination and Amendment of the Plan. Unless terminated earlier, the Plan has a term of ten years. Our board of directors may amend or vary any of the provisions of the Plan, which may or may not affect adversely any rights which have accrued to any grantee at the time. Any such amendment or variation of provisions by the board directors shall not require any prior consent by or notice to any other party.

The following table summarizes, as of February 28, 2022, the options granted under the 2018 Share Option Plan to our directors and executive officers, excluding awards that were forfeited or cancelled after the relevant grant dates.

	Class A Ordinary Shares Underlying Options Awarded	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
CHEN Xiaohong	*	US\$0.00002	August 17, 2021	July 23, 2031

Note:

* Less than 1% of our total ordinary shares on an as-converted basis outstanding as of February 28, 2022.

As of February 28, 2022, granted options to purchase 72,038,470 Class A ordinary shares remain outstanding under the 2018 Share Option Plan.

2020 Share Incentive Plan

In July 2020, our shareholders and board of directors adopted the 2020 Global Share Incentive Plan, or the 2020 Share Incentive Plan, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants, and promote the success of our business. The maximum aggregate number of Class A ordinary shares which may be issued pursuant to all awards under the 2020 Share Incentive Plan is initially 80,000,000, plus, commencing with the fiscal year beginning January 1, 2021, an annual increase on the first day of each fiscal year during the ten-year term of the plan, by an amount equal to 1% of the total number of shares issued and outstanding on an as-converted fully diluted basis on the last day of the immediately preceding fiscal year, or such lesser number of shares as determined by our board of directors. The size of the 2020 Share Incentive Plan is to be equitably adjusted in the event of any share dividend, subdivision, reclassification, recapitalization, split, reverse split, combination, consolidation or similar transactions.

The following paragraphs describe the principal terms of the 2020 Share Incentive Plan.

Types of awards. The plan permits the awards of options, restricted shares, and restricted share unit awards or other types of awards approved by our board of directors or compensation committee (the “Committee”) of the board.

Plan administration. Our board of directors or the Committee (the plan administrator) administer the plan. The board or the Committee determines, among other things, the participants eligible to receive awards, the type or types of awards to be granted to each eligible participant, the number of awards to be granted to each eligible participant, and the terms and conditions of each award grant.

Award agreement. Awards under the plan are evidenced by an award agreement that set forth the terms, conditions and limitations for each award which may include the term of an award, the provisions applicable in the event the participant’s employment or service terminates, and the Company’s authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an award.

Eligibility. We may grant awards to our directors, consultants, and employees.

Vesting schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise of awards. The exercise price per share subject to an option is determined by the plan administrator and set forth in the award agreement which may be a fixed price or a variable price related to the fair market value of the shares.

Transfer restrictions. Awards may not be transferred in any manner by the eligible participant other than in accordance with the limited exceptions provided in the plan, such as transfers to our company or a subsidiary of ours, transfers to the immediate family members of the participant by gift, the designation of a beneficiary to receive benefits if the participant dies, permitted transfers or exercises on behalf of the participant by the participant’s duly authorized legal representative if the participant has suffered a disability, or, subject to the prior approval of the plan administrator or our executive officer or director authorized by the plan administrator, transfers to one or more natural persons who are the participant’s family members or entities owned and controlled by the participant and/or the participant’s family members, including but not limited to trusts or other entities whose beneficiaries or beneficial owners are the participant and/or the participant’s family members, or to such other persons or entities as may be expressly approved by the plan administrator, pursuant to such conditions and procedures as the plan administrator may establish.

Termination and amendment of the 2020 Share Incentive Plan. Unless terminated earlier, the 2020 Share Incentive Plan has a term of ten years. Our board of directors may terminate, amend or modify the plan, subject to the limitations of applicable laws. However, no termination, amendment, or modification of the plan may adversely affect in any material way any award previously granted pursuant to the plan without the prior written consent of the participant.

As of February 28, 2022, granted restricted share units to purchase 36,910,635 Class A ordinary shares remain outstanding under the 2020 Share Incentive Plan.

C. **Board Practices**

Board of Directors

Our board of directors consists of eight directors. A director is not required to hold any shares in our company by way of qualification. A director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with our company is required to declare the nature of his or her interest at a meeting of our directors. Subject to the New York Stock Exchange rules and disqualification by the chairman of the relevant board meeting, a director may vote with respect to any contract, proposed contract or arrangement notwithstanding that he or she may be interested therein, and if he or she does so his or her vote shall be counted and he or she may be counted in the quorum at any meeting of our directors at which any such contract or proposed contract or arrangement is considered. Our directors may exercise all the powers of our company to raise or borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof, to issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of our company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

We have established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of CHEN Xiaohong, ZHU Hansong and WU Jun. CHEN Xiaohong is the chairperson of our audit committee. We have determined that CHEN Xiaohong, ZHU Hansong and WU Jun satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange and Rule 10A-3 under the Exchange Act. We have determined that CHEN Xiaohong qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- overseeing the fairness and appropriateness of our proposed related party transactions;
- meeting separately and as often as it determines necessary with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee. Our compensation committee consists of WU Jun, CHEN Xiaohong and ZHU Hansong. WU Jun is the chairperson of our compensation committee. We have determined that WU Jun, CHEN Xiaohong and ZHU Hansong satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of SHAN Yigang, CHEN Xiaohong and WU Jun. SHAN Yigang is the chairperson of our nominating and corporate governance committee. We have determined that CHEN Xiaohong and WU Jun satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board;
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken; and
- overseeing and evaluating our practice related to environmental, social and corporate governance (ESG) matters, reviewing and approving the Company's reports on its ESG practice from time to time, and making recommendations to the board on all matters related ESG and on any corrective action to be taken.

Duties of Directors

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual and extraordinary general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our share register.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board of directors. Our directors shall serve and hold office until expiry of his or her terms or until such time as they are removed from office by ordinary resolutions of the shareholders. Pursuant to our currently effective articles of association, our board of directors shall consist of not less than three but not more than nine directors and certain number of Executive Directors shall be appointed by Baihui Partnership. Baihui Partnership is also entitled to nominate and recommend candidates for the chief executive officer of our company, and any such candidate nominated by the Baihui Partnership shall stand for appointment by the nominating and corporate governance committee of our board of directors. In the event that the nominating and corporate governance committee fails to appoint more than three such candidates nominated by the Baihui Partnership consecutively, then our board of directors may then appoint the chief executive officer. For more details, see “Item 6. Directors, Senior Management and Employees—Baihui Partnership—Executive Director Appointment and CEO Nomination Right.” A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his or her office by notice in writing to us; (iv) without special leave of absence from the Board, is absent from meetings of the Board for four consecutive meetings and the Board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association.

D. Employees

We had a total of 110,082 employees as of December 31, 2021. The following table sets forth the numbers of our employees categorized by function as of December 31, 2021.

Function	Number of Employees
Agents and supporting staff	82,009
Platform operations	10,719
Research and development	3,324
Business development, sales and marketing	6,015
Administration and management	8,015
Total	110,082

As of December 31, 2021, our employees were mainly based in mainland China. A large portion of our employees are based in Beijing where our headquarters is located, and the rest are mainly at our subsidiaries and branches across the nation.

Our success depends on our ability to attract, motivate, train and retain qualified personnel. See “Item 4. Information on the Company—B. Business Overview—Modules in Our Infrastructure—Professional Development and Support.” We believe we offer our employees competitive compensation packages and an environment that encourages self-development and, as a result, have generally been able to attract and retain qualified personnel and maintain a stable core management team. In addition, we invest significant resource in the recruitment of employees to support our fast growth of business operations. In particular, we have been successfully attracted a large number of college graduates to join our offline operations in delivering real estate brokerage services to housing customers and experienced and talented research and development professionals to join us in expanding and enhancing our platform technology capabilities.

As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing provident fund. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have granted, and plan to continue to grant, share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

We enter into standard labor contracts with our employees. To date, we have not experienced any significant labor disputes. None of our employees is represented by a labor union.

E. Share Ownership

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of February 28, 2022 by:

- each of our directors and executive officers; and
- each of our principal shareholders who beneficially own 5% or more of our total outstanding shares.

The calculations in the table below are based on 2,688,509,639 Class A ordinary shares (excluding the 17,401,596 Class A ordinary shares issued to the depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans) and 885,301,280 Class B ordinary shares outstanding as of February 28, 2022.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned				
	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares on an As-Converted Basis	% of Beneficial Ownership	% of Aggregate Voting Power ***
Directors and Executive Officers**:					
PENG Yongdong ⁽¹⁾	—	110,116,275	110,116,275	3.1 %	9.5 %
SHAN Yigang ⁽²⁾	—	47,777,775	47,777,775	1.3 %	4.1 %
XU Tao	*	—	*	*	*
XU Wangang ⁽³⁾	54,272,705	—	54,272,705	1.5 %	0.5 %
LI Zhaohui (Jeffrey)	—	—	—	—	—
CHEN Xiaohong	*	—	*	*	*
ZHU Hansong	—	—	—	—	—
WU Jun	—	—	—	—	—
All Directors and Executive Officers as a Group	86,441,565	157,894,050	244,335,615	6.8 %	14.4 %
Principal Shareholders:					
Propitious Global Holdings Limited ⁽⁴⁾	157,894,050	727,407,230	885,301,280	24.8 %	64.4 %
Baihui Partners L.P. ⁽⁵⁾	157,894,050	727,407,230	885,301,280	24.8 %	64.4 %
Entities affiliated with Tencent ⁽⁶⁾	410,842,111	—	410,842,111	11.5 %	3.6 %
SVF II Buzzard (Cayman) LP ⁽⁷⁾	219,080,949	—	219,080,949	6.1 %	1.9 %

Notes:

* Aggregate number of shares accounts for less than 1% of our total ordinary shares on an as-converted basis outstanding as of February 28, 2022.

** Except as indicated otherwise below, the address of our directors and executive officers is Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing, People's Republic of China. The address of Mr. LI Zhaohui is 10/F, China Technology Trade Center, No. 66 North 4th Ring West Road, Haidian District, Beijing, People's Republic of China. The business address of Ms. CHEN Xiaohong is Room 1001, Liangmaqiao DRC Office Building D1, Chaoyang District, Beijing, People's Republic of China. The address of Mr. ZHU Hansong is 20-2-801, Yi An Jia Yuan, Beiwa Road, Haidian District, Beijing, People's Republic of China. The address of Mr. WU Jun is No. 88-1, Longhu Yanlanshan, Shunyi District, Beijing, People's Republic of China.

*** For each person or group included in this column, percentage of total voting power represents voting power based on both Class A and Class B ordinary shares held by such person or group with respect to all of our outstanding Class A and Class B ordinary shares as a single class. Each holder of our Class A ordinary shares is entitled to one vote per share. Each holder of our Class B ordinary shares is entitled to ten votes per share. Our Class B ordinary shares are convertible at any time by the holder into Class A ordinary shares on a one-for-one basis.

- (1) Represents 110,116,275 Class B ordinary shares held by Ever Orient International Limited, a company incorporated in the British Virgin Islands and beneficially owned by Mr. PENG Yongdong. The registered address of Ever Orient International Limited is Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands.
- (2) Represents 47,777,775 Class B ordinary shares held by Clover Rich Limited, a company incorporated in the British Virgin Islands and beneficially owned by Mr. SHAN Yigang. The registered address of Clover Rich Limited is Craigmuir Chambers, Road Town, Tortola, VG1110, British Virgin Islands.
- (3) Represents (i) 24,354,655 Class A ordinary shares held by Blossom South Limited, a company incorporated in the British Virgin Islands, and (ii) 29,918,050 Class A ordinary shares held by GainWell Investment Corp. These shares are beneficially owned by Mr. XU Wangang. The registered address of Blossom South Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (4) Represents 157,894,050 Class A ordinary shares and 727,407,230 Class B ordinary shares held by Propitious Global Holdings Limited, a company incorporated in the British Virgin Islands. Propitious Global Holdings Limited is wholly owned by Grain Bud Holding Limited, a company incorporated in the British Virgin Islands. Grain Bud Holding Limited is wholly owned by Z&Z Trust. Cantrust (Far East) Limited, a company incorporated in the British Virgin Islands, is acting as the trustee for Z&Z Trust. Ms. ZUO, the spouse of Mr. ZUO Hui, controls the dispositive power over the securities beneficially held by Z&Z Trust. Propitious Global Holdings Limited has executed and delivered an Irrevocable Proxy and Power of Attorney, as amended, pursuant to which Propitious Global Holdings Limited irrevocably authorized Baihui Partners L.P. to exercise the voting rights represented by all the 885,301,280 ordinary shares held by Propitious Global Holdings Limited. The registered address of Propitious Global Holdings Limited is Craigmuir Chambers, Road Town, Tortola, VG1110, British Virgin Islands. The registered address of Grain Bud Holding Limited is Ritter House, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands.
- (5) Represents 157,894,050 Class A ordinary shares and 727,407,230 Class B ordinary shares held by Propitious Global Holdings Limited, which has executed and delivered an Irrevocable Proxy and Power of Attorney, as amended, pursuant to which Propitious Global Holdings Limited irrevocably authorized Baihui Partners L.P. to exercise the voting rights represented by all the 885,301,280 ordinary shares held by Propitious Global Holdings Limited. Baihui Partners L.P. is a Cayman Islands exempted limited partnership whose principal business office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.
- (6) Represents (i) 49,169,495 Class A ordinary Shares held by Morespark Limited, a company incorporated in Hong Kong, which is beneficially owned and controlled by Tencent; (ii) 33,625,445 Class A ordinary shares held by Parallel Stellar Investment Limited, a company incorporated in the Cayman Islands, which is beneficially owned and controlled by Tencent; (iii) 245,499,801 Class A ordinary shares (including 20,400,000 Class A ordinary shares represented by 6,800,000 ADSs) held by Tencent Mobility Limited, a company incorporated in Hong Kong, which is beneficially owned and controlled by Tencent; (iv) 78,947,370 Class A ordinary shares held by Parallel Galaxy Investment Limited, a company incorporated in Hong Kong, which is beneficially owned and controlled by Tencent; and (v) 3,600,000 Class A ordinary shares represented by 1,200,000 ADSs held by Sunshine Peak Holding Limited, a company beneficially owned and controlled by Tencent. The registered address of Morespark Limited, Tencent Mobility Limited and Parallel Galaxy Investment Limited is Level 29, Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong. The registered address of Parallel Stellar Investment Limited is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.
- (7) Represents 219,080,949 Class A ordinary shares held by SVF II Buzzard (Cayman) LP, a company organized under the laws of the Cayman Islands. The registered address of SVF II Buzzard (Cayman) LP is c/o Walkers, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. Information regarding beneficial ownership is reported as of December 31, 2021, based on the information contained in the Schedule 13G/A filed by SVF II Buzzard (Cayman) LP, among other reporting persons, with the SEC on February 14, 2022.

To our knowledge, as of February 28, 2022, a total of 1,807,879,932 Class A ordinary shares are held by The Bank of New York Mellon, the depositary of our ADS program and a record holder in the United States, representing approximately 50.3% of our total outstanding shares on an as-converted basis. None of our outstanding Class B ordinary shares are held by record holders in the United States.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

Enforceability of Civil Liabilities

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

We have appointed Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, NY 10168, as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

We have been informed by our Cayman Islands legal counsel that the United States and the Cayman Islands do not have a treaty providing for reciprocal recognition and enforcement of judgments of U.S. courts in civil and commercial matters and that there is uncertainty as to whether the courts of the Cayman Islands would (i) recognize or enforce judgments of U.S. courts obtained against us or our directors or officers, predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (ii) entertain original actions brought in the Cayman Islands against us or our directors or officers, predicated upon the securities laws of the United States or any state in the United States. We have also been advised by our Cayman Islands legal counsel that a judgment obtained in any federal or state court in the United States will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (i) is given by a foreign court of competent jurisdiction, (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (iii) is final, (iv) is not in respect of taxes, a fine or a penalty, and (v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the United States courts under the civil liability provisions of the securities laws if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether such civil liability judgments from U.S. courts would be enforceable in the Cayman Islands.

Our PRC legal counsel has advised us that there is uncertainty as to whether the courts of China would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Our PRC legal counsel has further advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and other applicable laws and regulations based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other form of reciprocity with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or in the Cayman Islands. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against a company in China for disputes if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements. It will be, however, difficult for U.S. shareholders to originate actions against us in the PRC in accordance with PRC laws because we are incorporated under the laws of the Cayman Islands and it will be difficult for U.S. shareholders, by virtue only of holding the ADSs or ordinary shares, to establish a connection to the PRC for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

Please refer to “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

Contractual Arrangements with The VIE and Its Shareholders

See “Item 4. Information on the Company—C. Organizational Structure.”

Transactions with Ziroom Inc.

We had related party transactions with Ziroom Inc. and its subsidiaries (collectively, “Ziroom”), a group company that has a principal shareholder, Mrs. ZUO, and a director in common with us. We had revenues from Ziroom in the amount of RMB309 million, RMB128 million and RMB158 million (US\$25 million) in 2019, 2020 and 2021, respectively, including agency services revenue from facilitating sales, leases or renovations of properties with Ziroom, online marketing services revenue, and interest income from loans provided to Ziroom. We incurred costs related to services from Ziroom in the amount of RMB482 thousand, RMB1,025 thousand and RMB7.9 million (US\$1.2 million) in 2019, 2020 and 2021, respectively.

As of December 31, 2019, 2020 and 2021, Ziroom had amounts due to us of RMB610 million, RMB336 million and RMB349 million (US\$55 million), respectively, primarily including commission receivables. As of December 31, 2019, 2020 and 2021, we had amounts due to Ziroom of RMB123 million, RMB21 million and RMB31 million (US\$5 million), respectively.

Transactions with Yuanjing Mingde

We had related party transactions with Yuanjing Mingde (Beijing) Holding Group Co., Ltd. (“Yuanjing Mingde”), a company that has a principal shareholder, Mrs. ZUO, and a director in common with us. We had revenues from Yuanjing Mingde in the amount of RMB227 million, RMB127 million and RMB4 million (US\$0.6 million) in 2019, 2020 and 2021, respectively, including agency services revenue from facilitating sales, leases or renovations of properties with Yuanjing Mingde, and interest income from loans provided to Yuanjing Mingde. We incurred costs related to services and purchases from Yuanjing Mingde in the amount of RMB850 thousand, RMB9 million, and RMB31 million (US\$5 million) in 2019, 2020 and 2021, respectively.

As of December 31, 2019, 2020 and 2021, Yuanjing Mingde had amounts due to us of RMB141 million, RMB16 million and RMB7 million (US\$1 million), respectively. As of December 31, 2019, 2020 and 2021, we had amounts due to Yuanjing Mingde of RMB5 million, RMB3 million and RMB9 million (US\$1 million), respectively. As of December 31, 2019, 2020 and 2021, we had short-term loans receivable from Yuanjing Mingde of RMB1.9 billion, zero and zero, respectively.

In November 2018, we entered into a six-month RMB1.9 billion loan agreement with Yuanjing Mingde at a fixed borrowing rate of 10%. Yuanjing Mingde has fully repaid the loan in July 2020.

Transactions with Vanlian

We had related party transactions with Vanlian (Beijing) Decoration Co., Ltd. (“Vanlian”), an affiliate of our company. We had commission service and marketing service revenue from cooperation on property renovation business with Vanlian in the amount of RMB4 million, RMB15 million and RMB175 million (US\$27 million) in 2019, 2020 and 2021, respectively.

As of December 31, 2019, 2020 and 2021, Vanlian had amounts due to us of RMB6 million, RMB22 million and RMB209 million (US\$33 million), respectively. As of December 31, 2019, 2020 and 2021, we had amounts due to Vanlian of RMB100 thousand, RMB879 thousand and RMB144 million (US\$23 million), respectively.

Transactions with IFM

We had related party transactions with IFM Investments Limited (“IFM”), an affiliate of our company in which we hold 37.6% interest. We had revenues from IFM in the amount of RMB11 million, RMB44 million and RMB72 million (US\$11 million) in 2019, 2020 and 2021, respectively, including revenue from technical and training support services provided to IFM, revenue from customer referrals and interest income from loans provided to IFM. We incurred costs related to services from IFM in the amount RMB3 million, RMB9 million and RMB11 million (US\$2 million) in 2019, 2020 and 2021, respectively.

As of December 31, 2019, 2020 and 2021, IFM had amounts due to us of RMB5 million, RMB7 million and RMB8 million (US\$1 million), respectively. As of December 31, 2019, 2020 and 2021, we had amounts due to IFM of RMB46 million, RMB15 million and RMB23 million (US\$4 million), respectively. We had short-term loan receivable from IFM of RMB20 million, RMB20 million and RMB20 million (US\$3 million) as of December 31, 2019, 2020 and 2021, respectively.

Transactions with Mr. ZUO Hui

As of December 31, 2019, 2020 and 2021, we had amounts due to Mr. ZUO Hui, our founder and permanent chairman emeritus, of RMB1 million, zero and zero, respectively.

Transactions with Tencent

We had related party transactions with Tencent, one of our principal shareholders. We incurred expenses related to services from Tencent in the amount of RMB39 million in 2020 and RMB194 million (US\$30 million) in 2021, including advertising resources utilization and cloud technology provided by Tencent which we activated our rights to utilize pursuant to the business cooperation agreement we entered with Tencent in late 2018. We derived revenues of RMB1.6 million (US\$0.3 million) in 2021 for technical services provided to Tencent.

As of December 31, 2020, we had amounts due from and prepayments to Tencent of RMB35 million, which mainly consist of prepayment for advertising resources, marketing and cloud services amounting to RMB11 million, and RMB24 million withheld by Tencent in relation to reissuance of treasury shares in 2019, which was received in 2021. As of December 31, 2021, we had amounts due from and prepayments to Tencent of RMB175 thousand (US\$27 thousand). We had amounts due to Tencent of RMB35 million (US\$5 million) as of December 31, 2021, which mainly consist of cloud services payable to Tencent.

Transactions with Brokerage Firms

We had related party transactions with brokerage firms in which we have significant influence. We had revenues from commission support services and platform and franchise services provided to those brokerage firms in the amount of RMB63 million, RMB203 million and RMB432 million (US\$68 million) in 2019, 2020 and 2021, respectively. We incurred costs related to services from those brokerage firms in the amount of RMB101 million, RMB426 million and RMB832 million (US\$131 million) in 2019, 2020 and 2021, respectively.

As of December 31, 2019, 2020 and 2021, the brokerage firms had amounts due to us of RMB5,574 thousand, RMB11 million and RMB10 million (US\$2 million), respectively. As of December 31, 2019, 2020 and 2021, we had amounts due to the brokerage firms of RMB87 million, RMB214 million and RMB340 million (US\$53 million), respectively.

Investor Rights Agreement

We entered into our second amended and restated investor rights agreement on November 29, 2019 with our shareholders, which consist of holders of ordinary shares and preferred shares. The amended and restated investor rights agreement provides for certain shareholders' rights, including right of first refusal, co-sale rights, and preemptive rights, and contains provisions governing our board of directors and other corporate governance matters. The special rights other than registration rights, as well as the corporate governance provisions, automatically terminated upon the completion of our initial public offering.

Registration Rights

Pursuant to our second amended and restated investor rights agreement dated November 29, 2019, we have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. At any time following 180 days after November 18, 2020, the effective date of our follow-on public offering, shareholders holding at least five percent of the then outstanding shares could submit a request that we effect the registration of the registrable securities under the Securities Act where the anticipated gross proceeds would be at least US\$200 million. Upon such a request, we shall promptly give notice of such requested registration to the other shareholders and thereupon shall use reasonable best efforts to effect, as expeditiously as possible, the registration under the Securities Act of (i) all registrable securities for which the requesting shareholders has requested registration and (ii) other registrable securities of the same class as those requested to be registered by the requesting shareholder that any shareholders with rights to request registration have requested us to register by request received by us within five business days after such shareholders receive our notice of the demand Registration.

Piggyback Registration Rights. If, at any time following our initial public offering, we propose to file a registration statement for a public offering of our securities (except registration statement filed in relation to demand registration, Form F-3 registration, Form S-3 registration or to any employee benefit plan or a corporate reorganization), we shall give each holder written notice of such registration at least 10 business days prior to filing of such registration statement and, upon the written request of any holder given within 5 business days after the receipt of such notice, we shall use reasonable best efforts to effect the registration under the Securities Act of all registrable securities that have been so requested to register by all such shareholders, to the extent requisite to permit the disposition of the registrable securities so to be registered. We shall pay all registration expenses in connection with each of such piggyback registration.

Form F-3 Registration Rights. After the closing of our initial public offering, we shall use best efforts to qualify for registration on Form F-3. At any time following the consummation of an initial public offering and when we are eligible to use a Form F-3 registration statement, shareholders may request us in writing to file an unlimited number of registration statements on Form F-3 for a public offering of registrable securities for which we are entitled to use Form F-3 or a comparable form to register the requested registrable securities.

Expenses of Registration. We will bear all registration expenses, other than underwriting discounts and selling commissions incurred in connection with any demand (subject to certain exceptions), piggyback or F-3 registration.

Termination of Registration Rights. Our shareholders' registration rights will terminate (i) if we complete a liquidation, (ii) all such registrable securities proposed to be sold by a shareholder may then be sold under Rule 144 promulgated under the Securities Act, or (iii) after five years of the completion of our initial public offering.

Employment Agreements and Indemnification Agreements

See "Item 6. Directors, Senior Management and Employees—B. Compensation."

Share Incentive Plan

See “Item 6. Directors, Senior Management and Employees—B. Compensation.”

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

From time to time, we have been and will be involved in disputes and legal or administrative proceedings in the ordinary course of our business. On December 30, 2021, we and certain of our current officers and directors were named as defendants in a putative securities class action filed in federal court, captioned *Chin v. KE Holdings Inc. et al.*, No. 1:21-cv-11196 (U.S. District Court for the Southern District of New York). The case was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of alleged misstatements and omissions in our SEC filings and public disclosure documents, in violation of Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder. On March 29, 2022, the Court appointed Lead Plaintiff and Lead Counsel of this action, with Lead Plaintiff expected shortly to file a consolidated amended complaint pursuant to the scheduling order that will be entered by the court. We intend to vigorously defend ourselves against this and any related litigation. The action remains in its preliminary stage, and the substantive allegations are subject to change as the litigation progresses or if additional related complaints are filed or Plaintiffs file amended complaints. Regardless of the outcome, however, litigations or other legal or administrative proceedings may result in substantial costs and diversion of management resources and attention. See “Item 3. Key Information—C. Risk Factors—Risks Related to Our Business and Industry—We have in the past been subject to legal and regulatory proceedings and administrative investigations and may continue to be subject to these proceedings and investigations from time to time. If the outcome of these proceedings or investigations is adverse to us, it could have a material adverse effect on our business, reputation, results of operations and financial condition.”

Dividend Policy

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

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation Related to Foreign Exchange and Dividend Distribution.”

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the Class A ordinary shares underlying the ADSs to the depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to the ADS holders in proportion to the Class A ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Item 12. Description of Securities Other than Equity Securities—D. American Depositary Shares.” Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. The Offer and Listing

A. Offering and Listing Details

Our ADSs, each representing three of our Class A ordinary shares, have been listed on NYSE since August 13, 2020. Our ADSs trade under the symbol “BEKE.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on the NYSE since August 13, 2020 under the symbol “BEKE.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The following are summaries of material provisions of our currently effective memorandum and articles of association and of the Companies Act, insofar as they relate to the material terms of our ordinary shares.

Objects of Our Company. Under our currently effective memorandum and articles of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the Cayman Islands law.

Ordinary Shares. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form and are issued when registered in our register of members (shareholders). We may not issue shares to bearer. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Conversion. Class B ordinary shares may be converted into the same number of Class A ordinary shares by the holders thereof at any time, while Class A ordinary shares cannot be converted into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of any Class B ordinary share by a holder thereof to any person other than the Co-Founders or Co-Founder Affiliates (as defined in our currently effective memorandum and articles of association), or upon a change of control of the ultimate beneficial ownership of any Class B ordinary share to any person other than the Co-Founders or Co-Founder Affiliates, such Class B ordinary share shall be automatically and immediately converted into one Class A ordinary share. In addition, if at any time all of the Co-Founders and Co-Founder Affiliates collectively own less than 5% of the total number of the issued and outstanding Class B ordinary shares upon completion of our initial public offering, all of the issued and outstanding Class B ordinary shares will be automatically converted into the same number of Class A ordinary shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors or declared by our shareholders by ordinary resolution (provided that no dividend may be declared by our shareholders which exceeds the amount recommended by our directors). Our currently effective memorandum and articles of association provide that dividends may be declared and paid out of the funds of our company lawfully available therefor. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights. Holders of Class A ordinary shares and Class B ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by the members at any general meeting of our company. Each Class A ordinary share shall be entitled to one vote on all matters subject to the vote at general meetings of our company, and each Class B ordinary share shall be entitled to ten votes on all matters subject to the vote at general meetings of our company. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the issued and outstanding ordinary shares cast at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our currently effective memorandum and articles of association. Our currently effective memorandum and articles of association provide that in respect of any resolution relating to a Special Partnership Matter, or which in any way affects a Special Partnership Matter, including, without limitation, any amendment to any provision of our memorandum or articles of association which relates to a Special Partnership Matter, must be approved as a special resolution, and that for these purposes a special resolution requires the affirmative vote of no less than 95% of votes cast by our shareholders at a general meeting. A “Special Partnership Matter” includes, for so long as the Partnership Condition is satisfied, (i) the rights of the Baihui Partnership to appoint our Executive Directors and to nominate and recommend the chief executive officer of our company as described under “Item 6. Directors, Senior Management and Employees—Baihui Partnership—Executive Director Appointment and CEO Nomination Right,” and (ii) the procedures regarding the election, appointment and removal of directors or size of our board of directors. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Act and our memorandum and articles of association. Our shareholders may, among other things, divide or combine their shares by ordinary resolution.

General Meetings of Shareholders. As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders’ annual general meetings. Our currently effective memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by a majority of our board of directors. Advance notice of at least ten calendar days is required for the convening of our annual general shareholders' meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least one shareholder present in person or by proxy or by electronic or virtual means, holding shares which carry not less than one-half of all votes attaching to all issued and outstanding shares of our company entitled to vote at such general meeting.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our currently effective memorandum and articles of association provide that upon the requisition of any one or more of our shareholders who together hold shares which carry in aggregate not less than one-third of all votes attaching to all issued and outstanding shares of our company entitled to vote at general meetings, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. However, our currently effective memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Transfer of Ordinary Shares. Subject to the restrictions set out in our currently effective memorandum and articles of association as set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the New York Stock Exchange may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within three calendar months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of the New York Stock Exchange, be suspended and our register of members (shareholders) closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register of members closed for more than 30 days in any year as our board may determine.

Liquidation. On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders. Under the Companies Act, the redemption or repurchase of any share may be paid out of our Company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. Whenever the capital of our company is divided into different classes, the rights attached to any such class may, subject to any rights or restrictions for the time being attached to any class, only be materially adversely varied with the consent in writing of the holders of two-thirds of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of that class by the holders of two-thirds of the issued shares of that class. The rights attached to, or otherwise conferred upon the holders of the shares of, any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights attached to or otherwise conferred upon the holders of the shares of any class shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

Issuance of Additional Shares. Our currently effective memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares, without the need for any approval or consent from our shareholders.

Our currently effective memorandum and articles of association also authorize our board of directors, without the need for any approval or consent from our shareholders, to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without the need for any approval or consent from, or other action by, our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (save for our memorandum and articles of association and our register of mortgages and charges). However, we will provide our shareholders with annual audited financial statements. See "Item 10. Additional Information—H. Documents on Display."

Anti-Takeover Provisions. Some provisions of our currently effective memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our currently effective memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Exempted Company. We are an exempted company with limited liability incorporated under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

Differences in Corporate Law

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent English statutory enactments and accordingly there are significant differences between the Companies Act and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (i) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (ii) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a “parent” of a subsidiary if it holds issued shares that together represent at least ninety percent (90.0%) of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provide the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholders upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted, in accordance with the foregoing statutory procedures, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders’ Suits. In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

Indemnification of Directors and Executive Officers and Limitation of Liability. Cayman Islands law does not limit the extent to which a company’s memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our currently effective memorandum and articles of association provide that that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person’s dishonesty, willful default or fraud, in or about the conduct of our company’s business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our currently effective memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors' Fiduciary Duties. Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third-party, and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent. Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our currently effective memorandum and articles of association provide that our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals. Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our currently effective memorandum and articles of association allow any one or more of our shareholders who together hold shares which carry in aggregate not less than one-third of the total number of votes attaching to all issued and outstanding shares of our company entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our currently effective memorandum and articles of association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting. Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands but our currently effective memorandum and articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our currently effective memorandum and articles of association, directors may be removed with or without cause, by an ordinary resolution of our shareholders.

Transactions with Interested Shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an “interested shareholder” for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target’s outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding up. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares.

Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our currently effective memorandum and articles of association, whenever the capital of our company is divided into different classes, the rights attached to any such class may only be materially adversely varied with the consent in writing of the holders of two-thirds of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of that class by the holders of two-thirds of the issued shares of that class.

Amendment of Governing Documents. Under the Delaware General Corporation Law, a corporation’s governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Companies Act and our currently effective memorandum and articles of association, our memorandum and articles of association may only be amended by a special resolution of our shareholders.

Rights of Non-resident or Foreign Shareholders. There are no limitations imposed by our currently effective memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our currently effective memorandum and articles of association that require our company to disclose shareholder ownership above any particular ownership threshold.

See “Exhibit 2.5—Description of Securities” attached to this form 20-F for more descriptions of our securities.

C. Material Contracts

Other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions” or elsewhere in this annual report, we have not entered into any material contract during the two years immediately preceding the date of this annual report.

D. Exchange Controls

The Cayman Islands currently has no exchange control restrictions. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Foreign Exchange.”

E. Taxation

The following summary of Cayman Islands, PRC and U.S. federal income tax considerations of an investment in the ADSs or Class A ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax considerations relating to an investment in the ADSs or Class A ordinary shares, such as the tax considerations under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People’s Republic of China and the United States. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Harney Westwood & Riegels, our Cayman Islands counsel; to the extent it relates to PRC tax law, it is the opinion of Han Kun Law Offices, our PRC counsel.

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought to or produced before a court of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares or ADSs will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares or ADSs, nor will gains derived from the disposal of our ordinary shares or ADSs be subject to Cayman Islands income or corporation tax.

PRC Taxation

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

We believe that KE Holdings Inc. is not a PRC resident enterprise for PRC tax purposes. KE Holdings Inc. is not controlled by a PRC enterprise or PRC enterprise group, and we do not believe that KE Holdings Inc. meets all of the conditions above. KE Holdings Inc. is a company incorporated outside of the PRC. For the same reasons, we believe our other entities outside of China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” There can be no assurance that the PRC government will ultimately take a view that is consistent with us.

If the PRC tax authorities determine that KE Holdings Inc. is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of the ADSs. In addition, non-resident enterprise shareholders (including the ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders (including the ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. It is also unclear whether non-PRC shareholders of KE Holdings Inc. would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that KE Holdings Inc. is treated as a PRC resident enterprise.

United States Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of the ADSs or Class A ordinary shares by a U.S. Holder (as defined below) that holds the ADSs or Class A ordinary shares as “capital assets” (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing U.S. federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect. There can be no assurance that the Internal Revenue Service (the “IRS”) or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift, Medicare, and alternative minimum tax considerations, or any state, local and non-U.S. tax considerations, relating to the ownership or disposition of the ADSs or Class A ordinary shares. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- holders who acquire their ADSs or Class A ordinary shares pursuant to any employee share option or otherwise as compensation;

- investors that will hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- investors that have a functional currency other than the U.S. dollar;
- persons that actually or constructively own 10% or more of our stock (by vote or value); or
- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding ADSs or Class A ordinary shares through such entities;

all of whom may be subject to tax rules that differ significantly from those discussed below.

Each U.S. Holder is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S. and other tax considerations of the ownership and disposition of the ADSs or our Class A ordinary shares.

General

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of the ADSs or Class A ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of the ADSs or Class A ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding the ADSs or Class A ordinary shares are urged to consult their tax advisors regarding an investment in the ADSs or Class A ordinary shares.

For U.S. federal income tax purposes, it is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of the ADSs will be treated in this manner. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs will generally not be subject to U.S. federal income tax.

Passive Foreign Investment Company Considerations

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are categorized as a passive asset and the company’s goodwill and other unbooked intangibles are taken into account. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock.

Although the law in this regard is not entirely clear, we treat the consolidated VIEs and their subsidiaries as being owned by us for U.S. federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with them. As a result, we consolidate their results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of the consolidated VIEs and their subsidiaries for U.S. federal income tax purposes, we would likely be treated as a PFIC for the current taxable year and any subsequent taxable year.

Assuming that we are the owner of the consolidated VIEs and their subsidiaries for U.S. federal income tax purposes and based on our income and assets, including goodwill and unbooked intangibles, we do not believe we were a PFIC for the taxable year ended December 31, 2021, and we do not presently expect to be a PFIC for the current taxable year or the foreseeable future. However, no assurance can be given in this regard because the determination of whether we will be or become a PFIC is a factual determination made annually that will depend, in part, upon the composition of our income and assets and the value of our assets. Fluctuations in the market price of the ADSs may cause us to be or become a PFIC for the current or future taxable years because the value of our assets for purposes of the asset test, including the value of our goodwill and unbooked intangibles, may be determined by reference to the market price of the ADSs from time to time (which may be volatile). Furthermore, the composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets. Under circumstances where our revenue from activities that produce passive income significantly increases relative to our revenue from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming a PFIC may substantially increase. Recent declines in the market price of our ADSs increased our risk of becoming a PFIC. The market price of our ADSs may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year.

If we are classified as a PFIC for any year during which a U.S. Holder holds the ADSs or our Class A ordinary shares, we will generally continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds the ADSs or our Class A ordinary shares.

The discussion below under “—Dividends” and “—Sale or Other Disposition” is written on the basis that we will not be or become classified as a PFIC for U.S. federal income tax purposes. The U.S. federal income tax rules that apply generally if we are treated as a PFIC are discussed below under “—Passive Foreign Investment Company Rules.”

Dividends

Any cash distributions paid on the ADSs or Class A ordinary shares (including the amount of any PRC tax withheld) out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of Class A ordinary shares, or by the depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be treated as a “dividend” for U.S. federal income tax purposes.

Dividends received on the ADSs or Class A ordinary shares will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations.

Individuals and other non-corporate U.S. Holders will be subject to tax at the lower capital gain tax rate applicable to “qualified dividend income,” provided that certain conditions are satisfied, including that (1) the ADSs or Class A ordinary shares are readily tradable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefit of the United States-PRC income tax treaty (the “Treaty”), (2) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend is paid and the preceding taxable year, and (3) certain holding period requirements are met. Our ADSs are listed on the New York Stock Exchange, and we are thus readily tradable on an established securities market in the United States and we believe we are a qualified foreign corporation with respect to dividends paid on the ADSs. However, there can be no assurance that the ADSs will continue to be considered readily tradable on an established securities market in later years. Because the Class A ordinary shares will not be listed on a U.S. exchange, dividends received with respect to Class A ordinary shares that are not represented by ADSs may not be treated as qualified dividends. U.S. Holders are urged to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to the ADSs or Class A ordinary shares.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see “Item 10. Additional Information—E. Taxation—PRC Taxation”), we may be eligible for the benefits of the Treaty. If we are eligible for such benefits, dividends we pay on our Class A ordinary shares, regardless of whether such shares are represented by the ADSs, and regardless of whether the ADSs are readily tradable on an established securities market in the United States, would be eligible for the reduced rates of taxation described in the preceding paragraph.

For U.S. foreign tax credit purposes, dividends paid on the ADSs or Class A ordinary shares generally will be treated as income from foreign sources and generally will constitute passive category income. If PRC withholding taxes apply to dividends paid to a U.S. Holder with respect to the ADSs or Class A ordinary shares, such U.S. Holder may be able to obtain a reduced rate of PRC withholding taxes under the Treaty if certain requirements are met. In addition, subject to certain conditions and limitations, PRC withholding taxes on dividends that are non-refundable under the Treaty may be treated as foreign taxes eligible for credit against a U.S. Holder’s U.S. federal income tax liability. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead, subject to applicable limitations, claim a deduction for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition

A U.S. Holder will generally recognize gain or loss upon the sale or other disposition of ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in such ADSs or Class A ordinary shares. The gain or loss will generally be capital gain or loss. Individuals and other non-corporate U.S. Holders who have held the ADSs or Class A ordinary shares for more than one year will generally be eligible for reduced tax rates. The deductibility of a capital loss may be subject to limitations. Any such gain or loss that the U.S. Holder recognizes will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes, which will generally limit the availability of foreign tax credits. However, in the event we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, U.S. Holders may be eligible for the benefits of the Treaty. In such event, if PRC tax were to be imposed on any gain from the disposition of the ADSs or Class A ordinary shares, a U.S. Holder that is eligible for the benefits of the Treaty may elect to treat such gain as PRC source income. If a U.S. Holder is not eligible for the benefits of the income tax treaty or fails to make the election to treat any gain as foreign source, then such U.S. Holder may not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or Class A ordinary shares unless such credit can be applied (subject to applicable limitations) against U.S. federal income tax due on other income derived from foreign sources in the same income category (generally, the passive category). U.S. Holders are urged to consult their tax advisors regarding the creditability of any PRC tax.

As described in “Item 10. Additional Information-E. Taxation-PRC Taxation,” if we are deemed to be a PRC resident enterprise under the EIT Law, gains from the disposition of the ADSs or Class A ordinary shares may be subject to PRC income tax and will generally be U.S. source, which may limit the ability to receive a foreign tax credit. If a U.S. Holder is eligible for the benefits of the Treaty, such holder may be able to elect to treat such gain as PRC source income under the Treaty. Pursuant to recently issued United States Treasury regulations, however, if a U.S. Holder is not eligible for the benefits of the Treaty or does not elect to apply the Treaty, then such holder may not be able to claim a foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or Class A ordinary shares. The rules regarding foreign tax credits and deduction of foreign taxes are complex. U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit or deduction in light of their particular circumstances, including their eligibility for benefits under the Treaty, and the potential impact of the recently issued United States Treasury regulations.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds the ADSs or Class A ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs or Class A ordinary shares), and (ii) any gain realized on the sale or other disposition of ADSs or Class A ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or Class A ordinary shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC (each, a "pre-PFIC year"), will be taxable as ordinary income; and
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year, increased by an additional tax equal to the interest on the resulting tax deemed deferred with respect to each such taxable year.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds the ADSs or Class A ordinary shares and any of our subsidiaries, the consolidated VIEs or any of the subsidiaries of the consolidated VIEs is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries, the consolidated VIEs or any of the subsidiaries of the consolidated VIEs.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock. If a U.S. Holder makes this election with respect to the ADSs, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of the ADSs and we cease to be a PFIC, the holder will not take into account the gain or loss described above during any period that we are not a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of the ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

The mark-to-market election is available only for "marketable stock," which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter ("regularly traded") on a qualified exchange or other market, as defined in applicable United States Treasury regulations. Our ADSs, but not our Class A ordinary shares, are tradable on the New York Stock Exchange, which is a qualified exchange. We anticipate that the ADSs should qualify as being regularly traded, but no assurances may be given in this regard.

Because a mark-to-market election cannot technically be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns the ADSs or Class A ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621. You should consult your tax advisor regarding the U.S. federal income tax consideration of owning and disposing of the ADSs or Class A ordinary shares if we are or become a PFIC, including the availability and possibility of making a mark-to-market election.

THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS INTENDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONSTITUTE TAX ADVICE. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSIDERATIONS TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE ADSS AND CLASS A ORDINARY SHARES IN THEIR PARTICULAR CIRCUMSTANCES.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. All information filed with the SEC can be obtained over the internet at the SEC's website at www.sec.gov or inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of documents, upon payment of a duplicating fee, by writing to the SEC.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors, and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will furnish the depositary with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, if we so request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

In accordance with NYSE rules, we will post this annual report on Form 20-F on our website at investors.ke.com. In addition, we will provide hardcopies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Foreign Exchange Risk

Substantially all of our revenues and expenses are denominated in RMB. We do not believe that we currently have any significant direct foreign exchange risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in the ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in Renminbi, while the ADSs will be traded in U.S. dollars.

The value of the Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation subsided and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amounts we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amounts available to us.

Interest Rate Risk

Our exposure to changes in interest rates is mainly from floating-rate borrowings, which include all our long-term borrowings. Any change in interest rates will cause the effective interest rates of borrowings to change and thus cause the future cash flows to fluctuate over time.

Inflation

To date, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2019, 2020 and 2021 were increases of 4.5%, 0.2% and 1.5%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected by higher rates of inflation in China in the future.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

The Bank of New York Mellon, as depositary, will register and deliver American Depositary Shares, also referred to as ADSs. Each ADS will represent three Class A ordinary shares (or a right to receive three Class A ordinary shares) deposited with The Hongkong and Shanghai Banking Corporation Limited, as custodian for the depositary in Hong Kong. Each ADS will also represent any other securities, cash or other property that may be held by the depositary. The deposited shares together with any other securities, cash or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs will be administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

Fees and Charges Our ADS Holders May Have to Pay

An ADS holder will be required to pay the following service fees to the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of the ADSs):

Persons depositing or withdrawing shares or ADS holders must pay:	For:
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none"> • Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property • Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
\$0.05 (or less) per ADS	<ul style="list-style-type: none"> • Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	<ul style="list-style-type: none"> • Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders
\$0.05 (or less) per ADS per calendar year	<ul style="list-style-type: none"> • Depositary services
Registration or transfer fees	<ul style="list-style-type: none"> • Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	<ul style="list-style-type: none"> • Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement) • Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	<ul style="list-style-type: none"> • As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	<ul style="list-style-type: none"> • As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Fees and Other Payments Made by the Depositary to Us

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In 2020, we received US\$14.5 million reimbursement, after deduction of applicable U.S. taxes, from the depositary for our expenses incurred in connection with investor relationship programs related to the ADS facility.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Material Modifications to the Rights of Security Holders

None.

Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1 (File Number: 333-240068), as amended, relating to our initial public offering of 106,000,000 ADSs representing 318,000,000 Class A ordinary shares, and the underwriters’ full exercise of their option to purchase from us 15,900,000 additional ADSs representing 47,700,000 Class A ordinary shares, at an initial offering price of US\$20.00 per ADS. The registration statement was declared effective by the SEC on August 12, 2020. Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. LLC, China Renaissance Securities (Hong Kong) Limited and J.P. Morgan Securities LLC were the representatives of the underwriters.

We raised approximately US\$2,359 million in net proceeds from our initial public offering, after deducting underwriting commissions and the offering expenses paid by us, including the net proceeds we received from the underwriters’ full exercise of their option to purchase from us additional ADSs. Except an aggregate amount of US\$10.1 million of underwriting commission paid to China Renaissance Securities (Hong Kong) Limited, an associate of Mr. BAO Fan, who was our director at the time, none of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities, or our affiliates. None of the net proceeds from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities, or our affiliates.

For the period from August 12, 2020 to December 31, 2021, we have used US\$784 million of the net proceeds from our initial public offering for research and development, expansion of our new home transaction services, diversification of our service offerings and expansion of business operations into new geographical areas, and general corporate purposes. There is no material change in the use of proceeds as described in our registration statement on Form F-1. We still intend to use the remainder of the proceeds from our initial public offering for purposes as disclosed in our registration statement on Form F-1.

The following “Use of Proceeds” information relates to the registration statement on Form F-1 (File Number: 333-250116) relating to the public offering of 35,400,000 ADSs representing 106,200,000 Class A ordinary shares, and the underwriters’ full exercise of their option to purchase from us 5,310,000 additional ADSs representing 15,930,000 Class A ordinary shares, at an offering price of US\$58.00 per ADS. The registration statement was declared effective by the SEC on November 18, 2020. Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC and China Renaissance Securities (Hong Kong) Limited were the representatives of the underwriters.

We raised approximately US\$2,323 million in net proceeds from our ADS offering in November 2020, after deducting underwriting commissions and the offering expenses payable by us, including the net proceeds we received from the underwriters’ full exercise of their option to purchase from us additional ADSs. Except an aggregate amount of approximately US\$4.3 million of underwriting commission paid to China Renaissance Securities (Hong Kong) Limited, an associate of Mr. BAO Fan, who was our director at the time, none of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities, or our affiliates. None of the net proceeds from the public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities, or our affiliates.

For the period from November 18, 2020 to December 31, 2020, we did not use any of the net proceeds from our public offering in November 2020. We still intend to use the remainder of the proceeds received from our public offering in November 2020 for purposes as disclosed in our registration statements on Form F-1.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, our senior management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our senior management has concluded that, as of December 31, 2021, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all potential misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, our management including our chief executive officer and chief financial officer assessed the effectiveness of internal control over financial reporting as of December 31, 2021 using the criteria set forth in the report "Internal Control—Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the management concluded that our internal control over financial reporting was effective as of December 31, 2021.

Remediation of the Material Weakness in Internal Control over Financial Reporting Reported for the Years Ended December 31, 2019 and 2020

As of December 31, 2021, based on an assessment performed by our management on the performance of certain remediation measures (specified below), we determined that the material weakness in our internal control over financial reporting previously identified by us and our independent registered public accounting firm in connection with the audits of our consolidated financial statements for the year ended December 31, 2019 and 2020 had been remediated.

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

We have implemented a number of measures to address the material weakness that has been identified in connection with the audits of our consolidated financial statements for the years ended December 31, 2019 and 2020. We have hired additional qualified financial and accounting staff with working experience of U.S. GAAP and SEC reporting requirements. We have also established clear roles and responsibilities for accounting and financial reporting staff to address accounting and financial reporting issues. Furthermore, we continue to further expedite and streamline our reporting process and develop our compliance process, including establishing a comprehensive policy and procedure manual, to allow early detection, prevention and resolution of potential compliance issues, and have established an ongoing program to provide sufficient and appropriate training for financial reporting and accounting personnel, especially training related to U.S. GAAP and SEC reporting requirements.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2021, as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

Other than as described above, there were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that CHEN Xiaohong, an independent director (under the standards set forth in Section 303A of the Corporate Governance Rules of the New York Stock Exchange and Rule 10A-3 under the Exchange Act) and chairman of our audit committee, is an audit committee financial expert.

Item 16B. Code of Ethics

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers and employees in July 22, 2020. We have posted a copy of our code of business conduct and ethics on our website at investors.ke.com.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our principal external auditors, for the periods indicated.

	2020		2021	
		(in thousands)		
Audit fees ⁽¹⁾	US\$	10,093	US\$	6,748
Audit related fees ⁽²⁾	US\$	55	US\$	55
Tax fees ⁽³⁾	US\$	268	US\$	212
All other fees ⁽⁴⁾	US\$	199	US\$	31

- (1) "Audit fees" means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements and assistance with and review of documents filed with the SEC. The audit refers to financial audit in 2020 and integrated audit in 2021.
- (2) "Audit related fees" means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors associated with certain permitted XBRL review services.
- (3) "Tax fees" means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors associated with certain permitted China tax consulting services, transfer pricing, and tax consulting services.

- (4) “All other fees” means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors associated with certain permissible due diligence services and ESG report consult services.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by PricewaterhouseCoopers Zhong Tian LLP, including audit services, audit-related services, tax services and other services as described above, other than those for *de minimis* services which are approved by the audit committee prior to the completion of the audit.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

As a Cayman Islands company listed on the NYSE, we are subject to the listing standards of the NYSE. However, NYSE rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE listing standards. If we choose to follow home country practice, our shareholders may be afforded less protection than they otherwise would under the NYSE listing standards applicable to U.S. domestic issuers. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our ADSs—As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE listing standards.”

We are a “controlled company” as defined under the NYSE’s corporate governance rules. For so long as we remain a controlled company under that definition, we are permitted to elect to rely, and have relied, on certain exemptions from corporate governance rules, including an exemption from the rule that a majority of our board of directors must be independent directors or that we have to establish a nominating committee composed entirely of independent directors.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of KE Holdings Inc., its subsidiaries and its consolidated variable interest entities are included at the end of this annual report.

Item 19. Exhibits

Exhibit Number	Description of Document
1.1	Fifth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.1 to the current report on Form 6-K (File No. 001-39436), furnished with the Securities and Exchange Commission on November 8, 2021)
2.1	Registrant's Specimen American Depositary Receipt (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1 (File No. 333-250116) filed with the Securities and Exchange Commission on November 16, 2020)
2.2	Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-240068), as amended, initially filed with the Securities and Exchange Commission on July 24, 2020)
2.3	Deposit Agreement, dated August 12, 2020, among the Registrant, the depositary and the owners and holders of American Depositary Shares issued thereunder (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form F-1 (File No. 333-250116) filed with the Securities and Exchange Commission on November 16, 2020)
2.4	Second Amended and Restated Investor Rights Agreement dated November 29, 2019 (incorporated herein by reference to Exhibit 3.3 to the registration statement on Form F-1 (File No. 333-240068), as amended, initially filed with the Securities and Exchange Commission on July 24, 2020)
2.5	Description of Securities (incorporated herein by reference to Exhibit 2.5 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 6, 2021)
4.1	2018 Share Option Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-240068), as amended, initially filed with the Securities and Exchange Commission on July 24, 2020)
4.2	2020 Share Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-240068), as amended, initially filed with the Securities and Exchange Commission on July 24, 2020)
4.3	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-240068), as amended, initially filed with the Securities and Exchange Commission on July 24, 2020)
4.4	Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-240068), as amended, initially filed with the Securities and Exchange Commission on July 24, 2020)

- 4.5* [English translation of the executed form of the Powers of Attorney granted by each shareholder of the VIEs, as currently in effect, and a schedule of all executed Powers of Attorney adopting the same form](#)
- 4.6* [English translation of the Equity Interest Pledge Agreement among Beike Tianjin, Beijing Lianjia and shareholders of Beijing Lianjia dated January 30, 2022](#)
- 4.7* [English translation of the Equity Interest Pledge Agreement among Jinbei Technology, Tianjin Xiaowu and shareholders of Tianjin Xiaowu dated January 30, 2022](#)
- 4.8* [English translation of the Equity Interest Pledge Agreement among Beike Jinke, Yiju Taihe and shareholders of Yiju Taihe dated January 30, 2022](#)
- 4.9* [English translation of the Equity Interest Pledge Agreement among Jinbei Technology, Beijin Beihao and shareholders of Beijing Beihao dated January 30, 2022](#)
- 4.10* [English translation of the Equity Interest Pledge Agreement among Jinbei Technology, Beijin Beijia and shareholders of Beijing Beijia dated January 30, 2022](#)
- 4.11* [English translation of the Exclusive Business Cooperation Agreement between Beike Tianjin and Beijing Lianjia dated January 30, 2022](#)
- 4.12* [English translation of the Exclusive Business Cooperation Agreement between Jinbei Technology and Tianjin Xiaowu dated January 30, 2022](#)
- 4.13* [English translation of the Exclusive Business Cooperation Agreement between Beike Jinke and Yiju Taihe dated January 30, 2022](#)
- 4.14* [English translation of the Exclusive Business Cooperation Agreement between Jinbei Technology and Beijin Beihao dated January 30, 2022](#)
- 4.15* [English translation of the Exclusive Business Cooperation Agreement between Jinbei Technology and Beijin Beijia dated January 30, 2022](#)
- 4.16* [English translation of the Exclusive Option Agreement among Beike Tianjin, Beijing Lianjia and shareholders of Beijing Lianjia dated January 30, 2022](#)
- 4.17* [English translation of the Exclusive Option Agreement among Jinbei Technology, Tianjin Xiaowu and shareholders of Tianjin Xiaowu January 30, 2022](#)
- 4.18* [English translation of the Exclusive Option Agreement among Beike Jinke, Yiju Taihe and shareholders of Yiju Taihe dated January 30, 2022](#)
- 4.19* [English translation of the Exclusive Option Agreement among Jinbei Technology, Beijing Beihao and shareholders of Beijing Beihao January 30, 2022](#)
- 4.20* [English translation of the Exclusive Option Agreement among Jinbei Technology, Beijing Beijia and shareholders of Beijing Beijia January 30, 2022](#)
- 4.21 [English translation of the Business Cooperation Agreement by and among Tencent, the Registrant and other parties named therein dated December 28, 2018 \(incorporated herein by reference to Exhibit 10.16 to the registration statement on Form F-1 \(File No. 333-240068\), as amended, initially filed with the Securities and Exchange Commission on July 24, 2020\)](#)

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4.22*†	<u>English Translation of the Amended and Restated Framework Purchase Agreement by and among the Registrant, Shengdu Home Renovation Co., Ltd. and other parties dated April 11, 2022</u>
8.1*	<u>List of Significant Subsidiaries and Consolidated Variable Interest Entities of the Registrant</u>
11.1	<u>Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-240068), as amended, initially filed with the Securities and Exchange Commission on July 24, 2020)</u>
12.1*	<u>CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
12.2*	<u>CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
13.1**	<u>CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
13.2**	<u>CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
15.1*	<u>Consent of Harney Westwood & Riegels</u>
15.2*	<u>Consent of Han Kun Law Offices</u>
15.3*	<u>Consent of PricewaterhouseCoopers Zhong Tian LLP</u>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Scheme Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

Notes:

* Filed with this Annual Report on Form 20-F.

** Furnished with this Annual Report on Form 20-F.

† Portions of this exhibit have been omitted in reliance of the revised Item 601 of Regulation S-K.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

KE Holdings Inc.

By: /s/ PENG Yongdong

Name: PENG Yongdong

Title: Chairman of the Board of Directors and Chief
Executive Officer

Date: April 19, 2022

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of KE Holdings Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of KE Holdings Inc. and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income (loss), of changes in shareholders' equity (deficit) and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2.1 to the consolidated financial statements, the Company changed the manner in which it accounts for credit losses on certain financial instruments in 2020.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition – New home transaction services

As described in Note 2.22 to the consolidated financial statements, the Company generated revenues from new home transaction services principally by earning sales commissions from real estate developers for new home sales facilitated by the Company. The Company signed new home agency service contracts with real estate developers in which the terms and conditions for sales commission earned are defined. The Company recognized sales commissions as revenues when the confirmations that terms and conditions for commissions earned were met were received from real estate developers or upon cash receipts of service fees if collection of the commissions was not considered probable. The Company recognized revenues from new home transaction services of RMB46.5 billion for the year ended December 31, 2021.

The principal considerations for our determination that performing procedures relating to revenue recognized on new home transaction services is a critical audit matter are the significant judgment by management in determining whether collection of commission from real estate developers is probable to support the establishment of contract with these developers, and the timing of revenue recognition. This in turn led to significant auditor judgment and effort in performing procedures and evaluating audit evidence.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to assessment of collectability of consideration from real estate developers that impact the determination of the revenue recognition. These procedures also included, among others, (i) testing management's process for determining whether the collection of commissions earned from developers was probable to support the establishment of a contract with the developers; and (ii) determining whether the criteria for revenue recognition were met based on confirmations that terms and conditions for commissions earned were met and past experience with the developer at the time of revenue recognition.

Allowance for Credit Loss – Accounts Receivable

As described in Note 2.11 and 6 to the consolidated financial statements, the Company's gross accounts receivable and allowance for credit loss were RMB11.5 billion and RMB2.2 billion as of December 31, 2021, respectively. The allowance is management's estimate of expected credit losses after considering historical collection activity, the nature of the receivable, the current business environment and forecasts that may affect the customers' ability to pay. Management estimated the allowance by segmenting accounts receivable based on certain credit risk characteristics and determining an expected loss rate for each segmentation based on historical loss experience adjusted for judgments about the effects of relevant observable data including current and future economic conditions.

The principal considerations for our determination that performing procedures relating to the allowance for credit loss on accounts receivable is a critical audit matter are the significant judgment by management in estimating the allowance for credit loss, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence obtained. The audit effort also included the involvement of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls related to management's estimate of the allowance for credit loss on accounts receivable. These procedures also included, among others, testing management's process for estimating the allowance for credit loss by, (i) evaluating the appropriateness of the model, (ii) testing the completeness, accuracy and relevance of data used in the model, and (iii) evaluating the reasonableness of significant assumptions and judgments made by management to estimate the allowance for credit loss for each segmentation of accounts receivable. Evaluating the reasonableness of management's significant assumptions and judgments involved evaluating the reasonableness of the segmentation of accounts receivable based on similar risk characteristics and the reasonableness of current and future economic conditions. The procedures also included the involvement of professionals with specialized skill and knowledge to assist in performing procedures and evaluating the audit evidence obtained from these procedures.

Goodwill Impairment Assessments

As described in Note 2.16 and 12 to the consolidated financial statements, the Company's goodwill balance was RMB1.8 billion as of December 31, 2021. Management performed impairment tests to assess the carrying value of goodwill on an annual basis, and between annual tests when an event occurs or circumstances change that could indicate that goodwill might be impaired. During the nine months ended September 30, 2021, revenue and profit generated by certain reporting units decreased significantly due to market downturn. Management determined that the significant decline in revenue and profit was a triggering event. Based on the interim impairment assessment as of September 30, 2021, management concluded that the goodwill attributable to certain reporting units was impaired and accordingly, recorded goodwill impairment loss of RMB397.1 million. Management performed annual impairment tests as of December 31, 2021 and recognized further impairment loss of RMB335.3 million. Total impairment loss on goodwill recognized for the year ended December 31, 2021 was RMB732.4 million. The quantitative impairment tests consist of a comparison of the fair value of reporting units to their carrying value, including goodwill. Management used a discounted cash flow model to estimate the current fair value of these reporting units. Significant assumptions were involved in the preparation of the discounted cash flow model, including future revenues, discount rates, and long-term growth rate.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessments is a critical audit matter are the significant judgment by management when developing the fair value measurements of these reporting units. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to future revenues, discount rates, and long-term growth rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment tests, including controls over the valuation of the Company's reporting units. These procedures also included, among others, (i) testing management's process for developing the fair value estimates, (ii) evaluating the appropriateness of the discounted cash flow model, (iii) testing the completeness and accuracy of underlying data used in the model, and (iv) evaluating the reasonableness of the significant assumptions used by management related to future revenues, discount rates, and long-term growth rate. Evaluating management's assumptions related to future revenues, discount rates and long-term growth rate involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting units, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of Company's discounted cash flow model, the discount rates and long-term growth rate assumption.

Impairment Assessment for Equity Investment

As described in Note 2.17 and 11 to the consolidated financial statements, the Company's investment in Shenzhen Yuanjing Mingchuang Management Consulting Co. ("Yuanjing Mingchuang") was RMB532.0 million as of December 31, 2021. Management performed an impairment assessment of the equity investment in Yuanjing Mingchuang as of December 31, 2021 and recognized an impairment loss of RMB168.0 million, which is the difference between the investment's fair value and carrying value. Management estimated the fair value of the Yuanjing Mingchuang investment using a discounted cash flow model. Significant assumptions were involved in the preparation of the discounted cash flow model, including future revenues, discount rate, and long-term growth rate.

The principal considerations for our determination that performing procedures relating to the impairment assessment for the Yuanjing Mingchuang investment is a critical audit matter are the significant judgment by management in developing the fair value measurement of the investment. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to future revenues, discount rate and long-term growth rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of the Yuanjing Mingchuang investment. These procedures also included, among others, (i) testing management's process for developing the fair value estimate, (ii) evaluating the appropriateness of the discounted cash flow model used, (iii) testing the completeness and accuracy of underlying data used in the model, and (iv) evaluating the reasonableness of the significant assumptions used by management related to future revenues, discount rate and long-term growth rate. Evaluating management's assumptions related to the future revenues, discount rate and long-term growth rate involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the investee; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in performing procedures and evaluating the audit evidence obtained from these procedures.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People's Republic of China
April 19, 2022

We have served as the Company's auditor since 2018.

KE Holdings Inc.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2020 AND 2021
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Note	As of December 31,		
		2020	2021	2021
		RMB	RMB	US\$ Note 2.6
ASSETS				
Current assets:				
Cash and cash equivalents	3	40,969,979	20,446,104	3,208,440
Restricted cash	3	8,567,496	6,286,105	986,427
Short-term investments	4	15,688,321	29,402,661	4,613,919
Short-term financing receivables, net of allowance for credit losses of RMB113,905 and RMB131,558 as of December 31, 2020 and 2021, respectively	7	3,931,641	702,452	110,230
Accounts receivable, net of allowance for credit losses of RMB1,122,218 and RMB2,151,271 as of December 31, 2020 and 2021, respectively	6	13,183,559	9,324,952	1,463,288
Amounts due from and prepayments to related parties	27	484,349	591,342	92,794
Loan receivables from related parties	27	36,378	42,788	6,714
Prepayments, receivables and other assets	5	4,677,378	3,129,950	491,158
Total current assets		87,539,101	69,926,354	10,972,970
Non-current assets:				
Property and equipment, net	8	1,472,460	1,971,707	309,404
Right-of-use assets	10	6,821,100	7,244,211	1,136,775
Long-term financing receivables, net of allowance for credit losses of RMB13,414 and RMB204 as of December 31, 2020 and 2021, respectively	7	218,018	10,039	1,575
Long-term investments, net	11	3,140,315	17,038,171	2,673,661
Intangible assets, net	9	1,642,651	1,141,273	179,091
Goodwill	12	2,467,497	1,805,689	283,352
Other non-current assets		994,394	1,181,421	185,392
Total non-current assets		16,756,435	30,392,511	4,769,250
TOTAL ASSETS		104,295,536	100,318,865	15,742,220
LIABILITIES				
Current liabilities				
Accounts payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB139,103 and RMB61,836 as of December 31, 2020 and 2021, respectively)	14	6,594,846	6,008,765	942,906
Amounts due to related parties (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB1,537 and RMB142,723 as of December 31, 2020 and 2021, respectively)	27	254,255	584,078	91,655
Employee compensation and welfare payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB358,456 and RMB404,715 as of December 31, 2020 and 2021, respectively)		11,231,800	9,834,247	1,543,208
Customer deposits payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB5,380,491 and RMB3,407,217 as of December 31, 2020 and 2021, respectively)		6,743,256	4,181,337	656,143
Income taxes payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB146,119 and RMB37,308 as of December 31, 2020 and 2021, respectively)		986,465	567,589	89,067
Short-term borrowings (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of nil and nil as of December 31, 2020 and 2021, respectively)	13	—	260,000	40,800
Lease liabilities current portion (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB18,079 and RMB9,618 as of December 31, 2020 and 2021, respectively)	10	2,625,979	2,752,795	431,974
Short-term funding debts (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB1,432,375 and RMB194,200 as of December 31, 2020 and 2021, respectively)	16	1,512,510	194,200	30,474
Contract liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB27,397 and RMB7,590 as of December 31, 2020 and 2021, respectively)		734,157	1,101,929	172,917
Accrued expenses and other current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB416,197 and RMB197,900 as of December 31, 2020 and 2021, respectively)	15	2,950,078	3,451,197	541,567
Total current liabilities		33,633,346	28,936,137	4,540,711

KE Holdings Inc.
CONSOLIDATED BALANCE SHEETS (Continued)
AS OF DECEMBER 31, 2020 AND 2021

(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Note	As of December 31,		
		2020	2021	2021
		RMB	RMB	US\$ Note 2.6
Non-current liabilities				
Deferred tax liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB7,700 and RMB4,483 as of December 31, 2020 and 2021, respectively)	19	17,289	22,920	3,597
Lease liabilities non-current portion (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB25,475 and RMB3,416 as of December 31, 2020 and 2021, respectively)	10	3,833,914	4,302,934	675,224
Long-term funding debts (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB15,000 and nil as of December 31, 2020 and 2021, respectively)	16	15,000	—	—
Other non-current liabilities		3,471	1,381	217
Total non-current liabilities		3,869,674	4,327,235	679,038
TOTAL LIABILITIES		37,503,020	33,263,372	5,219,749
Commitments and contingencies				
	28			
SHAREHOLDERS' EQUITY (DEFICIT)				
KE Holdings Inc. shareholders' equity (deficit):				
Ordinary Shares (US\$0.00002 par value; 25,000,000,000 ordinary shares authorized, comprising of 23,614,698,720 Class A ordinary shares, 885,301,280 Class B ordinary shares and 500,000,000 shares each of such classes to be designated, 2,666,966,855 and 2,705,911,235 Class A ordinary shares issued and outstanding as of December 31, 2020 and 2021; 885,301,280 Class B ordinary shares issued and outstanding as of December 31, 2020 and 2021)	21	482	489	77
Additional paid-in capital		77,433,882	78,972,169	12,392,457
Statutory reserves		392,834	483,887	75,932
Accumulated other comprehensive loss		(1,834,087)	(2,639,723)	(414,230)
Accumulated deficit		(9,227,664)	(9,842,846)	(1,544,557)
Total KE Holdings Inc. shareholders' equity		66,765,447	66,973,976	10,509,679
Non-controlling interests		27,069	81,517	12,792
TOTAL SHAREHOLDERS' EQUITY		66,792,516	67,055,493	10,522,471
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		104,295,536	100,318,865	15,742,220

KE Holdings Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Note	For the Year Ended December 31,			
		2019	2020	2021	2021
		RMB	RMB	RMB	US\$ Note 2.6
Net revenues:					
Existing home transaction services		24,568,508	30,564,584	31,947,953	5,013,331
New home transaction services		20,273,860	37,937,886	46,472,378	7,292,530
Emerging and other services		1,172,538	1,978,508	2,332,108	365,959
Total net revenues	2.22	46,014,906	70,480,978	80,752,439	12,671,820
Cost of revenues:					
Commission-split		(11,154,698)	(24,847,023)	(31,826,634)	(4,994,293)
Commission and compensation-internal		(19,444,127)	(23,324,145)	(26,306,569)	(4,128,075)
Cost related to stores		(3,078,672)	(3,206,601)	(3,809,757)	(597,834)
Others		(1,069,365)	(2,243,352)	(2,990,064)	(469,206)
Total cost of revenues		(34,746,862)	(53,621,121)	(64,933,024)	(10,189,408)
Gross profit		11,268,044	16,859,857	15,819,415	2,482,412
Operating expenses:					
Sales and marketing expenses		(3,105,899)	(3,715,278)	(4,309,116)	(676,194)
General and administrative expenses		(8,376,531)	(7,588,809)	(8,924,470)	(1,400,444)
Research and development expenses		(1,571,154)	(2,477,911)	(3,193,988)	(501,206)
Impairment of goodwill, intangible assets and other long-lived assets	8&9&12	—	(236,050)	(746,705)	(117,174)
Total operating expenses		(13,053,584)	(14,018,048)	(17,174,279)	(2,695,018)
Income (loss) from operations		(1,785,540)	2,841,809	(1,354,864)	(212,606)
Interest income, net	18	230,339	163,600	354,567	55,639
Share of results of equity investees		11,382	(37,574)	36,606	5,744
Fair value changes in investments, net		(109,193)	369,124	564,804	88,631
Impairment loss for equity investments accounted for using measurement alternative	11	—	(9,000)	(183,789)	(28,841)
Foreign currency exchange gain (loss)		(54,052)	3,506	20,988	3,293
Other income, net	17	431,300	1,055,654	1,702,414	267,146
Income (loss) before income tax expense		(1,275,764)	4,387,119	1,140,726	179,006
Income tax expense	19	(904,363)	(1,608,796)	(1,665,492)	(261,352)
Net income (loss)		(2,180,127)	2,778,323	(524,766)	(82,346)
Net loss (income) attributable to non-controlling interests shareholders		(3,419)	(731)	637	100
Net income (loss) attributable to KE Holdings Inc.		(2,183,546)	2,777,592	(524,129)	(82,246)
Accretion on convertible redeemable preferred shares to redemption value		(1,866,528)	(1,755,228)	—	—
Income allocation to participating preferred shares		—	(301,898)	—	—
Net income (loss) attributable to KE Holdings Inc.'s ordinary shareholders		(4,050,074)	720,466	(524,129)	(82,246)
Net income (loss)		(2,180,127)	2,778,323	(524,766)	(82,346)
Other comprehensive income (loss)					
Currency translation adjustments		63,442	(1,897,395)	(841,214)	(132,005)
Unrealized gains on available-for-sale investments, net of reclassification		—	—	35,578	5,583
Total other comprehensive income (loss)		63,442	(1,897,395)	(805,636)	(126,422)
Total comprehensive income (loss)		(2,116,685)	880,928	(1,330,402)	(208,768)
Comprehensive loss (income) attributable to non-controlling interests shareholders		(3,419)	(731)	637	100
Comprehensive income (loss) attributable to KE Holdings Inc.		(2,120,104)	880,197	(1,329,765)	(208,668)
Accretion on convertible redeemable preferred shares to redemption value		(1,866,528)	(1,755,228)	—	—
Income allocation to participating preferred shares		—	(301,898)	—	—
Comprehensive loss attributable to KE Holdings Inc.'s ordinary shareholders		(3,986,632)	(1,176,929)	(1,329,765)	(208,668)
Weighted average number of ordinary shares used in computing net income (loss) per share, basic and diluted					
— Basic	26	1,378,235,522	2,226,264,859	3,549,121,628	3,549,121,628
— Diluted	26	1,378,235,522	2,267,330,891	3,549,121,628	3,549,121,628
Net income (loss) per share attributable to ordinary shareholders					
— Basic	26	(2.94)	0.32	(0.15)	(0.02)
— Diluted	26	(2.94)	0.32	(0.15)	(0.02)
Share-based compensation expenses included in:	20				
Cost of revenues		—	511,637	406,131	63,731
Sales and marketing expenses		—	77,574	110,446	17,331
General and administrative expenses		2,955,590	1,131,335	595,732	93,483
Research and development expenses		—	532,043	425,978	66,845

KE Holdings Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Attributable to owners of KE Holdings Inc.										
	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Statutory Reserves	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total	Non-controlling Interests	Total Equity (Deficit)
	Shares	RMB	Shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance at January 1, 2019	1,374,972,895	189	—	—	—	174,645	(134)	(7,988,936)	(7,814,236)	10,467	(7,803,769)
Net income (loss)	—	—	—	—	—	—	—	(2,183,546)	(2,183,546)	3,419	(2,180,127)
Exercise of share options	95,193,795	13	—	—	—	—	—	—	13	—	13
Share-based compensation	—	—	—	—	2,846,304	—	—	—	2,846,304	—	2,846,304
Accretion on convertible redeemable preferred shares to redemption value (Note 22)	—	—	—	—	(419,296)	—	—	(1,447,232)	(1,866,528)	—	(1,866,528)
Repurchase of ordinary shares (Note 21)	—	—	(8,806,005)	(184,675)	—	—	—	—	(184,675)	—	(184,675)
Re-issuance of treasury shares (Note 21)	—	—	8,806,005	184,675	70,372	—	—	—	255,047	—	255,047
Repurchase of deemed issued shares	—	—	—	—	—	—	—	(76,836)	(76,836)	—	(76,836)
Appropriation to statutory reserves	—	—	—	—	—	79,087	—	(79,087)	—	—	—
Currency translation adjustments	—	—	—	—	—	—	63,442	—	63,442	—	63,442
Acquisition of a subsidiary with non-controlling interests(Note 24)	—	—	—	—	—	—	—	—	—	124,807	124,807
Acquisition of non-controlling interests	—	—	—	—	36,509	—	—	—	36,509	(42,892)	(6,383)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(6,353)	(6,353)
Dividends paid to a non-controlling interest holder	—	—	—	—	—	—	—	—	—	(2,245)	(2,245)
Balance at December 31, 2019	1,470,166,690	202	—	—	2,533,889	253,732	63,308	(11,775,637)	(8,924,506)	87,203	(8,837,303)

KE Holdings Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Attributable to owners of KE Holdings Inc.										
	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Statutory Reserves	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total	Non-controlling Interests	Total Equity (Deficit)
	Shares	RMB	Shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance at December 31, 2019	1,470,166,690	202	—	—	2,533,889	253,732	63,308	(11,775,637)	(8,924,506)	87,203	(8,837,303)
Change in accounting standard (Note 2.1(a))	—	—	—	—	—	—	—	(90,517)	(90,517)	—	(90,517)
Balance at January 1, 2020	1,470,166,690	202	—	—	2,533,889	253,732	63,308	(11,866,154)	(9,015,023)	87,203	(8,927,820)
Net income	—	—	—	—	—	—	—	2,777,592	2,777,592	731	2,778,323
Issuance of ordinary shares	22,652,050	3	—	—	605,392	—	—	—	605,395	—	605,395
Share-based compensation	—	—	—	—	2,252,589	—	—	—	2,252,589	—	2,252,589
Accretion on convertible redeemable preferred shares to redemption value (Note 22)	—	—	—	—	(1,755,228)	—	—	—	(1,755,228)	—	(1,755,228)
Automatic conversion of preferred shares into ordinary shares upon initial public offering (“IPO”)	1,510,766,620	210	—	—	42,127,913	—	—	—	42,128,123	—	42,128,123
Ordinary shares issuance upon IPO, net of issuance costs	365,700,000	51	—	—	16,345,771	—	—	—	16,345,822	—	16,345,822
Ordinary share issuance upon follow-on public offering, net of issuance costs	122,130,000	16	—	—	15,284,267	—	—	—	15,284,283	—	15,284,283
Appropriation to statutory reserves	—	—	—	—	—	139,102	—	(139,102)	—	—	—
Currency translation adjustments	—	—	—	—	—	—	(1,897,395)	—	(1,897,395)	—	(1,897,395)
Acquisition of non-controlling interests	—	—	—	—	39,289	—	—	—	39,289	(60,865)	(21,576)
Balance at December 31, 2020	3,491,415,360	482	—	—	77,433,882	392,834	(1,834,087)	(9,227,664)	66,765,447	27,069	66,792,516

KE Holdings Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Attributable to owners of KE Holdings Inc.									
	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Statutory Reserves	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total	Non-controlling Interests
	Shares	RMB	Shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance at January 1, 2021	3,491,415,360	482	—	—	77,433,882	392,834	(1,834,087)	(9,227,664)	66,765,447	27,069
Net loss	—	—	—	—	—	—	—	(524,129)	(524,129)	(637)
Exercise of share options	57,076,970	7	—	—	—	—	—	—	7	—
Share-based compensation	—	—	—	—	1,538,287	—	—	—	1,538,287	—
Appropriation to statutory reserves	—	—	—	—	—	91,053	—	(91,053)	—	—
Currency translation adjustments	—	—	—	—	—	—	(841,214)	—	(841,214)	—
Acquisition of subsidiaries with non-controlling interests	—	—	—	—	—	—	—	—	—	55,085
Unrealized gains on available-for-sale investments, before reclassification	—	—	—	—	—	—	45,242	—	45,242	—
Unrealized gains on available-for-sale investments, amounts reclassified from accumulated other comprehensive income	—	—	—	—	—	—	(9,664)	—	(9,664)	—
Balance at December 31, 2021	3,548,492,330	489	—	—	78,972,169	483,887	(2,639,723)	(9,842,846)	66,973,976	81,517

KE Holdings Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	For the Year Ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$ Note 2.6
Cash flows from operating activities:				
Net income (loss)	(2,180,127)	2,778,323	(524,766)	(82,346)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation of property and equipment	561,995	552,798	879,729	138,049
Amortization of intangible assets	477,323	621,174	491,032	77,054
Net impairment losses on financial assets	382,129	781,656	1,326,698	208,188
Impairment of goodwill, intangible assets and other long-lived assets	—	236,050	746,705	117,174
Equity method investment impairment	—	26,650	2,914	457
Provision (reversal) of credit losses for financing receivables	38,425	(26,650)	124,335	19,511
Deferred tax benefits	(438,661)	(359,429)	(170,065)	(26,687)
Share of results of equity investees	(11,382)	10,924	(39,520)	(6,201)
Dividends received from long-term investments	8,000	38,616	76,619	12,023
Fair value changes in investments	109,193	(369,124)	(564,804)	(88,631)
Impairment loss for equity investments accounted for using measurement alternative	—	9,000	183,789	28,841
Loss on disposal of a subsidiary	15,368	—	—	—
Gain on short-term investments	(104,893)	(174,839)	(487,724)	(76,535)
Foreign currency exchange loss (gain)	54,052	(3,506)	(20,988)	(3,293)
Loss (gain) on disposal of property, equipment and intangible assets	7,448	(3,548)	467	73
Share-based compensation expenses	2,955,590	2,252,589	1,538,287	241,390
Changes in assets and liabilities:				
Accounts receivable	(5,040,865)	(5,835,383)	2,646,058	415,224
Amounts due from and prepayments to related parties	113,435	442,957	(106,993)	(16,790)
Prepayments, receivables and other assets	(3,401,469)	559,094	1,450,492	227,614
Right-of-use assets	(493,133)	(1,196,085)	(418,389)	(65,654)
Other non-current assets	192,566	108,724	(11,331)	(1,778)
Accounts payable	2,719,717	2,302,917	(566,709)	(88,929)
Amounts due to related parties	37,757	(9,404)	329,823	51,756
Employee compensation and welfare payable	727,231	2,118,789	(1,399,663)	(219,638)
Customer deposits payable	1,589,450	2,360,453	(2,561,919)	(402,021)
Contract liabilities	289,559	140,784	367,772	57,711
Lease liabilities	431,398	1,322,908	588,714	92,382
Accrued expenses and other current liabilities	379,564	767,172	80,442	12,624
Income taxes payable	682,341	(8,350)	(418,876)	(65,731)
Other liabilities	10,615	(83,311)	52,993	8,316
Net cash provided by operating activities	112,626	9,361,949	3,595,122	564,153
Cash flows from investing activities:				
Purchases of short-term investments	(10,351,585)	(52,966,073)	(47,854,690)	(7,509,445)
Maturities of short-term investments	11,136,382	39,767,644	37,978,991	5,959,732
Cash paid for business combinations, net of cash acquired	(772,783)	(10,800)	(21,842)	(3,427)
Proceeds from disposal of a subsidiary, property, equipment and long-lived assets	28,770	24,667	18,521	2,906
Purchases of property, equipment and intangible assets	(703,008)	(887,002)	(1,429,977)	(224,395)
Financing receivables originated	(16,178,638)	(37,176,862)	(32,966,185)	(5,173,114)
Collections of financing receivables principal	14,792,984	35,384,443	36,279,018	5,692,970
Purchases of long-term held-to-maturity investments	—	—	(136,322)	(21,392)
Purchases of available-for-sale debt investments	—	—	(8,544,633)	(1,340,839)
Purchases of long-term other investments	(1,917,860)	(996,123)	(9,458,545)	(1,484,252)
Sales and maturities of available-for-sale debt investments	—	—	715,957	112,349
Proceeds from disposal of other long-term investments	800	790	542,043	85,059
Loans to related parties	(584,576)	(29,953)	(28,100)	(4,410)
Repayments of loans from related parties	675,792	1,911,651	21,690	3,404
Net cash used in investing activities	(3,873,722)	(14,977,618)	(24,884,074)	(3,904,854)

KE Holdings Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	For the Year Ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$ Note 2.6
Cash flows from financing activities:				
Proceeds from issuance of preferred shares	15,844,058	—	—	—
Ordinary shares issuance upon IPO, net of issuance costs	—	16,345,822	—	—
Ordinary shares issuance upon follow-on public offering, net of issuance costs	—	15,284,283	—	—
Cash paid for non-controlling interests in subsidiaries	(6,383)	(51,474)	(870)	(137)
Cash paid for mandatorily redeemable non-controlling interests (Note 15)	—	(193,983)	—	—
Repurchase of ordinary shares	(207,145)	—	—	—
Proceeds from issuance of ordinary shares upon exercise of share option	—	—	7	1
Proceeds from re-issuance of treasury shares	232,885	—	—	—
Repurchase of deemed issued shares	(140,074)	—	—	—
Proceeds from short-term borrowings	3,333,343	250,000	260,000	40,800
Repayments of short-term borrowings	(2,823,343)	(970,000)	—	—
Proceeds from long-term borrowings	4,880,423	42,040	—	—
Repayments of long-term borrowings	—	(4,528,725)	—	—
Proceeds from funding debts	3,950,227	3,260,988	507,543	79,645
Repayments of funding debts	(2,582,213)	(4,032,701)	(1,840,853)	(288,870)
Reinjection of capital from preferred shareholders in connection with the Reorganization (Note 1)	9,892,606	—	—	—
Repatriation of capital to preferred shareholders to facilitate the Reorganization (Note 1)	(6,931,136)	—	—	—
Repurchases of preferred shares	(2,414,607)	—	—	—
Dividends paid to non-controlling shareholders of subsidiaries	(2,245)	—	—	—
Net cash provided by (used in) financing activities	23,026,396	25,406,250	(1,074,173)	(168,561)
Effect of exchange rate change on cash, cash equivalents and restricted cash	(94,922)	(2,183,682)	(442,141)	(69,382)
Net increase (decrease) in cash and cash equivalents and restricted cash	19,170,378	17,606,899	(22,805,266)	(3,578,644)
Cash, cash equivalents and restricted cash at the beginning of the year				
Including:				
Cash and cash equivalents at the beginning of the year	9,115,649	24,319,332	40,969,979	6,429,084
Restricted cash at the beginning of the year	3,516,594	7,380,341	8,567,496	1,344,427
Non-current restricted cash at the beginning of the year	127,955	230,903	—	—
Total	12,760,198	31,930,576	49,537,475	7,773,511
Cash, cash equivalents and restricted cash at the end of the year				
Including:				
Cash and cash equivalents at the end of the year	24,319,332	40,969,979	20,446,104	3,208,440
Restricted cash at the end of the year	7,380,341	8,567,496	6,286,105	986,427
Non-current restricted cash at the end of the year	230,903	—	—	—
Total	31,930,576	49,537,475	26,732,209	4,194,867
Supplemental disclosures:				
Cash paid for income taxes	(660,683)	(2,076,115)	(2,295,576)	(360,226)
Cash paid for interest	(236,827)	(194,752)	(4,671)	(733)
Non-cash investing and financing activities				
Accretion of convertible redeemable preferred shares to redemption value	1,866,528	1,755,228	—	—
Prepayments for long-term investments	40,000	—	—	—
Changes in accounts payable related to property and equipment addition	48,230	(139,100)	20,142	3,161
Issuance of ordinary shares for purchase of non-controlling interests (Note 15)	—	605,395	—	—

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

(a) Principle activities, subsidiaries and VIEs

KE Holdings Inc. (“the Company”) was incorporated in the Cayman Islands on July 6, 2018 under the Cayman Islands Companies Law as an exempted company with limited liability. The Company through its consolidated subsidiaries, variable interest entities (the “VIE”s) and the subsidiaries of the VIEs (collectively, the “Group”), is principally engaged in operating a leading integrated online and offline platform for housing transactions and services in the People’s Republic of China (the “PRC” or “China”).

As of December 31, 2021, the details of the Company’s major subsidiaries and consolidated VIEs (inclusive of the VIEs’ subsidiaries) are as follows:

<u>Name</u>	<u>Date of incorporation or acquisition</u>	<u>Place of incorporation</u>	<u>Percentage of direct or indirect economic ownership</u>
<u>Subsidiaries</u>			
Beike Group (Cayman) Limited	August 6, 2018	Cayman Island	100 %
Beike Group (BVI) Limited	July 12, 2018	British Virgin Islands	100 %
Sharehome HK International Limited	December 16, 2016	Hong Kong	100 %
Beike (Tianjin) Investment Co., Ltd. (“Beike Tianjin”)	September 29, 2018	PRC	100 %
Jinbei (Tianjin) Technology Co., Ltd. (“Jinbei Technology”)	August 22, 2018	PRC	100 %
Beike Jinke (Tianjin) Technology Co., Ltd. (“Beike Jinke”)	October 30, 2018	PRC	100 %
Lianjia (Tianjin) Enterprise Management Co., Ltd. (“Lianjia Enterprise Management”)	August 13, 2018	PRC	100 %
Beijing Lianjia Zhidi Real Estate Brokerage Co., Ltd. (“Lianjia Zhidi”)	July 25, 2005	PRC	100 %
Deyou Real Estate Agency Co., Ltd. (“Deyou Real Estate Agency”)	September 5, 2002	PRC	100 %
Beike Zhaofang (Beijing) Technology Co., Ltd. (“Beike Zhaofang”)	August 3, 2015	PRC	100 %
Beike Technology Co., Ltd.	June 28, 2017	PRC	100 %
<u>Consolidated VIEs</u>			
Beijing Lianjia Real Estate Brokerage Co., Ltd. (“Beijing Lianjia”)	September 30, 2001	PRC	100 %
Beijing Yiju Taihe Technology Co., Ltd. (“Yiju Taihe”)	July 23, 2010	PRC	100 %
Tianjin Xiaowu Information & Technology Co., Ltd. (“Tianjin Xiaowu”)	November 14, 2017	PRC	100 %
<u>Subsidiaries of VIEs</u>			
Beijing Zhongrongxin Financing Guarantee Co., Ltd.	November 10, 2006	PRC	100 %
Beijing Ehomepay Technologies Co., Ltd.	August 8, 2013	PRC	100 %

(b) History and reorganization of the Group

The Group commenced operations in the PRC in 2001 through Beijing Lianjia, which was established in September 2001 by Mr. Zuo Hui (the “Founder” and permanent chairman emeritus of the Company). Beijing Lianjia and its subsidiaries developed various businesses over time and expanded nationwide in China. During January 2017, the Group restructured Yiju Taihe, which was originally a subsidiary of Beijing Lianjia and operated financial service businesses, to mirror the holding structure substantially identical to that of Beijing Lianjia. In November 2017, the Group incorporated Tianjin Xiaowu, to conduct operations related to value-added telecommunication services. The Founder is the ultimate controlling party of the Group as he has held majority voting power over the Group throughout the Group’s history.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION (CONTINUED)

Along with the launch of the Group's Beike platform, the Company was incorporated in the Cayman Islands in July 2018 as the Group's holding company to facilitate offshore financing. During July to December 2018, the Company established a series of intermediary holding entities which directly or indirectly hold the equity interests in Beike Tianjin, Jinbei Technology, and Beike Jinke, all of which are the Company's wholly-owned PRC subsidiaries (collectively, "WFOEs"). Through a series of transactions, most of the original subsidiaries of Beijing Lianjia have become the subsidiaries of the applicable WFOEs and the Group's other PRC subsidiaries. For example, most of Beijing Lianjia's operating entities are transferred to Lianjia Zhidi and Lianjia Enterprise Management, both of which are wholly-owned subsidiaries of Beike Tianjin.

Then, through a series of reorganization transactions (the "Reorganization"), the Company obtained control over Beijing Lianjia, Yiju Taihe and Tianjin Xiaowu through contractual arrangements. In connection with the Reorganization, most of the shareholders of Beijing Lianjia and Yiju Taihe or such shareholders' affiliates subscribed for ordinary shares, Series B and C convertible redeemable preferred shares of the Company as applicable, substantially in proportion to their previous respective equity interests in Beijing Lianjia and Yiju Taihe prior to the Reorganization. To effect the Reorganization, the Group returned onshore capital of RMB3,000 million and RMB6,931 million to preferred shareholder in 2018 and 2019, respectively. Such capital was reinjected to the Group offshore in 2019.

The Reorganization was completed on December 28, 2018.

During the second quarter of 2020, certain subsidiaries of Yiju Taihe operating businesses that do not restrict foreign ownership became the subsidiaries of the WFOEs.

On July 22, 2020, the Company effected a 5-for-1 share subdivision, following which each of the Company's issued ordinary shares and preferred shares was subdivided into five ordinary shares and preferred shares, respectively. Upon the subdivision, the number of shares reserved for issuance under the Company's existing share incentive plans and the number of shares to be issued under the options and other awards granted by the Company pursuant to the existing share incentive plans were adjusted to reflect the subdivision. All applicable share data, per share amounts and related information in the consolidated financial statements and notes thereto have been adjusted retroactively to give effect to the 5-for-1 share subdivision.

The Company has completed its initial public offering and been listed on the New York Stock Exchange since August 2020.

(c) Basis of Presentation for the Reorganization

During the Reorganization, the shareholding percentages and rights of each shareholder of the Group are substantially the same in Beijing Lianjia, Yiju Taihe and in the Company immediately before and after the Reorganization. Accordingly, the Reorganization is accounted for as a common control transaction because the Founder has control over the Group before and after the Reorganization.

There was no change in the basis of presentation of the financial statements resulting from these Reorganization transactions. The assets and liabilities have been stated at historical carrying amounts. The financial statements are prepared as if the corporate structure of the Group had been in existence since inception of the Group.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION (CONTINUED)

(d) VIE Companies

Due to the restrictions imposed by PRC laws and regulations on foreign ownership of companies engaged in value-added telecommunication services, finance businesses and certain other businesses, the Group operates its platforms and other restricted businesses in the PRC through certain PRC domestic companies, whose equity interests are held by certain management members of the Group and several other individuals and entities affiliated with the Group (“Nominee Shareholders”). The Group obtained control over these PRC domestic companies by entering into a series of contractual arrangements with these PRC domestic companies and their respective Nominee Shareholders. These contractual agreements include powers of attorney, exclusive business cooperation agreements, exclusive option agreements, equity pledge agreements and spousal consent letters. These contractual agreements can be extended at the Group’s relevant PRC subsidiaries’ options prior to the expiration dates. Management concludes that these PRC domestic companies are VIEs of the Group, of which the Group is the ultimate primary beneficiary. As such, the Group consolidated the financial results of these PRC domestic companies and their subsidiaries in the Group’s consolidated financial statements.

The following is a summary of the contractual agreements (collectively, “Contractual Agreements”) that the Group, through its subsidiaries, entered into with the VIEs and their Nominee Shareholders:

i) Contractual Agreements with VIEs

Power of Attorney

Pursuant to the power of attorney agreements among the WFOEs, the VIEs and their respective Nominee Shareholders, each Nominee Shareholder of the VIEs irrevocably undertakes to appoint the WFOE, or a PRC citizen designated by the WFOE as the attorney-in-fact to exercise all of the rights as a shareholder of the VIEs, including, but not limited to, the right to convene and attend shareholders’ meeting, vote on any resolution that requires a shareholder vote, such as appoint or remove directors and other senior management, and other voting rights pursuant to the articles of association (subject to the amendments) of the VIEs. Each power of attorney agreement is irrevocable and remains in effect as long as the Nominee Shareholder continues to be a shareholder of the VIEs.

Exclusive Business Cooperation Agreements

Pursuant to the exclusive business cooperation agreements among the WFOEs and the VIEs, respectively, the WFOEs have the exclusive right to provide the VIEs with services related to, among other things, comprehensive technical support, professional training, consulting services and marketing and promotional services. Without prior written consent of the WFOEs, the VIEs agree not to directly or indirectly accept the same or any similar services provided by any others regarding the matters ascribed by the exclusive business cooperation agreements. The VIEs agree to pay the WFOEs services fees, which will be determined by the WFOEs. The WFOEs have the exclusive ownership of intellectual property rights created as a result of the performance of the agreements. The agreements will remain effective except that the WFOEs are entitled to terminate the agreements in writing.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION (CONTINUED)*Exclusive Option Agreements*

Pursuant to the exclusive option agreements among the WFOEs, the VIEs and their respective Nominee Shareholders, the Nominee Shareholders of the VIEs irrevocably grant the respective WFOEs an exclusive option to purchase, or have its designated person to purchase, at its discretion, to the extent permitted under PRC law, all or part of their equity interests in the VIEs (except for 3.03% of Beijing Lianjia's equity interests pledged to a third party as of December 31, 2018, while the pledge was removed in December 2019 and all equity interests were subject to the exclusive option agreements). The purchase price with respect to the equity interests in Tianjin Xiaowu shall be the amount of paid-in capital or the lowest price permitted by applicable PRC law, and the purchase price with respect to the equity interests in other VIEs shall be the higher of RMB1 or the lowest price permitted by applicable PRC law. The shareholders of the VIEs further undertake to pay to the WFOEs any dividends and other distributions they receive in relation to the equity interests they held in the VIEs, to the extent permitted by PRC law. The shareholders of the VIEs undertake that, without prior written consent of the WFOEs, they will not create any pledge or encumbrance on their equity interests in the VIEs, approve any transfer or in any manner disposal of their equity interests, or any disposition of any assets of the VIEs (other than limited exceptions). The shareholders of each of the VIEs agree, among other things, without prior written consent of the WFOEs, not to cause the relevant VIEs to merge with any other entities, increase or decrease its registered capital, declare or distribute dividends, amend its articles of association, enter into any material contract (other than those occurring in the ordinary course of business), appoint or remove its directors, supervisors or other management, be liquidated or dissolved (unless mandated by PRC laws), lend or borrow money (except for payables incurred in the ordinary course of business other than through loans) or undertake any actions that may adversely affect the VIEs' operating status and asset value. These agreements will remain effective until all of the equity interests of the relevant VIEs have been transferred to the WFOEs and/or its designated person. Jinbei Technology has the unilateral right to terminate the agreement with Tianjin Xiaowu.

Equity Pledge Agreements

Pursuant to the equity pledge agreements among the WFOEs, the VIEs and their respective Nominee Shareholders, the Nominee Shareholders of the VIEs pledged all of their respective equity interests in the VIEs to the WFOEs as security for performance of the obligations of the VIEs and their Nominee Shareholders under the exclusive business cooperation agreements, the power of attorney agreements, the exclusive option agreements and the equity pledge agreements, except for 3.03% of Beijing Lianjia's equity interests pledged to a third party as of December 31, 2018. The pledge was removed in December 2019 and all equity interests became subject to the equity pledge agreements. The Nominee Shareholders of the VIEs also undertake that, during the term of the equity pledge agreements, unless otherwise approved by the WFOEs in writing, they will not transfer the pledged equity interests or create or allow any new pledge or other encumbrance on the pledged equity interests. As of the date of this report, the Group has registered all such equity pledges with the local branch of the State Administration for Market Regulation in accordance with PRC laws to perfect the respective equity pledges. After the completion of the equity pledge registrations, in the event of a breach by the VIEs or its shareholders of contractual obligations under these agreements, the WFOEs will have the right to dispose of the pledged equity interests in the VIEs.

Spousal Consent Letters

Pursuant to the spousal consent letters, each of the spouses of the applicable individual Nominee Shareholders of the VIEs unconditionally and irrevocably agrees that the equity interest in the VIEs held by and registered in the name of his or her respective spouse will be disposed of pursuant to the relevant exclusive business cooperation agreements, equity pledge agreements, the exclusive option agreements and the power of attorney agreements, without his or her consent. In addition, each of them agrees not to assert any rights over the equity interest in the VIEs held by her respective spouses. In addition, in the event that any of them obtains any equity interest in the VIEs held by their respective spouses for any reason, such spouses agree to be bound by similar obligations and agreed to enter into similar contractual arrangements.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION (CONTINUED)

ii) Risks in relation to VIE structure

Part of the Group's business is conducted through the VIEs of the Group, of which the Company is the ultimate primary beneficiary. The Company has concluded that (i) the ownership structure of the VIEs is not in violation of any existing PRC law or regulation in any material respect; and (ii) each of the VIE Contractual Agreements is valid, legally binding and enforceable to each party of such agreements and will not result in any violation of PRC laws or regulations currently in effect. However, uncertainties in the PRC legal system could cause the relevant regulatory authorities to find the current VIE Contractual Agreements and businesses to be in violation of any existing or future PRC laws or regulations.

On March 15, 2019, the National People's Congress adopted the Foreign Investment Law of the PRC, which became effective on January 1, 2020, together with their implementation rules and ancillary regulations. The Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, but it contains a catch-all provision under the definition of "foreign investment", which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. It is unclear that whether the Group's corporate structure will be seen as violating the foreign investment rules as the Group are currently leveraging the contractual arrangements to operate certain businesses in which foreign investors are prohibited from or restricted to investing. If variable interest entities fall within the definition of foreign investment entities, the Group's ability to use the contractual arrangements with the VIE and the Group's ability to conduct business through the VIEs could be severely limited.

In addition, if the Group's corporate structure and the contractual arrangements with the VIEs through which the Group conducts its business in the PRC were found to be in violation of any existing or future PRC laws and regulations, the Group's relevant PRC regulatory authorities could:

- revoke or refuse to grant or renew the Group's business and operating licenses;
- restrict or prohibit related party transactions between the wholly owned subsidiary of the Group and the VIEs;
- impose fines, confiscate income or other requirements which the Group may find difficult or impossible to comply with;
- require the Group to alter, discontinue or restrict its operations;
- restrict or prohibit the Group's ability to finance its operations, and;
- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION (CONTINUED)

The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's businesses. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIEs or the right to receive its economic benefits, the Group would no longer be able to consolidate the VIEs. The management believes that the likelihood for the Group to lose such ability is remote based on current facts and circumstances. However, the interpretation and implementation of the laws and regulations in the PRC and their application to an effect on the legality, binding effect and enforceability of contracts are subject to the discretion of competent PRC authorities, and therefore there is no assurance that relevant PRC authorities will take the same position as the Group herein in respect of the legality, binding effect and enforceability of each of the contractual arrangements. Meanwhile, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to the Group to enforce the contractual arrangements should the VIEs or the Nominee Shareholders of the VIEs fail to perform their obligations under those arrangements.

Summary of Financial Information of the VIEs

In accordance with VIE Contractual Agreements, the Company (1) could exercise all shareholder's rights of the VIEs and has power to direct the activities that most significantly affects the economic performance of the VIEs, and (2) receive the economic benefits of the VIEs that could be significant to the VIEs. Accordingly, the Company is considered as ultimate primary beneficiary of the VIEs and has consolidated the VIEs' financial results of operations, assets and liabilities in the Company's consolidated financial statements. Therefore, the Company considers that there are no assets in the VIEs that can be used only to settle obligations of the VIEs, except for the registered capital of the VIEs amounting to approximately RMB2.5 billion and RMB2.8 billion as of December 31, 2020 and 2021, as well as certain non-distributable statutory reserves amounting to approximately RMB69.2 million and RMB74.0 million as of December 31, 2020 and 2021. As the VIEs are incorporated as limited liability companies under the PRC Company Law, creditors do not have recourse to the general credit of the Company for the liabilities of the VIEs. There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs. As the Group is conducting certain businesses in the PRC through the VIEs, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss.

The following table sets forth the assets, liabilities, results of operations and changes in cash, cash equivalents and restricted cash of the consolidated VIEs (inclusive of the VIEs' subsidiaries, and the consolidated trusts as discussed in Note 2.12) taken as a whole, which were included in the Group's consolidated financial statements with intercompany transactions eliminated. The following disclosures present the financial positions of the businesses that currently constitute the VIE entities as of December 31, 2020 and 2021 and the operation results for the years ended December 31, 2019, 2020 and 2021.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION (CONTINUED)

Summary of Financial Information of the VIEs (Continued)

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Cash and cash equivalents	1,082,388	2,465,384
Restricted cash	6,061,240	5,417,243
Short-term investments	1,065,752	324,804
Short-term financing receivables, net	953,840	640,419
Accounts receivable, net	92,123	25,186
Amounts due from and prepayments to related parties	533,988	336,223
Loan receivables from related parties	20,000	20,000
Prepayments, receivables and other assets	357,927	261,543
Amounts due from non-VIE subsidiaries of the Group	2,603,884	2,805,071
Total current assets	12,771,142	12,295,873
Property and equipment, net	103,914	93,031
Right-of-use assets	45,609	13,522
Long-term financing receivables, net	218,018	10,039
Long-term investments, net	106,742	361,375
Intangible assets, net	48,452	40,754
Goodwill	7,522	7,522
Other non-current assets	183,914	85,224
Total non-current assets	714,171	611,467
Total assets	13,485,313	12,907,340
Accounts payable	139,103	61,836
Amounts due to related parties	1,537	142,723
Employee compensation and welfare payable	358,456	404,715
Customer deposits payable	5,380,491	3,407,217
Income taxes payable	146,119	37,308
Lease liabilities current portion	18,079	9,618
Short-term funding debts	1,432,375	194,200
Contract liabilities	27,397	7,590
Accrued expenses and other current liabilities	416,197	197,900
Amounts due to non-VIE subsidiaries of the Group	1,844,518	4,816,025
Total current liabilities	9,764,272	9,279,132
Deferred tax liabilities	7,700	4,483
Lease liabilities non-current portion	25,475	3,416
Long-term funding debts	15,000	—
Total non-current liabilities	48,175	7,899
Total liabilities	9,812,447	9,287,031

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION (CONTINUED)

Summary of Financial Information of the VIEs (Continued)

	For the Year Ended December 31,		
	2019 RMB	2020 RMB (in thousands)	2021 RMB
Total net revenues from third party	5,195,298	1,020,299	946,883
Total net revenues from non-VIE subsidiaries of the Group	1,598,553	187,299	184,717
Total net revenues	6,793,851	1,207,598	1,131,600
Net income (loss)	(187,538)	614,223	(52,557)
Net cash provided by (used in) operating activities	6,701,805	(2,192,335)	(1,604,900)
Net cash provided by (used in) investing activities	(698,934)	3,413,849	3,784,129
Net cash used in financing activities	(7,442,072)	(1,571,848)	(1,440,230)
Net increase (decrease) in cash, cash equivalents and restricted cash	(1,439,201)	(350,334)	738,999

(e) Impact of COVID-19

The COVID-19 pandemic has adversely affected many aspects of the Group's business. Many of the brokerage stores on the platform, as well as the transaction support centers, underwent temporary closure in early 2020 as part of China's nationwide efforts to contain the spread of the novel coronavirus, and there were noticeable reductions of in-person visits of housing customers to brokerage stores and properties. After the initial outbreak of COVID-19, from time to time, some instances of COVID-19 infections have emerged in various regions of China, and varying levels of temporary restrictions are reinstated to contain the infections, such as temporary closure of the stores in the affected communities, which may adversely affected operations in these regions. The global spread of COVID-19 pandemic in major countries of the world may also result in global economic distress, and the extent to which it may affect the Group's results of operations will depend on future developments of the COVID-19 pandemic, which are highly uncertain and difficult to predict.

The Group has assessed various accounting estimates and other matters, including credit losses for financial assets, goodwill and other long-lived assets, long-term investments, share-based compensation, valuation allowances for deferred tax assets and revenue recognition. Based on the assessment, although the COVID-19 outbreak adversely affected the Group's business in the first quarter of 2020, considering its business activities have recovered since the second quarter of 2020, the Group concluded that COVID-19 would have no material impact on the Group's long-term forecast, and the Group did not identify any impairments related to its goodwill and other long-lived assets as a result of COVID-19 impact. However, there is still uncertainty around the duration of these disruptions and the possibility of other adverse effects on the Group's business, and the Group will continue to monitor for potential credit risk as the impact of the COVID-19 pandemic evolves.

As part of Chinese government's effort to ease the burden of businesses affected by COVID-19, the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration temporarily reduced or exempted payments to the government-mandated employee welfare benefit plans since February 2020. For the year ended December 31, 2020, the Group recognized government grants related to the above support program of approximately RMB916.6 million, which reduced the costs of employee benefits in the consolidated statements of comprehensive income (loss). There was no such program in the year ended December 31, 2021. It is uncertain whether such government support program will continue in the future.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 (a) Impact of newly adopted accounting pronouncement

In 2016, the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326),” which replaces the existing incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The Company adopted Topic 326 using a modified retrospective method for all financial assets measured at amortized cost and liabilities for guarantee arrangements. Results for reporting periods beginning after January 1, 2020 are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a decrease to retained earnings, net of tax, of RMB91 million as of January 1, 2020 for the cumulative effect of adopting Topic 326. The Company assesses all financial assets subject to credit losses quarterly and establishes a reserve to reflect the net amount expected to be collected. The credit loss reserve is based on an assessment of historical collection activity, the nature of the receivable, the current business environment and forecasts that may affect the customers’ ability to pay.

In December 2019, the FASB issued ASU No. 2019-12, “Simplifying the Accounting for Income Taxes” to remove specific exceptions to the general principles in Topic 740 and to simplify accounting for income taxes. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted the standard effective January 1, 2021 on a prospective basis. The adoption of the new standard did not have a material impact on the Company’s consolidated financial statements.

In January 2020, the FASB issued ASU No. 2020-01, “Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815”, which clarifies the interaction of the accounting for equity investments under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted the standard effective January 1, 2021 on a prospective basis. The adoption of the new standard did not have a material impact on the Company’s consolidated financial statements.

2.1 (b) Recently issued accounting pronouncements not yet adopted

In August 2020, the FASB issued ASU No. 2020-06, “Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40)”. The amendments in this update affect entities that issue convertible instruments and/or contracts indexed to and potentially settled in an entity’s own equity. The new ASU eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. It also amends the accounting for certain contracts in an entity’s own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the diluted EPS computation. The amendments in the ASU are effective for public business entities that meet the definition of an SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Board also specified that an entity should adopt the guidance as of the beginning of its annual fiscal year and is not permitted to adopt the guidance in an interim period. The Company does not expect the adoption of this update to have any material impact on its consolidated financial statements and accompanying disclosures.

In October 2021, the FASB issued ASU No. 2021-08, “Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,” which requires entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination as if it had originated the contracts. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In November 2021, the FASB issued ASU No. 2021-10, “Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance,” which requires disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The standard is effective for public companies for fiscal years beginning after December 15, 2021. The Company does not expect the adoption of this update to have any material impact on its consolidated financial statements and accompanying disclosures.

2.2 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Significant accounting policies followed by the Group in the preparation of its accompanying consolidated financial statements are summarized below.

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the consolidated VIEs (inclusive of the VIEs’ subsidiaries) for which the Company is the ultimate primary beneficiary.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting power, has the power to appoint or remove the majority of the members of the Board of directors, to cast a majority of votes at the meeting of the Board of directors or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A consolidated VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, has the power to direct the activities that most significantly impact the entity’s economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiaries is the primary beneficiary of the entity.

All transactions and balances between the Company, its subsidiaries, consolidated VIEs (inclusive of VIEs’ subsidiaries) have been eliminated upon consolidation. The results of subsidiaries and VIEs acquired or disposed of during the year are recorded in the consolidated statements of comprehensive income (loss) from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

2.4 Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reporting periods in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Group’s consolidated financial statements include, but are not limited to (i) revenue recognition, (ii) provision for credit losses of accounts receivable, financing receivables and other receivables, (iii) assessment for impairment of long-lived assets, intangible assets and goodwill, (iv) valuation and recognition of share-based compensation expenses, (v) useful lives of property and equipment and intangible assets, (vi) fair value of short-term and long-term investments, and derivative instruments, (vii) fair value of ordinary shares and convertible redeemable preferred shares, (viii) liabilities related to employee welfare benefits and (ix) provision for income tax and valuation allowance for deferred tax assets. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currencies and foreign currency translation

The Group's reporting currency is Renminbi ("RMB"). The functional currency of the Company and its subsidiaries incorporated in the Cayman Islands, BVI and Hong Kong is United States dollars ("US\$") and the functional currency of the PRC entities in the Group is RMB. The Company's subsidiaries with operations in other jurisdictions generally use their respective local currencies as their functional currencies.

Transactions denominated in other than the functional currencies are re-measured into the functional currency of the entity at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rates at the balance sheet dates. Net gains and losses resulting from foreign exchange transactions are included in foreign currency exchange gain (loss) in the consolidated statements of comprehensive income (loss).

The financial statements of the Group are translated from the functional currencies into RMB. Assets and liabilities denominated in foreign currencies are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings generated in current period are translated into RMB at the appropriate historical rates. Revenues, expenses, gain and loss are translated into RMB using the periodic average exchange rates. Translation differences are recorded currency translation adjustments as a component of other comprehensive income in the consolidated statements of comprehensive income (loss).

2.6 Convenience translation

Translations of the consolidated balance sheets, the consolidated statements of comprehensive income (loss) and the consolidated statements of cash flows from RMB into US\$ as of and for the year ended December 31, 2021 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.3726, representing the index rates stipulated by the Federal Reserve Board using the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 30, 2021. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 31, 2021, or at any other rate.

2.7 Fair value measurements

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting guidance also describes three main approaches to measure the fair value of assets and liabilities: 1) market approach; 2) income approach and 3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments placed with banks or other financial institutions, which are unrestricted as to withdrawal or use, and which have original maturities less than three months and are readily convertible to known amount of cash.

2.9 Restricted cash and non-current restricted cash

Cash that is legally restricted as to withdrawal or for use or pledged as security is reported separately on the face of the consolidated balance sheets. In accordance with Accounting Standards Codification (“ASC”) 230, the amounts generally described as restricted cash and restricted cash equivalents are included in the total cash, cash equivalents and restricted cash balances in the consolidated statements of cash flows.

The Group’s restricted cash is classified into current and non-current portion based on the length of restricted period, and is mainly comprised of 1) cash received from the property buyers but not yet paid to the sellers through the Group’s online payment platform, which is placed with banks in escrow accounts; 2) cash pledged with commercial banks for the Group’s bank loans; 3) security deposits for the Group’s guarantee and financing services; and 4) security deposits for forward exchange contract.

2.10 Short-term investments

Short-term investments include investments in financial instruments with a variable interest rate indexed to performance of underlying assets. For equity classified securities, in accordance with ASC 825 — “Financial Instruments”, the Group elected the fair value option at the date of initial recognition and carried these investments at fair value. Changes in the fair value are reflected in the consolidated statements of comprehensive income (loss).

The Group also holds debt classified securities, and accounts for such investments in accordance with ASC Topic 320, Investments—Debt Securities (“ASC 320”). The Group classifies the short-term investments in debt as held-to-maturity, trading or available-for-sale, whose classification determines the respective accounting methods stipulated by ASC 320. Dividend and interest income, including amortization of the premium and discount arising at acquisition, for all categories of investments in securities are included in earnings. Any realized gains or losses on the sale of the short-term investments are determined on a specific identification method, and such gains and losses are reflected in earnings during the period in which gains or losses are realized.

Held-to-maturity investments include debt instruments issued by private companies for which the Group has the positive intent and ability to hold those securities to maturity, and time deposits represent time deposits placed with banks with maturities more than three months. The Group account for the held-to-maturity debt securities at amortized cost less allowance for credit losses.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The allowance for credit losses of the held-to-maturity debt securities reflects the Group's estimated expected losses over the contractual lives of the held-to-maturity debt securities and is charged to "Other income, net" in the consolidated statements of comprehensive income (loss). Estimated allowances for credit losses are determined by considering reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions. As of December 31, 2020 and 2021, the allowance for credit losses provided for the held-to-maturity debt securities held by the Group was insignificant.

Debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities, in accordance with ASC 320. Unrealized holding gains and losses for trading securities are included in earnings.

Debt investments not classified as trading or as held-to-maturity are classified as available-for-sale debt securities, which are reported at fair value, with unrealized gains and losses recorded in "Accumulated other comprehensive income (loss)" on the consolidated balance sheets.

Investments with expected maturity of over a year are classified as long-term investments. Investments with maturity date within one year will be reclassified to short-term investments.

2.11 Accounts receivable

Accounts receivable represents those receivables derived in the ordinary course of business, net of allowance for credit losses, including receivable from real estate property sellers, buyers and agents from the platform. Prior to January 1, 2020, the Group maintains an allowance for doubtful accounts to reserve for uncollectible receivable amounts. The allowance for doubtful accounts is estimated based upon the Group's assessment of various factors including historical experience, the age of the accounts receivable balances, current economic conditions and other factors that may affect the customers' ability to pay. Starting from January 1, 2020, the Group adopted ASC 326 and assesses the accounts receivable and establishes a reserve to reflect the net amount expected to be collected. The allowance is management's estimate of expected credit losses after considering historical collection activity, the nature of the receivable, the current business environment and forecasts that may affect the customers' ability to pay. Management estimated the allowance by segmenting accounts receivable based on certain credit risk characteristics and determining an expected loss rate for each segmentation based on historical loss experience adjusted for judgments about the effects of relevant observable data including current and future economic conditions.

The allowance for credit losses and corresponding receivables were written off when they are determined to be uncollectible.

2.12 Financing receivables

The Group generates financing receivables by providing personal credit loans to property buyers, tenants and other individual borrowers. The Group has the intent and the ability to hold such financing receivables for the foreseeable future or until maturity or payoff.

Financing receivables from consolidated Trusts

The Group has entered into arrangements with consolidated trusts ("Trusts"), pursuant to which the Group invested in the financing receivables using funds from the consolidated Trusts. The Trusts are administered by third-party trust companies, which act as the trustees, with funds contributed by the Group and/or other third-party investors for the purposes of providing returns to the beneficiary of the Trusts. The Group has power to direct the activities of the Trusts and has the obligation to absorb losses or the right to receive benefits from the Trusts that could potentially be significant to the Trusts. As a result, the Trusts are considered consolidated VIEs of the Group under ASC 810—"Consolidation".

Therefore the loans funded by the consolidated Trusts are recorded as the Group's financing receivables. The proceeds received from the third-party investors are recognized as funding debts. Cash received via consolidated Trusts that has not yet been distributed is recorded as restricted cash.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Financing receivables from micro-loan platforms*

The Group also offers micro loans to borrowers via micro-loan platforms. The loans offered mainly include: 1) installment loans for home renovation and furnishing to property owners; 2) loans provided to external small property agents; 3) loans provided to other individuals. As the Group undertakes substantially all the risks and rewards, the micro loans are recognized as financing receivables on the consolidated balance sheets.

Measurement of financing receivables

Financing receivables are measured at amortized cost and reported on the consolidated balance sheets at outstanding principal adjusted for any write-offs and the allowance for credit losses.

Allowance for credit losses

Prior to the adoption of ASU No. 2016-13 on January 1, 2020, the allowance for credit losses reflected the Group's estimated probable incurred losses. The Group assessed the creditworthiness and collectability of the portfolios of respective financial receivables, mainly based on delinquency levels and historical write-offs of respective underlying loans, where applicable, using an established systematic process on a pooled basis within each credit risk levels of the borrowers. When assigning borrowers into different credit risk levels, factors like location, education background, income level, outstanding external borrowings, and external credit references of the borrowers were considered. In the consideration of above factors, the Group determined that each portfolio of respective financial receivables subject to credit losses within each credit risk level was homogenous with similar credit characteristics. The allowance for credit losses and corresponding receivables were written off when they are determined to be uncollectible, as before then there was still a significant portion of the delinquent balance being collected based on historical data.

Starting from January 1, 2020, the Group adopted ASU No. 2016-13 and estimated the allowance for credit losses to reflect the Group's estimated expected losses. The Group assesses the allowance for credit losses, mainly based on the past collection experience as well as consideration of current and future economic conditions and changes in the Group's customer collection trends. The provision for credit losses represents an estimate of the losses expected to be incurred from the Group's finance receivable portfolio. The Group uses projected risk parameters (e.g. probability of default and loss given default (severity)) to estimate the allowance of different segmentations, driven primarily by business type, on a collective basis. This projected risk parameters are primarily based upon historical loss experience adjusted for judgments about the effects of relevant observable data including current and future economic conditions as well as external historical loan performance trends, recovery rates, credit quality indicators.

The Group considers available information in quarterly assessments of the adequacy of the allowance. The Group believes the estimates, including any qualitative adjustments, are reasonable and have considered reasonably available information about past events, current conditions, and reasonable and supportable forecasts of future events and economic conditions.

Accrued interest receivable

Accrued interest income on financing receivables is calculated based on the effective interest rate of the loan and recorded as interest income as earned. When a financing receivable reaches 1 day past due, it is placed on non-accrual status, and the Group stops accruing interest of the financing receivables as of such date. The accrued but unpaid interest as of such date is not reversed. The Group assesses the collectability of accrued interest together with the unpaid principal amount and provides reserves if warranted interest income for non-accrual financing receivables is recognized on a cash basis. Cash receipt of non-accrual financing receivables would be first applied to any unpaid principal, late payment fees, if any, before recognizing interest income. The Group does not resume accrual of interest after a loan has been placed on non-accrual basis.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.13 Derivative instruments**

Derivative instruments are measured at fair value and recognized as either assets or liabilities on the consolidated balance sheets in either current or non-current other assets or accrued expenses and other current liabilities or other long-term liabilities depending upon maturity and commitment. Changes in the fair value of derivatives are either recognized periodically in the consolidated income (loss) statements or in other comprehensive income (loss) depending on the use of the derivatives and whether they qualify for hedge accounting. The Group selectively uses financial instruments to manage market risk associated with exposure to fluctuations in interest rates and foreign currency rates. These financial exposures are monitored and managed by the Group as an integral part of its risk management program. The Group does not engage in derivative instruments for speculative or trading purposes. The Group's derivative instruments are not qualified for hedge accounting, thus changes in fair value are recognized in fair value changes in investments, net in the consolidated statements of comprehensive income (loss). The cash flows of derivative financial instruments are classified in the same category as the cash flows from the items subject to the economic hedging relationships. The estimated fair value of the derivatives is determined based on relevant market information. These estimates are calculated with reference to the market rates using industry standard valuation techniques.

2.14 Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed based upon the usage of the asset, which is approximated using a straight-line method over the estimated useful lives of the assets, which range as follows:

· Office building	20 - 40 years
· Vehicles	4 years
· Computer equipment	3 - 5 years
· Furniture and office equipment	3 - 5 years
· Leasehold improvement	lesser of the term of the lease or the estimated useful lives of the assets

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in other income, net in the consolidated statements of comprehensive income (loss).

2.15 Intangible assets, net

Intangible assets mainly include those acquired through business combinations and purchased intangible assets. Intangible assets acquired through business combinations are recognized as assets separate from goodwill if they satisfy either the "contractual-legal" or "separability" criterion. Intangible assets arising from business combinations are recognized and measured at fair value upon acquisition. Purchased intangible assets are initially recognized and measured at cost upon acquisition. Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives based upon the usage of the asset, which is approximated using a straight-line method as follows:

· Software	3 - 10 years
· Trademarks and domain names	3 - 10 years
· Customer relationships	3 - 5 years
· Non-competition agreements	3 - 5 years
· Advertising resources	5 years
· Licenses	6 - 10 years

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group considers the factors listed in ASC 350-30-35-3 when determining the useful life of an intangible asset, such as the expected use of the asset by the entity, and any legal, regulatory, or contractual provisions that may limit the useful life. The useful life of software is mainly determined based on its expected use and contractual provisions. The useful life of trademarks and domain names is determined based on the expected use and legal provisions. The useful life of licenses, which are mainly licenses for franchise business, is determined on the expected cooperation period with franchisees.

Separately identifiable intangible assets and other long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for identifiable intangible assets is based on the amounts by which the carrying amounts of the assets exceed the fair values of the assets.

2.16 Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired in a business combination.

Goodwill is not depreciated or amortized but is tested for impairment on an annual basis, and between annual tests when an event occurs or circumstances change that could indicate that the asset might be impaired. The Group early adopted ASU No. 2017-04, “Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” in 2019. In accordance with the FASB, a company first has the option to assess qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. In the qualitative assessment, the Group considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. If the Group decides, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss equal to the difference between the fair value and the carrying value is recognized. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

2.17 Long-term investments

(i) Equity investments accounted for using the equity method

In accordance with ASC 323 — “Investment — Equity Method and Joint Ventures”, the Group applies the equity method of accounting to equity investments, in common stock or in-substance common stock, over which it has significant influence but does not own a majority equity interests or otherwise control.

An investment in in-substance common stock is an investment that has risk and reward characteristics that are substantially similar to that entity’s common stock. The Group considers subordination, risks and rewards of ownership and obligation to transfer value when determining whether an investment in an entity is substantially similar to one in that entity’s common stock.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the equity method, the Group initially records its investment at cost. The difference between the cost of the equity investment and the amount of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill or as an intangible asset as appropriate. The Group subsequently adjusts the carrying amount of the investment to recognize the Group's proportionate share of each equity investee's net income or loss into the consolidated statements of comprehensive income (loss) after the date of acquisition. When the Group's share of losses in the equity investee equals or exceeds its interest in the equity investee, the Group does not recognize further losses, unless the Group has incurred obligations or made payments or guarantees on behalf of the equity investee, or the Group holds other investments in the equity investee.

The Group continually reviews its investment in equity investees under the equity method to determine whether a decline in fair value to below the carrying value is other-than-temporary. The primary factors the Group considers in its determination are the duration and severity of the decline in fair value, the financial condition, operating performance and the prospects of the equity investee, and other company specific information such as recent financing rounds.

The fair value determination, particularly for investments in early stage privately-held companies, requires significant judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investments and the determination of whether any identified impairment is other-than-temporary. If any impairment is considered other-than-temporary, the Group writes down the asset to its fair value and takes the corresponding charge to the consolidated statements of comprehensive income (loss).

(ii) Investments accounted for at fair values

Beginning January 1, 2017, the Group early adopted ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU No. 2016-01"). Securities with readily determinable fair values are measured at fair value. Equity securities accounted for at fair values include investments in i) marketable equity securities, which are publicly traded stock and ii) unlisted companies, for which the Group measures at fair value on a recurring basis. Pursuant to ASC 321, for equity investments measured at fair value with changes in fair value recorded in earnings, the Group does not assess whether those securities are impaired.

For investments in convertible notes and loans receivable with maturities of over one year, the Group elected the fair value option. The fair value option permits the irrevocable election on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The investments accounted for under the fair value option are carried at fair value with realized or unrealized gains and losses recorded in the consolidated statements of comprehensive income (loss). For wealth management products with variable interest rates referenced to performance of underlying assets and with original maturities greater than one year, the Group elected the fair value method at the date of initial recognition and carries these investments at fair value in accordance with ASC 825 — "Financial Instruments". Changes in the fair value of these investments are reflected on the consolidated statements of comprehensive income (loss) as fair value changes in investments, net. Fair value is estimated based on quoted prices of similar products provided by financial institutions at the end of each reporting period. The Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

(iii) Equity investments measured at measurement alternative and NAV practical expedient

Private equity funds pursue various investment strategies. Investments in private equity funds generally are not redeemable due to the closed-ended nature of these funds. These private equity funds, over which the Group does not have the ability to exercise significant influence, are accounted for under the existing practical expedient in ASC Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820") to estimate fair value using the net asset value per share (or its equivalent) of the investment ("NAV practical expedient").

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group measures investments in equity securities, other than equity method investments, at fair value through earnings. For those investments without readily determinable fair value and do not qualify for NAV practical expedient, the Group may elect to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes, in accordance with ASU No. 2016-01. Under this measurement alternative, changes in the carrying value of the equity investment will be required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer. For those equity investments that the Group elects to use the measurement alternative, the Group makes a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the Group has to estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the Group recognizes an impairment loss in net income (loss) equal to the difference between the carrying value and fair value.

(iv) Long-term held-to-maturity investments

Long-term held-to-maturity investments include debt instruments issued by private companies with maturities of greater than one year and for which the Group has the positive intent and ability to hold those securities to maturity, and long-term time deposits represent time deposits placed with banks with maturities more than one year. The Group account for the held-to-maturity debt securities at amortized cost less allowance for credit losses.

The allowance for credit losses of the held-to-maturity debt securities reflects the Group's estimated expected losses over the contractual lives of the held-to-maturity debt securities and is charged to "Other income, net" in the consolidated statements of comprehensive income (loss). Estimated allowances for credit losses are determined by considering reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions. As of December 31, 2020 and 2021, the allowance for credit losses provided for the held-to-maturity debt securities held by the Group was insignificant.

(v) Available-for-sale debt investments

Available-for-sale debt investments are debt instruments or preferred shares issued by banks and other financial institutions that are redeemable at the issuer's option, which are measured at fair value. Available-for-sale debt investments that are redeemable at the issuer's option have no contractual maturity date. Interest income is recognized in earnings. All other changes in the carrying amount of these debt investments are recognized in other comprehensive income (loss).

The allowance for credit losses of on available-for-sale debt securities is accounted for in accordance with ASC 326, Financial Instruments - Credit Losses ("ASC 326"). The Group adopted ASC 326 on January 1, 2020, on a modified retrospective basis. Under ASC 326, at each reporting period, available-for-sale debt securities are evaluated at the individual security level to determine whether there is a decline in the fair value below its amortized cost basis (an impairment). In circumstances where the Group intend to sell, or are more likely than not required to sell, the security before it recovers its amortized cost basis, the difference between fair value and amortized cost is recognized as a loss in the consolidated statements of operations, with a corresponding write-down of the security's amortized cost. In circumstances where neither condition exists, we then evaluate whether a decline is due to credit-related factors. The factors considered in determining whether a credit loss exists can include the extent to which fair value is less than the amortized cost basis, changes in the credit quality of the underlying loan obligors, credit ratings actions, as well as other factors. To determine the portion of a decline in fair value that is credit-related, we compare the present value of the expected cash flows of the security discounted at the security's effective interest rate to the amortized cost basis of the security. A credit-related impairment is limited to the difference between fair value and amortized cost, and recognized as an allowance for credit loss on the consolidated balance sheet with a corresponding adjustment to net income (loss). Any remaining decline in fair value that is non-credit related is recognized in other comprehensive income (loss), net of tax. Improvements in expected cash flows due to improvements in credit are recognized through reversal of the credit loss and corresponding reduction in the allowance for credit loss.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases

The Group mainly leases brokerage sales stores (including contract service centers), administrative offices, entrusted houses and land use rights from property owners. These are all classified as operating leases. Effective January 1, 2019, the Group adopted the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, “Leases (Topic 842)” (“ASC 842”), along with several additional clarification ASU’s issued during 2018, collectively “new lease standard”, using a modified retrospective transition approach with the cumulative effect recognized at the beginning of the earliest comparative period presented in its audited consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019. The new lease standard requires entities that lease assets with lease terms of more than 12 months to recognize right-of-use (“ROU”) assets and lease liabilities created by those leases on their balance sheets. This new lease standard also requires new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. As part of the adoption of the new lease standard, the Group elected the package of practical expedients which allows the Group to not re-assess (i) any existing arrangements contained a lease, (ii) the lease classification of any existing leases and (iii) initial direct costs for any existing lease. The Group also elected the practical expedient which allows use of hindsight in determining the lease term for leases in existence at the date of adoption.

The Group elected to not assess whether existing or expired land easements contained a lease, as allowed by the practical expedient. The adoption of ASC 842 resulted in recognition of ROU assets of RMB4,812 million, current operating lease liabilities of RMB1,732 million and non-current operating lease liabilities of RMB2,726 million upon the adoption date. There was no cumulative effect on retained earnings.

Rental contracts for the sales stores and offices are typically made for fixed periods ranging from few months to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Land use rights are amortized on a straight-line basis over the shorter of the estimated useful life, generally 44 years, or the estimated usage periods or the terms of the agreements. The Group’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option. The determination of whether an arrangement is or contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Group obtains substantially all of the economic benefits from and has the ability to direct the use of the asset.

The Group elected not to separate non-lease components from lease components. Therefore, it will account for lease and non-lease components as a single lease component when there is only one vendor in the lease contract.

The majority of the Group’s leases have fixed payments schedules, with certain leases including additional payments based on excess consumption of services. For leases with additional payments based on excess consumption of services, no amount is included in the calculation of the lease liabilities or corresponding asset as it is not probable excess consumption. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Under a lease, the lessees are required to recognize ROU assets and lease liabilities. ROU assets represent the Group’s right to use an underlying asset for the lease term and are recognized as the amount of the lease liabilities, adjusted for lease incentives received. Lease liabilities represent the Group’s obligation to make lease payments arising from the lease and are recognized at the present value of the future lease payments at the lease commencement date. As the interest rate implicit in most of the Group’s leases is not readily determinable, the Group uses the incremental borrowing rate (“IBR”) to determine the present value of the future lease payments. The IBR is a hypothetical rate based on the Group’s understanding of what its credit rating would be to borrow and resulting interest the Group would pay to borrow an amount equal to the lease payments in a similar economic environment over the lease term on a collateralized basis.

Any lease with a term of 12 months or less is considered short-term. As permitted by ASC 842, short-term leases are excluded from the ROU asset and lease liabilities accounts on the consolidated balance sheets. Consistent with all other operating leases, short-term lease expense is recorded on a straight-line basis over the lease term.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Funding debts

Funding debts represents the proceeds received from third-party investors less amounts paid to such investors of the consolidated Trusts. Accrued interest payable is calculated based on the effective interest rates of the funding debts. Funding cost mainly consists of interest expense the Group pays in relation to the funding debts, to fund its financing receivables.

2.21 Statutory reserves

In accordance with the laws applicable to the Foreign Investment Enterprises (“FIEs”) established in the PRC, the Group’s subsidiaries registered as WFOEs have to make appropriations from their annual after-tax profits as determined under generally accepted accounting principles in the PRC (“PRC GAAP”) to reserve funds including the general reserve fund, enterprise expansion fund and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the annual after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the company.

Appropriations to the enterprise expansion fund and staff bonus and welfare fund are made at the respective company’s discretion.

In addition, in accordance with the PRC Company Laws, the consolidated VIEs (inclusive of VIEs’ subsidiaries) incorporated in PRC are required to make appropriations on annual basis from their after-tax profits to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

The use of the general reserve fund, enterprise expansion fund, statutory surplus fund and discretionary surplus fund is restricted to offsetting of losses or increasing of the registered capital of the respective company. The staff bonus and welfare fund is a liability in nature and is restricted to fund payments of special bonus to employees and for the collective welfare of all employees. None of these reserves is allowed to be transferred to the company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

For the years ended December 31, 2019, 2020 and 2021, profit appropriation to general reserve fund and statutory surplus fund for the Group’s entities incorporated in the PRC was approximately RMB79.1 million, RMB139.1 million, and RMB91.1 million, respectively. No appropriation to other reserve funds was made for any of the periods presented.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition

The Group applied ASC 606 - “Revenue from Contracts with Customers” for all periods presented. According to ASC 606, revenues from contracts with customers are recognized when control of the promised goods or services is transferred to the Group’s customers in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services, after considering reductions by estimates for refund allowances, price concession, discount and Value Added Tax (“VAT”).

Existing home transaction services

The Group generates revenue from existing home transaction services primarily by earning commissions from housing customers for sales or leases transactions facilitated by the Group’s own Lianjia brand where the Group acts as the principal agent, or splits of commissions with other brokerage firms acting as the principal agents in cooperation with the Group to complete transactions. In these transactions, the principal agent signs a housing agency service contract with housing customers and is responsible for fulfilling the obligations to provide the agency services under the contract. The Beike platform requires platform agreements to be signed by all brokerage firms registered with the platform. The platform agreements establish a cooperative relationship between the principal agent and all participating brokerage firms, which allows the principal agent to combine and control services provided by the participating agent. The platform agreements also set the principal agent’s role and responsibility for overall agency services and a fee allocation structure for various standard cooperating roles of agency services. For each successful transaction completed through the platform, the platform will calculate commissions for each participating agent in accordance with the platform agreements and settle them through the platform’s payment system.

When the Group signs the housing agency service contracts with housing customers and splits commissions with other brokerage firms who cooperate with the Group to complete the housing transactions in accordance with the platform agreement, the Group is considered to be the principal agent as it has the right to determine the service price and to define the service performance obligations, it has control over services provided and it is fully responsible for fulfilling the agency services pursuant to the housing agency service contracts it signed with the housing customers. Accordingly, the Group accounts for the commissions from these agency service contracts on a gross basis, with any commissions paid to other brokerage firms recorded as a cost of revenue.

When other brokerage firms on Beike platform sign the housing agency service contracts with housing customers and split commissions with the Group in accordance with platform agreement for cooperation services by the Group to complete the housing transactions, the Group is considered as a participating agent who provides services to the principal agents as the Group is not the primary obligor for the agency service contract and does not have the right to determine the service price. Accordingly, the Group accounts for the commissions from these agency service contracts on a net basis.

For agency commissions earned by the Group, either as the principal agent or participating agent, the Group recognizes commissions as revenues when the performance obligations are satisfied at the time the housing customers sign the housing sale and purchase agreements or the lease agreements, after deducting estimated potential refunds due to a terminated transaction.

The Group also generates revenue from existing home transaction services by earning (i) platform service fees from real estate brokerage firms on the Beike platform as a percentage of the transaction commissions earned on the platform for using the Group’s ACN and SaaS systems; (ii) franchise fees from brokerage firms as a percentage of the transaction commissions earned under the Group’s franchise brands such as the Deyou brand; and (iii) other service fees for various services offered by Beike platform, such as transaction closing service through the Group’s transaction center.

For platform service and franchise fees, the Group recognizes the estimated fees that it expects to receive as revenues when the Group obtains the right to payment at the time the housing customers sign the housing sale and purchase agreements or the lease agreements.

For other service fees, the Group recognizes them as revenues when the services are provided.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New home transaction services

The Group generates revenues from new home transaction services principally by earning sales commissions from real estate developers for new home sales facilitated by the Group. The Group signs new home agency service contracts with real estate developers in where the terms and conditions for sales commission earned are defined. The Group recognizes sales commissions as revenues when the confirmations that terms and conditions for commissions earned are met are received from real estate developers or upon cash receipts of service fees if collection of the commissions are not considered probable.

The Group subcontracts with other brokerage firms to fulfil its agency services contracts with the real estate developers and splits commissions with these brokerage firms. The Group is considered as the principal agent for the agency service contracts signed with the developers as it has the right to determine the service price and to define the service performance obligations, it has control over the services provided by the other brokerage firms and it is fully responsible for fulfilling agency services pursuant to the new home agency service contracts signed with the real estate developers. Accordingly, the Group accounts for such agency service contracts on a gross basis and recognizes split commissions to collaborating brokerage firms as cost of revenues.

Emerging and other services

The Group generates revenues from emerging and other services such as financial services and home renovation and furnishing services. Service fees for emerging and other services are generally recognized as revenues when services are provided.

Practical Expedients

The Group has used the following practical expedients as allowed under ASC 606:

- (i) The effect of a significant financing component has not been adjusted for contracts when the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to the customer will be one year or less.
- (ii) The Group expenses the costs to obtain a contract as incurred when the expected amortization period is one year or less.

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. For certain services, customers are required to pay before the services are delivered. The Group recognizes a contract asset or a contract liability in the consolidated balance sheets, depending on the relationship between the Group's performance and the customer's payment.

The Group classifies its right to consideration in exchange for services transferred to a customer as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional as compared to a contract asset which is a right to consideration that is conditional upon factors other than the passage of time. The Group recognizes an accounts receivable in its consolidated balance sheets when it performs a service in advance of receiving consideration and if it has the unconditional right to receive consideration. The Group did not have any capitalized contract cost as of December 31, 2020 and 2021.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities are recognized if the Group receives consideration in advance of performance, which is mainly in relation to the existing home transaction services, new home transaction services and emerging and other services. The Group expects to recognize a significant majority of this balance as revenue over the next 12 months, and the remainder thereafter. The contract liabilities of the Group as of December 31, 2020 and 2021 are listed in the table below.

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Contract liabilities:		
Existing home transaction services	238,588	209,691
New home transaction services	299,726	707,163
Emerging and other services	195,843	185,075
Total	734,157	1,101,929

2.23 Advertising expenses

Advertising expenses are generally paid to the third parties for online traffic acquisition and offline advertising services such as television, outdoor and inner-building channels. Advertising expenses are expensed as sales and marketing expenses when the services are received. For the years ended December 31, 2019, 2020 and 2021, advertising expenses recognized in the consolidated statements of comprehensive income (loss) were RMB1,287.5 million, RMB1,974.4 million, and RMB2,038.4 million, respectively.

2.24 Share-based compensation

The Group grants share options and restricted share units (“RSUs”) to its employees, directors and consultants with performance conditions and service conditions, and accounts for these share-based awards in accordance with ASC 718-“Compensation-Stock Compensation”.

Employees’ share-based awards are classified as equity awards and are measured at the grant date fair value of the awards and recognized as expenses a) immediately at grant date if no vesting conditions are required, or b) using a straight-line method over the requisite service period, which is the vesting period.

Share options granted contained both a service condition and required completion of an IPO. The IPO was completed on August 17, 2020 and options for which the service condition had been met became vested. The remaining options will vest as the service conditions are met. All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The Group uses the binomial option pricing model to determine the fair value of stock options. The determination of the fair value of stock options is affected by the fair value of ordinary shares as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee share option exercise behavior, risk free interest rates and expected dividends. The fair value of the ordinary shares is assessed using the income approach/discounted cash flow method, with a discount for lack of marketability, given that the shares underlying the awards were not publicly traded at the time of grant.

In accordance with ASU No. 2016-09, the Group has chosen to account for forfeitures when they occur.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Income taxes

Income tax

Current income tax is recorded in accordance with the laws of the relevant tax jurisdictions.

The Group applies the assets and liabilities method of income taxes in accordance of ASC 740—“Income Taxes”, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are provided based on temporary differences arising between the tax bases of assets and liabilities and financial statements, using enacted tax rates that will be in effect in the period in which the differences are expected to reverse.

Deferred tax assets are recognized to the extent that such assets are more-likely-than-not to be realized. In making such a determination, the Group considers all positive and negative evidence, including results of recent operations and expected reversals of taxable income. Valuation allowances are established to offset deferred tax assets if it is considered more-likely-than-not that amount of the deferred tax assets will not be realized.

Uncertain tax positions

The Group accounts for uncertainty in income taxes recognized in the consolidated financial statements by applying the two-step approach to determine the amount of the benefit to be recorded. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained, including resolution of related appeals or litigation processes. If the tax positions meet the “more-likely-than-not” recognition threshold, the second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon settlement. The Group classifies interest and penalties related to income tax matters, if any, as income tax expense.

The Group did not have any significant interest or penalties associated with tax positions for the years ended December 31, 2019, 2020 and 2021. The Group did not have any significant unrecognized uncertain tax positions for the years ended December 31, 2019, 2020 and 2021.

2.26 Employee benefits

Full-time employees of the Group in mainland China are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurances, medical insurances, unemployment benefits and housing fund plans through a PRC government-mandated defined contribution plan. Chinese labor regulations require that the Group makes payments to the government for these benefits based on a certain percentage of the employees’ salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond making the required contributions.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Historically, the contributions made by the Group for employees might have been insufficient under the PRC laws and regulations, for which the Group made provisions based on its best estimates considering general administrative practice, historical precedent cases, legal advice and other factors. The provisions made are to be reversed if a) the potential exposures that the provisions were made for do not occur for a period of time and b) the Group believes that the probability that such exposures would materialize in the future is remote based on most recent developments. The balances of the provisions are included in employee compensation and welfare payable. The net impact of additions and reversals of the provisions was an increase /(decrease) in employee welfare benefit expenses of (RMB174.2 million), (RMB257.8 million), RMB805.0 million as of December 31, 2019, 2020 and 2021, respectively. Currently, the Group is implementing a remediation plan to reduce the exposure of non-compliance of relevant law and regulations for employee welfare benefits. The total amounts of such employee welfare benefit expenses, including the provision's net impact, were approximately RMB2.04 billion, RMB1.29 billion, RMB3.44 billion for the years ended December 31, 2019, 2020 and 2021, respectively.

2.27 Research and development expenses

Research and development expenses consist primarily of personnel-related compensation expenses, including share-based compensation for employees in engineering, design, product and platform development, depreciation of property and equipment utilized by research and development functions, and bandwidth and server related costs incurred by research and development functions. The Group expenses all research and development expenses as incurred.

2.28 Net income (loss) per share

Basic net income (loss) per share is computed by dividing net income (loss) attributable to ordinary shareholders, considering the accretion on convertible redeemable preferred shares to redemption value, by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights, which provide the holders of participating securities the ability to participate in all dividends declared with the holders of ordinary shares on a one-to-one per-share basis in all dividend declared, as if all undistributed earnings for the period were distributed.

Diluted net income (loss) per share is calculated by dividing net income (loss) attributable to ordinary shareholders as adjusted for the effect of income allocation to holders of participating preferred shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of deemed issued shares, the conversion of the convertible preferred shares (using the if-converted method) and options to purchase ordinary shares (using the treasury stock method). Ordinary equivalent shares are not included in the denominator of the diluted net income (loss) per share calculation when inclusion of such shares would be anti-dilutive, such as in a period in which a net loss is recorded.

2.29 Comprehensive income (loss)

Comprehensive income (loss) is defined to include all changes in equity (deficit) of the Group during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Comprehensive income (loss) includes net income (loss), currency translation adjustments and unrealized gains(losses) on available-for-sale investments, net of reclassification.

2.30 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”). The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as a management committee including chief executive officer, chief financial officer and two chief operational officers.

The Group operates in three operating segments: (i) Existing home transaction services; (ii) New home transaction services; (iii) Emerging and other services, and the segment information is set out in Note 25.

2.32 Commitments and contingencies

In the normal course of business, the Group is subject to contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters. An accrual for a loss contingency is recognized if it is probable that a liability has been incurred and the amount of liability can be reasonably estimated. If a potential loss is not probable, but reasonably possible, or is probable but the amount of liability cannot be reasonably estimated, then the nature of contingent liability, together with an estimate of the range of the reasonably possible loss, if determinable and material, is disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of guarantee would be disclosed.

2.33 Government grants

Government grants are recognized as income in other income, net or as a reduction of specific costs and expenses for which the grants are intended to compensate. Such amounts are recognized in the consolidated statements of the comprehensive income (loss) upon receipt when all conditions attached to the grants have been fulfilled.

For the years ended December 31, 2019, 2020 and 2021, the Group recognized government grants of approximately RMB345 million, RMB876 million and RMB1,060 million, respectively, in other income, net in the consolidated statements of comprehensive income (loss).

2.34 Business combinations and non-controlling interests

The Group accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805 — “Business Combinations”. The cost of an acquisition is measured as the aggregate of the acquisition date fair value of the assets transferred to the sellers, liabilities incurred by the Group and equity instruments issued by the Group. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive income (loss). During the measurement period, which can be up to one year from the acquisition date, the Group may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Subsequent to the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any further adjustments are recorded in the consolidated statements of comprehensive income (loss).

In a business combination achieved in stages, the Group re-measures the previously held equity interest in the acquiree immediately before obtaining control at its acquisition date fair value and the re-measurement gain or loss, if any, is recognized in the consolidated statements of comprehensive income (loss).

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.35 Concentration and risks

Concentration of customers and suppliers

There are no customers or suppliers from whom revenues or purchases individually represent greater than 10% of the total net revenues or the total purchases of the Group for the years ended December 31, 2019, 2020 and 2021.

Concentration of credit risk

Assets that potentially subject the Group to significant concentrations of credit risk primarily consist of cash and cash equivalents, restricted cash, accounts receivable, other receivables, short-term investments, long-term investments and financing receivables. As of December 31, 2020 and 2021, all of the Group's cash and cash equivalents, restricted cash and short-term investments were held by major financial institutions located in the PRC, Hong Kong, the USA, Japan and Australia, which the management believes are of high credit quality. On May 1, 2015, China's new Deposit Insurance Regulation came into effect, pursuant to which banking financial institutions, such as commercial banks, established in China are required to purchase deposit insurance for deposits in RMB and in foreign currency placed with them. This Deposit Insurance Regulation would not be effective in providing complete protection for the Group's accounts, as its aggregate deposits are much higher than the compensation limit. However, the Group believes that the risk of failure of any of these PRC banks is remote. Bank failure is uncommon in China and the Group believes that those Chinese banks that hold the Group's cash and cash equivalents, restricted cash and short-term investments are financially sound based on public available information.

Accounts receivable and other receivables are typically unsecured and are mainly derived from the ordinary course of business in the PRC. The risk with respect to these financial instruments is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring processes of outstanding balances. The risk with respect to the financing receivables and off-balance sheet guarantees is mitigated by credit evaluations the Group performs on its borrowers and the Group's ongoing monitoring controls for the outstanding balances. As of December 31, 2020 and 2021, only one customer's total receivable amounting to RMB3,261 million and RMB1,266 million is considered to subject to concentration credit risk.

Currency convertibility risk

The PRC government imposes controls on the convertibility of RMB into foreign currencies. The Group's cash and cash equivalents, restricted cash and short-term investments denominated in RMB that are subject to such government controls amounted to RMB23.9 billion and RMB37.3 billion as of December 31, 2020 and 2021, respectively. The value of RMB is subject to changes in the central government policies and to international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in the PRC must be processed through PBOC or other Chinese foreign exchange regulatory bodies which require certain supporting documentation in order to process the remittance.

Foreign currency exchange rate risk

In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the US\$, and the RMB appreciated more than 20% against the US\$ over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the US\$ remained within a narrow band. Since June 2010, the RMB has fluctuated against the US\$, at times significantly and unpredictably. The appreciation of the RMB against the US\$ was approximately 2.3% for the year ended December 31, 2021. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US\$ in the future.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. CASH, CASH EQUIVALENTS, RESTRICTED CASH

Cash, cash equivalents and restricted cash consisted of the following:

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Cash and cash equivalents:		
Cash	36,667,669	19,853,352
Cash equivalents	4,302,310	592,752
Restricted cash:		
Current	8,567,496	6,286,105
Total cash, cash equivalents and restricted cash	49,537,475	26,732,209

- (i) Cash and cash equivalents consist of cash on hand and demand deposits which have original maturities of three months or less and are readily convertible to a known amount of cash. The weighted average interest rate of cash equivalent for the years ended December 31, 2019, 2020 and 2021 are 2.21%, 0.97% and 0.82%, respectively.
- (ii) The Group's restricted cash is classified into current and non-current portion based on the length of restricted period, and is mainly comprised of 1) cash received from the property buyers but not yet been paid to the sellers through the Group's online payment platform, which is placed with banks in escrow accounts; 2) cash pledged with commercial banks for the Group's bank loans; 3) security deposits for the Group's guarantee and financing services; 4) security deposits for forward exchange contract. The proportion for each type of restricted cash are 91.68%, 0%, 8.32% and 0% as of December 31, 2020; 90.91%, 0%, 9.09% and 0% as of December 31, 2021, respectively.

4. SHORT-TERM INVESTMENTS

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Short-term investments:		
Bank time deposits	134,736	9,938,676
Wealth management products	15,553,585	19,463,985
Total	15,688,321	29,402,661

Bank time deposits are time deposits with original maturities of longer than three months but less than one year or the long-term bank deposits with a maturity date within one year.

The Group's wealth management products mainly consist of various financial instruments issued by multiple financial institutions with variable interest rates indexed to performance of underlying asset. For investment issued by commercial bank with a variable interest rate, the Group uses alternative pricing sources and models utilizing market observable inputs to estimate the fair value, and the Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurement. For financial product issued by asset management company, whose fair value is determined based on the expected cash flows and discounted by using the unobservable expected return, the Group classifies the valuation techniques that use these inputs as Level 3. The weighted average interest rates for the wealth management products are 3.51%, 3.83% and 3.48% for the years ended December 31, 2019, 2020 and 2021. The Group elects to measure the investment in wealth management products at fair value with the fair value changes mainly recorded in other income, net and fair value changes in investments, net in the consolidated statements of comprehensive income (loss).

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. PREPAYMENTS, RECEIVABLES AND OTHER ASSETS

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Current:		
Advances to suppliers	474,629	388,319
Deposits paid to real estate developers (i)	2,124,204	558,286
Prepaid rental and other deposits	771,010	748,516
Staff advances	215,007	104,615
Receivables from escrow account	15,029	10,672
Interest receivables	37,227	39,156
VAT-input deductible	655,016	762,927
Prepaid income tax	108,989	138,716
Others	276,267	378,743
Total	4,677,378	3,129,950
Non-current:		
Deferred tax assets (Note 19)	884,435	1,060,131
Others	109,959	121,290
Total	994,394	1,181,421

(i) Deposits paid to real estate developers

Deposits paid to real estate developers refers to the earnest deposits paid by the Group to developers for new home transaction service contracts.

6. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following:

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
New home transaction services	13,546,605	11,026,647
Existing home transaction services	699,673	365,961
Emerging and other services	59,499	83,615
Accounts receivable	14,305,777	11,476,223
Allowance for credit losses	(1,122,218)	(2,151,271)
Accounts receivable, net	13,183,559	9,324,952

The movements in the allowance for credit losses were as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Balance at the beginning of the year	(207,245)	(460,962)	(1,122,218)
Additions	(328,868)	(745,043)	(1,216,517)
Write-offs	75,151	83,787	187,464
Balance at the end of the year	(460,962)	(1,122,218)	(2,151,271)

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCING RECEIVABLES, NET

Financing receivables, net as of December 31, 2020 and 2021 consisted of the following:

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Short-term:		
Financing receivables from consolidated Trusts	3,817,057	526,411
Financing receivables from micro-loan platforms	228,489	307,599
Total short-term financing receivables	4,045,546	834,010
Allowance for credit losses	(113,905)	(131,558)
Total short-term financing receivables, net	3,931,641	702,452
Long-term:		
Financing receivables from consolidated Trusts	1,541	10,243
Financing receivables from micro-loan platforms	229,891	—
Total long-term financing receivables	231,432	10,243
Allowance for credit losses	(13,414)	(204)
Total long-term financing receivables, net	218,018	10,039

These balances represent short-term and long-term financing receivables that are personal credit loans to home buyers and tenants, and to other individual borrowers.

The following table summarizes the balances of financing receivables by due date as of December 31, 2020 and 2021:

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Due in months		
0-12	4,045,546	834,010
13-24	225,853	10,243
25-36	5,579	—
Total financing receivables	4,276,978	844,253

Finance Receivables – Allowance for Credit Losses and Credit Quality

Consistent with the adoption of ASU No. 2016-13 effective January 1, 2020 (refer to note 2.1 (a) Impact of newly adopted accounting pronouncement), the allowance for credit losses is determined principally based on the past collection experience as well as consideration of current and future economic conditions and changes in the Group's customer collection trends. All forward-looking statements are, by their nature, subject to risks and uncertainties, many of which are beyond the Group's control. Primarily as a result of the uncertainty in the real estate sector due to the tightening regulation in 2021 the management updated the CECL model taking the latest available information into consideration. The major assumption (i.e. forward-looking information) and CECL model parameters (i.e. the one-year probability of default) were updated accordingly. The allowance for credit losses increased to 15.61% of gross finance receivables (net of unearned income) at December 31, 2021 from 2.98% at December 31, 2020, which were mainly attributable to the higher proportion of delinquency due to the tightening commercial housing mortgage rule in 2021.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCING RECEIVABLES, NET (CONTINUED)

The activities in the provision for credit losses for the years ended December 31, 2019, 2020 and 2021, respectively, consisted of the following:

	For the Year Ended December 31,		
	2019 RMB	2020 RMB (in thousands)	2021 RMB
Beginning balance prior to ASC 326	—	(93,070)	—
Impact of adoption of ASC 326	—	(60,899)	—
Beginning balance	(54,645)	(153,969)	(127,319)
(Provisions) Reversals	(38,425)	26,650	(124,335)
Write-offs	—	—	119,892
Ending balance	(93,070)	(127,319)	(131,762)

The Group evaluates expected credit losses of financial receivables on a collective basis based on the type of borrowers and delinquency pattern:

Type of borrowers:

Property transaction related business: This segmentation includes financing receivables generated by property transaction business. The average loss rate in this category is 17.31% as of December 31, 2021.

Non-property transaction related business: This segmentation mainly includes consumer loans. The average loss rate in this category is 7.88% as of December 31, 2021.

Delinquency:

Based on the past due days, the Group separates the contracts into 5 groups including current, 1-29 days past due, 30-89 days past due, 90-179 days past due and over 180 days past due. The delinquency rate was 4.89% and 24.2% as at December 31, 2020 and 2021, respectively.

Credit quality indicators are updated quarterly, and the credit quality of any given customer can change during the life of the portfolio.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCING RECEIVABLES, NET (CONTINUED)

Financing receivables portfolio based on customer type, origination year and delinquency are as follows:

RMB in the thousands	1-29 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90-179 Days Past Due	180 days or greater Past Due	Total Past Due	Current	Total
Property transaction related business								
2017	—	—	—	—	6,652	6,652	—	6,652
2018	—	—	—	—	80,917	80,917	—	80,917
2019	—	—	—	—	42,822	42,822	—	42,822
2020	41,807	9,006	1,965	11,521	2,905	67,204	3,748,624	3,815,828
Subtotal	41,807	9,006	1,965	11,521	133,296	197,595	3,748,624	3,946,219
Non-property transaction related business								
2017	168	313	—	—	—	481	—	481
2018	9	—	—	63	337	409	17,399	17,808
2019	612	1,025	794	2,862	2,490	7,783	119,070	126,853
2020	769	263	178	1,235	325	2,770	182,847	185,617
Subtotal	1,558	1,601	972	4,160	3,152	11,443	319,316	330,759
December 31, 2020	43,365	10,607	2,937	15,681	136,448	209,038	4,067,940	4,276,978
Property transaction related business								
2017	—	—	—	—	4,942	4,942	—	4,942
2018	—	—	—	—	36,676	36,676	—	36,676
2019	—	—	—	—	21,616	21,616	—	21,616
2020	—	—	—	—	23,587	23,587	—	23,587
2021	8,340	6,039	8,678	18,161	52,252	93,470	511,224	604,694
Subtotal	8,340	6,039	8,678	18,161	139,073	180,291	511,224	691,515
Non-property transaction related business								
2017	—	—	—	—	453	453	—	453
2018	60	182	269	1,629	1,748	3,888	—	3,888
2019	309	464	572	1,662	8,123	11,130	45,752	56,882
2020	495	268	377	1,086	4,543	6,769	51,246	58,015
2021	421	459	371	529	37	1,817	31,683	33,500
Subtotal	1,285	1,373	1,589	4,906	14,904	24,057	128,681	152,738
December 31, 2021	9,625	7,412	10,267	23,067	153,977	204,348	639,905	844,253

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. PROPERTY AND EQUIPMENT, NET

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Office building	419,797	426,947
Vehicles	23,010	20,360
Computer equipment	901,894	1,071,326
Furniture and office equipment	355,748	421,157
Leasehold improvement	1,644,576	2,315,577
Construction in progress	173,957	143,360
Total	3,518,982	4,398,727
Less: accumulated depreciation	(2,046,522)	(2,412,683)
Less: accumulated impairment	—	(14,337)
Net book value	1,472,460	1,971,707

Depreciation expenses recognized for the years ended December 31, 2019, 2020 and 2021 amounted to RMB562.0 million, RMB552.8 million and RMB879.7 million, respectively.

9. INTANGIBLE ASSETS, NET

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Software	159,879	119,328
Trademarks and domain names	139,521	144,262
Customer relationships	6,820	4,080
Non-competition agreements	2,950	1,300
Advertising resources	2,283,715	2,231,495
License	340,413	349,912
Total	2,933,298	2,850,377
Less: accumulated amortization	(1,023,964)	(1,452,824)
Less: accumulated impairment	(266,683)	(256,280)
Net book value	1,642,651	1,141,273

Amortization expenses recognized for the years ended December 2019, 2020 and 2021 amounted to RMB477.3 million, RMB621.2 million and RMB491.0 million, respectively. Impairment charges of intangible assets recognized for the years ended December 2019, 2020 and 2021 amounted to nil, RMB213.4 million and nil, respectively.

Impaired intangible assets as at December 31, 2019 consisted of the trademarks acquired through business acquisitions in 2015. As of December 31, 2016, RMB53.3 million impairment loss was recognized on one acquired trademark as the financial performances of the acquired business were significantly below the forecasts on the acquisition dates.

As discussed in Note 12 Goodwill, the Group completed the integration of Nanchang Zhonghuan Hulian Information Co., Ltd. (“Zhonghuan”) business with its original business in the fourth quarter of 2020. The management and employees of Zhonghuan will work as sales channel to promote the business in the cities. Zhonghuan has been integrated with. In addition, the Group decided to terminate the home renovation business it acquired in 2019. Therefore, management considered that the carrying amounts of intangible assets from these acquisitions may not be recoverable and performed an impairment testing with the assistance of an independent valuation firm and identified RMB213.4 million of impairment losses in these assets in 2020.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. INTANGIBLE ASSETS, NET (CONTINUED)

Estimated amortization expenses relating to the existing intangible assets with finite lives for future periods is as follows:

	Amounts RMB (in thousands)
Within 1 year	466,612
Between 1 and 2 years	461,342
Between 2 and 3 years	169,060
Between 3 and 4 years	21,226
Thereafter	23,033
Total	1,141,273

10. LEASES

The Group has operating leases for brokerage sales stores (including contract service centers), administrative offices, entrusted houses and land use rights in China. The recognition of whether a contract arrangement contains a lease is made by evaluating whether the arrangement conveys the right to use an identified asset and whether the Group obtains substantially all the economic benefits from and has the ability to direct the use of the asset.

Operating lease assets and liabilities are included in the items of “Right-of-use assets, Lease liabilities current portion , Lease liabilities non-current portion” on consolidated balance sheets.

The components of lease cost for the years ended December 31, 2019, 2020 and 2021 were listed as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
		(in thousands)	
Operating lease cost	2,631,991	3,055,021	3,586,026
Short-term lease cost	30,065	41,582	47,769
Total	2,662,056	3,096,603	3,633,795

Supplemental cash flows information related to leases was as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
		(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows payment from operating leases	2,705,440	2,928,198	3,413,301
Right-of-use assets obtained in exchange for lease liabilities:			
Right-of-use assets obtained in exchange for new operating lease liabilities	4,443,056	5,631,276	5,749,581

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. LEASES (CONTINUED)

Supplemental balance sheet information related to leases was as follows:

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Operating leases		
Store leases	4,597,948	5,561,664
Administrative office leases	1,295,715	1,037,978
Entrusted house leases	900,252	618,027
Land use rights	27,185	26,542
Total operating lease assets	6,821,100	7,244,211
Operating lease liabilities, current	2,625,979	2,752,795
Operating lease liabilities, non-current	3,833,914	4,302,934
Total operating lease liabilities	6,459,893	7,055,729

	For the Year Ended December 31,		
	2019	2020	2021
Weighted-average remaining lease term (in years)			
Operating leases	2.91	3.15	3.25
Land use right	43.34	42.34	41.34
Weighted-average discount rate			
Operating leases	5.3 %	5.1 %	4.8 %
Land use right	5.3 %	5.1 %	5.3 %

Maturities of lease liabilities were as follows:

	As of December 31, 2021 RMB (in thousands)
2022	2,911,311
2023	2,093,713
2024	1,292,977
2025	812,352
2026	242,276
Thereafter	249,100
Total undiscounted lease payments	7,601,729
Less: imputed interest	(546,000)
Total lease liabilities	7,055,729

The Group's lease agreements generally do not contain an option for the Group to renew a lease for a term agreed by the Group. The Group's lease agreements generally do not contain any residual value guarantees or material restrictive covenants. Payments under the lease arrangements are primarily fixed.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. LONG-TERM INVESTMENTS, NET

The following table sets forth a breakdown of the categories of long-term investments held by the Group as of the dates indicated:

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Investments in equity method investees	689,929	430,292
Investments accounted for at fair values	2,060,849	6,480,322
Equity investments measured under measurement alternative and NAV practical expedient	164,785	1,232,735
Long-term held-to-maturity investments	224,752	1,081,167
Available-for-sale debt investments	—	7,813,655
Total long-term investments	3,140,315	17,038,171

Investments in equity method investees

Balance at December 31, 2018	93,314
Investments made	300,030
Income (loss) from investment	12,882
Investment impairment	(1,500)
Disposal of investment	(800)
Dividend received	(8,000)
Balance at December 31, 2019	395,926
Investments made	339,577
Income (loss) from investment	(10,924)
Investment impairment	(26,650)
Dividend received	(8,000)
Balance at December 31, 2020	689,929
Investments made	258,990
Income (loss) from investment	39,520
Investment impairment	(2,914)
Disposal of investment	(540,433)
Dividend received	(14,800)
Balance at December 31, 2021	430,292

The Group applies the equity method of accounting to account for its equity investments in common stock or in-substance common stock, over which it has significant influence but does not own a majority equity interest or otherwise control.

For the year ended December 31, 2019, the Group made RMB300.0 million new investments under the equity method, mainly including RMB215.0 million equity investment in a company which is primarily engaged in providing residential property rental agency and management services in the PRC. For the year ended December 31, 2020, the Group made RMB339.6 million new investments under the equity method, mainly including RMB280.0 million equity investment in a company which is primarily engaged in providing residential property rental agency and management services in the PRC.

For the year ended December 31, 2021, the Group made RMB259.0 million new investments under the equity method, mainly including RMB198.0 million equity investment in certain newly founded entities which are primarily engaged in real estate development projects investment. In April 2021, the Group disposed investments in certain equity method investees at approximately RMB495.0 million, which approximated their carrying value.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. LONG-TERM INVESTMENTS, NET (CONTINUED)

Impairment recorded for equity method investments for the years ended December 31, 2019, 2020 and 2021 was RMB1.5 million, RMB26.7 million and RMB2.9 million, respectively.

Investments accounted for at fair values

Investments accounted for at fair values include (i) marketable equity securities, which are publicly traded stocks or funds measured at fair value, (ii) unlisted equity securities or debt securities which use significant unobservable inputs to measure the fair value on recurring basis, (iii) long-term loan receivables accounted for under the fair value option method of accounting, and (iv) investments in wealth management products with maturity date in over one year, which are financial instruments with variable interest rates or principal not-guaranteed with certain financial institutions and are measured at fair value in accordance with ASC 825-“Financial Instruments”.

The following table shows the carrying amount and fair value of investments accounted for at fair value:

	Cost basis RMB	Gross unrealized gains RMB	Gross unrealized losses RMB	Exchange adjustments RMB	Dividends received RMB	Fair value RMB
			(in thousands)			
Marketable securities (i)	200,000	—	(96,379)	—	—	103,621
Unlisted equity securities (ii)	203,154	35,140	—	—	—	238,294
Loan receivables measured at fair value (ii)	29,834	11,685	—	—	—	41,519
Wealth management product (iii)	1,703,980	75,213	—	(75,219)	(26,559)	1,677,415
Balance at December 31, 2020	2,136,968	122,038	(96,379)	(75,219)	(26,559)	2,060,849
Marketable securities (i)	296,848	—	(142,337)	(732)	—	153,779
Unlisted equity securities (ii)	221,694	24,313	—	—	—	246,007
Loan receivables measured at fair value (ii)	65,368	2,822	—	—	—	68,190
Wealth management product (iii)	6,109,574	209,844	—	(228,453)	(78,619)	6,012,346
Balance at December 31, 2021	6,693,484	236,979	(142,337)	(229,185)	(78,619)	6,480,322

(i) Marketable securities

Marketable securities represent investments in the equity securities of publicly listed companies, for which the Group does not have significant influence. The marketable securities are valued using the market approach based on the quoted prices in active markets at the reporting date. The Group classifies the valuation techniques that use these inputs as Level 1 of fair value measurements.

(ii) Unlisted equity securities and loan receivables measured at fair value

Investment in IFM Investments Limited (“IFM”)

In October 2017, the Group purchased 10% ownership in IFM, a company focusing on real estate agency business in the PRC, through subscription of 308,084,916 convertible redeemable preferred shares newly issued by IFM at an aggregated subscription price of RMB60 million. Concurrent with the preferred share investment, the Group entered into a convertible note purchase agreement on August 14, 2017 to purchase convertible notes issued by IFM in the principal amount of US\$ equivalent of RMB40 million with maturity period of 30 months and interest rate per annum of 12%. The convertible notes were convertible into IFM’s preferred shares at a discounted price. The Group elected the fair value option to measure the preferred share investments and the entire convertible note with the assistance of an independent valuation firm.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. LONG-TERM INVESTMENTS, NET (CONTINUED)

In 2019, the Group launched many incentive programs to incentivize real estate brokerage firms to join the Group's platform. IFM is one of the leading firms in the real estate agency business industry. In May 2019, to incentivize IFM to join the Group's platform, the Group made additional investment of RMB308 million to acquire certain percentage of IFM's preferred and ordinary shares, converted the convertible note into preferred shares and provided RMB130 million loan to IFM's controlling shareholder, which is secured by 17.5% ownership of IFM. Total consideration of the additional investment in IFM and the loan to IFM's controlling shareholder was RMB438 million. The fair value of the additional investment in IFM and the loan to IFM's controlling shareholder was RMB120.1 million on the transaction date. The difference of RMB317.9 million between the consideration paid and the fair value received was considered and recognized as deemed marketing expenses. As the investment in IFM is not in-substance common stock, it does not qualify for equity method accounting, and according to ASC 321, the Group elected to account for this investment at fair value with realized or unrealized gains and losses recorded in the consolidated statements of comprehensive income (loss). As of December 31, 2020 and 2021, the Group held 37.6% in IFM and account for the investment in IFM amounted to RMB225.9 million, and RMB218.6 million, and loan to IFM's controlling shareholder at fair value amounting to RMB41.5 million, and RMB32.6 million, respectively. The Group classifies the valuation techniques that use these inputs as Level 3 of fair value measurements.

Other than the equity investment in IFM, the investment in unlisted equity securities was primarily equity investments in one private company focusing on home renovation business in the PRC and other private investment companies.

(iii) Wealth management products

As part of the Group's cash management program, the Group invested in certain wealth management products with variable interest rates and principal not guaranteed issued by financial institutions in Hong Kong and in the PRC. These wealth management products were with maturity of over one year, or can be redeemed through advance notice and the Group intended to hold the investments over one year, thus were classified as long-term investments.

Equity investments measured under measurement alternative and NAV practical expedient

Equity investments without readily determinable fair values include investments in private equity funds accounted for under NAV practical expedient, and investments in private companies accounted for under measurement alternative.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. LONG-TERM INVESTMENTS, NET (CONTINUED)

Investments in private equity generally are not redeemable due to the closed-ended nature of these funds. Investment in private equity funds over which the Group does not have the ability to exercise significant influence are accounted for under the NAV practical expedient. As of December 31, 2020 and 2021, the carrying amount of the Group's investment in private equity fund was approximately RMB84.5 million, and RMB126.4 million, respectively. During the years ended December 31, 2019, 2020 and 2021, fair value changes recognized for this equity investment were RMB34.4 million, RMB20.4 million, and RMB51.6 million, respectively. Investments in the private equity fund is subject to a lock-up period of 8 years which restricts investor from withdrawing from the fund during the investment period.

The following table shows the details of investments measured under measurement alternative:

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Yuanjing Mingchuang (i)	—	532,035
Shengdu (ii)	—	480,000
Others	80,262	94,320
Total Equity investments measured under measurement alternative	80,262	1,106,355

(i) Investment in Shenzhen Yuanjing Mingchuang Management Consulting Co. ("Yuanjing Mingchuang")

On May 31, 2021, the Group acquired 29.16% equity interest in Yuanjing Mingchuang, a private company and a related party of the Group, which engaged in long-term apartment rental business in Shenzhen under the brand "V-town". The investment was made in form of preferred shares with a total cash consideration of RMB700 million. The Group elected to use measurement alternative to account for the investment.

Due to the unsatisfied financial performance of Yuanjing Mingchuang, Management determined that impairment indicator existed as of December 31, 2021, and engaged an independent valuation firm to estimate the investment's fair value in accordance with the principles of ASC 820. The fair value of Yuanjing Mingchuang was measured using significant unobservable inputs (Level 3) based on the discounted cash flow method. Significant assumptions used in the valuation include future revenues, the discount rate and the long-term growth rate. Based on the impairment assessments performed, the Group recorded an impairment loss of RMB168.0 million.

(ii) Investment in Shengdu Home Renovation Co., Ltd. ("Shengdu")

On July 5, 2021, the Group announced to enter into a definitive agreement with Shengdu, a home renovation service provider headquartered in Hangzhou, pursuant to which the Group agreed to acquire 100% equity interests in Shengdu from its existing shareholders, for a total consideration capped at RMB8 billion consisting of cash and restricted shares, subject to a staggered acquisition arrangement and customary closing conditions, including regulatory approvals. The Group has purchased 6% of Shengdu's equity interests with preference rights in December 2021 with consideration amount to RMB480 million in cash, among which RMB120 million had been paid in December 2021. The Group elected to use measurement alternative to account for the investment.

As of December 31, 2020 and 2021, investments accounted for under measurement alternative were RMB80.3 million, and RMB1,106.4 million, respectively. There was no upward adjustment identified by the management for the years ended December 31, 2019, 2020 and 2021.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. LONG-TERM INVESTMENTS, NET (CONTINUED)

For the years ended December 31, 2019, 2020 and 2021, nil, RMB9.0 million and RMB183.8 million impairment was recorded for equity investments without readily determinable fair values, respectively. The impairment was recorded in “Impairment loss for equity investments accounted for using measurement alternative” in the Group’s consolidated statements of comprehensive income (loss). Also, the Group classifies the valuation techniques on those investments that use similar identifiable transaction prices as Level 2 of fair value measurements and those investments that measured using significant unobservable inputs as Level 3 of fair value measurements.

Long-term held-to-maturity investments

The Group’s long-term held-to-maturity investments include long-term time deposits placed with banks with original maturities more than one year and those matured date within one year will be reclassified to short-term investments. As of December 31, 2020, all time deposits were denominated in RMB amounting to approximately RMB224.8 million with maturity date in May 2024. As of December 31, 2021, deposits were denominated in RMB amounting to approximately RMB946.1 million, among which RMB514.9 million will be matured in March 2024, RMB200.6 million will be matured in December 2024 and the remaining will be matured in May 2024.

During the year ended 2021, the Group invested in certain long-term held-to-maturity debt securities, and recorded interest income from its long-term held-to-maturity debt securities of RMB1.2 million in the consolidated statements of comprehensive income (loss). Long-term held-to-maturity debt securities as of December 31, 2021 are shown as below, which would be due in 2 to 3 years:

	As of December 31, 2021			
	Cost or	Gross	Gross	Fair
	Amortized	unrecognized	unrecognized	value
	cost	holding	holding	
	RMB	RMB	RMB	RMB
		(in thousands)		
Long-term held-to-maturity debt securities	135,071	—	(951)	134,120

Available-for-sale debt investments

The Group’s available-for-sale debt investments mainly include investments in debt securities issued by banks and other financial institutions that are redeemable at the issuer’s option, which have no contractual maturity date. Available-for-sale debt investments as of December 31, 2021 are shown as below:

	As of December 31, 2021			
	Cost or	Gross	Gross	Fair
	Amortized	unrealized	unrealized	value
	cost	gains	losses	
	RMB	RMB	RMB	RMB
		(in thousands)		
Available-for-sale debt investments	7,778,077	55,630	(20,052)	7,813,655

The proceeds received at settlement date of available-for-sale debt investments is RMB716.0 million.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. LONG-TERM INVESTMENTS, NET (CONTINUED)

The following table summarizes the Group's gross unrealized losses and fair values for available-for-sale investments in an unrealized loss position as of December 31, 2021

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	RMB	RMB	RMB	RMB	RMB	RMB
	(in thousands)					
Additional Tier 1 Bonds	2,102,879	(13,859)	1,398,742	(6,193)	3,501,621	(20,052)

Estimated allowances for credit losses of available-for sales are determined by considering reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions. Based on this evaluation, no allowance for credit losses on debt securities was recorded as of December 31, 2021.

12. GOODWILL

For the years ended December 31, 2019, 2020 and 2021, the changes in the carrying value of goodwill by segment are as follows:

	Existing home transaction services	New home transaction services	Emerging and other services	Total
	RMB	RMB	RMB	RMB
	(in thousands)			
Balance as of December 31, 2018 (i)	848,732	286,302	—	1,135,034
New additions (i)	1,343,556	—	16,193	1,359,749
Disposal of a business (ii)	(17,708)	—	—	(17,708)
Balance as of December 31, 2019	2,174,580	286,302	16,193	2,477,075
New additions (iii)	—	13,080	—	13,080
Re-assignment of goodwill (iv)	(1,192,875)	1,192,875	—	—
Impairment provided (v)	(695)	(5,770)	(16,193)	(22,658)
Balance as of December 31, 2020	981,010	1,486,487	—	2,467,497
New additions (vi)	46,932	23,628	—	70,560
Impairment provided (vii)	(433,034)	(299,334)	—	(732,368)
Balance as of December 31, 2021	594,908	1,210,781	—	1,805,689

- (i) During 2011 to 2018, the Group acquired several real estate agency companies in several cities which primarily operated existing home transaction services and new home transaction services in the PRC. The excess of purchase price over net tangible assets and identifiable intangible assets acquired were recorded as goodwill which amounted to RMB1,766.9 million at the acquisition date. The Group estimated the fair value of acquired assets and liabilities with the assistance of an independent valuation firm. As of December 31, 2018, the Group provided RMB631.8 million of impairment loss on goodwill, as the financial performances of certain acquired business were significantly below the forecasts on the acquisition dates.

During the year ended December 31, 2019, the addition under existing home transaction services was related to the acquisition of Zhonghuan (Note 24), while all the additions under other service segment was related to the acquisition of a subsidiary operating home renovation business.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. GOODWILL (CONTINUED)

- (ii) In November 2019, the Group disposed of one of Zhonghuan's subsidiaries. The net assets disposed constituted a business and a portion of Zhonghuan's goodwill which amount equals to RMB17.7 million was disposed.
- (iii) During the year ended December 31, 2020, the addition under new home transaction services was related to the acquisition of a new home transaction business.
- (iv) Zhonghuan was defined as one reporting unit after its acquisition. Considering the performance and operating profit did not meet expectations, the Group performed a quantitative analysis for the reporting unit of Zhonghuan as of December 31, 2019 with the assistance of an independent valuation firm, and no impairment was identified. In the fourth quarter of 2020, the Group completed the integration of Zhonghuan business with its existing home and new home transaction business. As such, the Group reassigned goodwill to reporting units affected using the relative fair value approach based on forecasted incremental revenue to the reporting units after the integration. RMB1,192.9 million of goodwill was reassigned to new home transaction segment, while RMB133.0 million remained in existing home transaction segment. The management performed a quantitative impairment test for the reporting unit of Zhonghuan before the reassignment with the assistance of an independent valuation firm. Based on the assessment, the fair value exceeded the carrying amounts of the reporting unit and no impairment was identified. The management also performed a qualitative analysis on the affected reporting units after the reassignment, no impairment was identified in these affected reporting units as their business were profitable and fast growing, and it is more-likely-than-not that the fair values of these reporting units are more than their carrying amounts.
- (v) At the end of 2020, to further streamline the Group's home renovation business, management decided to terminate the home renovation business it acquired in 2019. Goodwill of RMB16.2 million associated with this reporting unit was determined to be fully impaired. Other impairments in goodwill were related to cities where the management decided not to operate any Beike platform business, and goodwill was fully impaired in these reporting units.

For other reporting units, as of December 31, 2019 and 2020, management performed a qualitative analysis by taking into consideration the macroeconomics, overall financial performance, industry and market conditions, and no impairment was identified.

- (vi) During the year ended December 31, 2021, the Group acquired several real estate agency companies in several cities which primarily operated existing home transaction services and new home transaction services in the PRC.
- (vii) During the nine months ended September 30, 2021, revenue and profit generated by certain reporting units decreased significantly due to market downturn. Management determined that the significant decline in revenue and profit was a triggering event. Based on the interim impairment assessment as of September 30, 2021, management concluded that the goodwill attributable to certain reporting units, was impaired and accordingly, recorded goodwill impairment loss of RMB397.1 million, including RMB178.3 million related to reporting units within the existing home transaction services segment and RMB218.8 million related to reporting units within new home transaction services segment.

The Group performed annual impairment assessments of goodwill as of December 31, 2021 by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of each of the reporting units was less than their carrying amount. Based on the qualitative assessments, the management determined that impairment indicators existed as of December 31, 2021 for certain reporting units. Management then performed quantitative impairment tests and recorded goodwill impairment loss of RMB335.3 million, including RMB254.7 million related to reporting units within the existing home transaction services segment and RMB80.6 million related to reporting units within new home transaction services segment. After the qualitative and quantitative impairment test, as of December 31, 2021, the carrying value of the impaired goodwill was RMB134.1 million, and the carrying value of goodwill that was not impaired was RMB1,671.6 million.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. GOODWILL (CONTINUED)

Key assumptions used in quantitative impairment test

The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. The Group used a discounted cash flow model (“DCF model”) to estimate the current fair value of the reporting units, as management believes forecasted operating cash flows were the best indicator of current fair value. A number of significant assumptions were involved in the preparation of the DCF models including future revenues, discount rates and long-term growth rate.

Impairment loss of goodwill recognized for the years ended December 31, 2019, 2020 and 2021 were nil, RMB22.7 million and RMB732.4 million, respectively. As of December 31, 2019, 2020 and 2021, the original gross amounts of goodwill were RMB3,108.9 million, RMB3,122.0 million and RMB3,192.5 million, respectively, and accumulated impairment losses were RMB631.8 million, RMB654.5 million and RMB1,386.9 million, respectively.

13. BORROWINGS

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Short-term borrowings (i)	—	260,000
Long-term borrowings (ii)	—	—
Total	—	260,000

(i) Short-term borrowings as of December 31, 2020 and 2021 amounted to nil and RMB260 million respectively.

In August 2021, Beike Technology Co., Ltd entered into a RMB260 million 359-day short-term borrowing contract with a bank at a fixed borrowing rate of 3.9%. RMB43.3 million and RMB216.7 million are scheduled to be paid off on February 28, 2022 and August 24, 2022 respectively according to the borrowing contract.

(ii) In October 2019, Sharehome HK international Limited entered into a 3-year US\$675 million revolving credit facilities agreement with a group of 10 arrangers. The debt issuance costs of US\$5.56 million were presented as a direct deduction from the principal amount of the facility in the consolidated balance sheets. By the end of December 31, 2020, the borrowing was fully paid off in advance.

The revolving credit facilities agreement requires Sharehome HK international Limited to meet certain annually financial covenants calculated from the fiscal year most recently ended, including: i) a net leverage ratio, which requires that at the end of each fiscal year the ratio of (a) total net debt to (b) EBITDA, may not exceed 1.50 to 1.00; and ii) an interest coverage ratio, which requires that at the end of each fiscal year the ratio of EBITDA to interest expense, as defined in the Amended Credit Agreement, may not be less than 6.00 to 1.00. The Group was in compliance with all covenants during the credit period.

In October 2019, the Group entered into a 7-year RMB156 million facility agreement with a bank at a fixed borrowing rate of 4.9%. To facilitate this borrowing, an equity investment and a real estate property have been mortgaged. By the end of December 31, 2019, RMB102.78 million of the facility was drawn down, which was due in 2025. During the first quarter of 2020, RMB42.04 million of the facility was drawn down, which will be due in 2026. By the end of December 31, 2020, the borrowing was fully paid off in advance.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. ACCOUNTS PAYABLE

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Payable related to new home transaction business	5,467,302	5,248,897
Payable for advertising fees	635,715	194,546
Payable for internet service fees	135,389	111,694
Payable for leasehold improvements	204,139	183,997
Others	152,301	269,631
Total	6,594,846	6,008,765

15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Deposit related to franchise services	936,533	1,078,395
Deposit related to new home transaction services	—	648,443
Other tax payables	609,137	362,819
Payable related to business combination (i)	7,200	360,080
Payable related to escrow accounts services (ii)	352,609	187,605
Deferred guarantee revenue	64,184	31,246
Others	980,415	782,609
Total	2,950,078	3,451,197

- (i) As of December 31, 2021, payable related to business combination mainly consisted of cash consideration payable in relation to the purchase of equity investment in Shengdu Home Renovation Co., Ltd. in December 2021 (Note 11).
- (ii) Payable related to escrow accounts services refers to escrow payments such as deposits, down payments and other payments collected from the property buyers on behalf of and payable to the property sellers. The escrow payments will be paid to property sellers according to the payment schedule of the property purchase agreement agreed by both parties.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. FUNDING DEBTS

The following table summarized the Group's outstanding funding debts as of December 31, 2020 and 2021, respectively:

	As of December 31,	
	2020 RMB	2021 RMB
	(in thousands)	
Short-term:		
Loan payables to investors of consolidated Trusts	1,512,510	194,200
Total short-term funding debts	1,512,510	194,200
Long-term:		
Loan payables to investors of consolidated Trusts	15,000	—
Total long-term funding debts	15,000	—

The following table summarizes the remaining contractual maturity dates of the Group's funding debts and associated interest payments as of December 31, 2021:

	Less than 1 year RMB	1 - 2 years RMB	2 - 3 years RMB (in thousands)	More than 3 years RMB	Total RMB
Loan payables to investors of consolidated Trusts	194,200				194,200
Total funding debts	194,200	—	—	—	194,200
Interest payments	3,175				3,175
Total interest payments	3,175	—	—	—	3,175

For the years ended December 31, 2019, 2020 and 2021, terms of most funding debts borrowed by the Group from investors of certain consolidated trusts ranged from 30 days to 25 months. Since most of trusts allowed borrower's repayment to reinvest in issuing new loans, the terms of funding debts are not matched with the terms of the corresponding financial receivables. The funding debts had a weighted average interest rate of 7.94%, 8.09% and 7.84% for the years ended December 31, 2019, 2020 and 2021.

17. OTHER INCOME, NET

	For the Year Ended December 31,		
	2019 RMB	2020 RMB (in thousands)	2021 RMB
Investment income, net	96,807	185,604	487,724
Government grants	344,811	876,255	1,059,907
Net gain (loss) on disposal of property, equipment and intangible assets	(7,448)	3,548	(467)
Others	(2,870)	(9,753)	155,250
Total	431,300	1,055,654	1,702,414

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. INTEREST INCOME, NET

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Interest income	437,869	383,116	385,375
Interest expense	(181,099)	(188,364)	(6,105)
Bank charges	(26,416)	(30,963)	(18,952)
Others	(15)	(189)	(5,751)
Total	230,339	163,600	354,567

19. TAXATION
Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance or estate duty. There are no other taxes likely to be material to the Group levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

British Virgin Islands

The Group's subsidiaries incorporated in the British Virgin Islands are not subject to income or capital gains tax under the current laws of the British Virgin Islands. In addition, payment of dividends by the British Virgin Islands subsidiaries to their respective shareholders who are not resident in the British Virgin Islands, if any, is not subject to withholding tax in the British Virgin Islands.

Hong Kong

Hong Kong income tax rate is two-tiered profits tax regime, under which the tax rate is 8.25% or assessable profits on the first HK dollar 2 million and 16.5% or any assessable profits in excess of HK dollar 2 million. Hong Kong profits tax was provided for the assessable profit that was subject to Hong Kong profits tax during the years ended December 31, 2019, 2020 and 2021. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Group are not subject to any Hong Kong withholding tax.

China

On March 16, 2007, the National People's Congress of PRC enacted a new Corporate Income Tax Law ("new CIT law"), under which Foreign Investment Enterprises ("FIEs") and domestic companies would be subject to corporate income tax at a uniform rate of 25%. The new CIT law became effective on January 1, 2008. Under the new CIT law, preferential tax treatments will continue to be granted to entities which conduct businesses in certain encouraged sectors and to entities otherwise classified as "high and new technology enterprises" or "small and micro businesses".

Beike Zhaofang has been entitled to an exemption from income tax for the first two years and 50% reduction for the next three years from its first profitable year as a "software enterprise." It also qualified as a "high and new technology enterprise" and has a preferential income tax rate of 15% from 2016 to 2018 and 2020 to 2022. The privileges cannot be applied simultaneously. Beike Zhaofang applied the privilege of "software enterprise" and was exempted from income tax in 2016 and 2017, and had a preferential income tax rate of 12.5% from 2018 to 2020. Beike Zhaofang applied the privilege of "high and new technology enterprise" and has a preferential income tax rate of 15% from 2021 to 2022.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. TAXATION (CONTINUED)

Certain enterprises benefit from a preferential tax rate of 15% under the EIT Law if they are located in applicable PRC regions as specified in the Catalogue of Encouraged Industries in Western Regions (initially effective through the end of 2010 and further extended to 2030), or the Western Regions Catalogue, subject to certain general restrictions described in the EIT Law and the related regulations. Three, six and six entities in the Group for the years ended December 31, 2019, 2020 and 2021, respectively, were qualified as the enterprises within the Catalogue of Encouraged Industry in the Western Region and had a 15% preferential income tax rate.

The Group's other PRC subsidiaries, consolidated VIEs (inclusive of VIEs' subsidiaries) are subject to the statutory income tax rate of 25%.

According to the relevant laws and regulations in the PRC, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (the "R&D Deduction"). The State Taxation Administration of the PRC announced in September 2018 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses as R&D Deduction from January 1, 2018 to December 31, 2023.

The components of income (loss) before tax for the years ended December 31, 2019, 2020 and 2021, are as follows:

	For the Year Ended December 31,		
	2019 RMB	2020 RMB (in thousands)	2021 RMB
Income (loss) before income tax expense			
Income from China operations	2,417,298	6,302,358	2,484,608
Loss from non-China operations	(3,693,062)	(1,915,239)	(1,343,882)
Total income (loss) before income tax expense	(1,275,764)	4,387,119	1,140,726
Income tax expense from China operations			
Current income tax expense	1,332,238	1,891,723	1,759,725
Deferred tax benefit	(438,661)	(359,429)	(169,673)
Income tax expense from China operations	893,577	1,532,294	1,590,052
Income tax expense from non-China operations	10,786	76,502	75,440
Total income tax expense	904,363	1,608,796	1,665,492

For the years ended December 31, 2019, 2020 and 2021, the Group's non-China operations mainly included (i) share-based compensation expenses amounting to RMB2,955.6 million, RMB2,252.6 million, RMB1,538.3 million, respectively; (ii) amortization of the advertising and traffic resources and consumption of other marketing and cloud services provided by Tencent amounting to RMB563.6 million, RMB175.7 million and RMB10.4 million, respectively; and (iii) gains from investment in wealth management products amounting to nil, RMB226.9 million and RMB502.4 million, respectively.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. TAXATION (CONTINUED)

The income tax expense (benefit) applicable to the Group's operations for the years ended December 31, 2019, 2020 and 2021, differs from the amount computed by applying the PRC statutory income tax rate of 25% to income before tax due to the following:

	For the Year Ended December 31,		
	2019	2020	2021
Statutory income tax rate	25.0 %	25.0 %	25.0 %
Tax effect of preferential treatments	2.5 %	(2.5)%	(12.4)%
Effect on tax rates in different tax jurisdiction	(73.2)%	12.8 %	36.1 %
Tax effect of permanent difference	15.7 %	(3.5)%	49.7 %
Tax effect of R&D deduction and others	5.0 %	(4.0)%	(21.2)%
Change in valuation allowance	(45.9)%	8.9 %	68.8 %
Effect tax rates	(70.9)%	36.7 %	146.0 %

The change of effective tax rate for the years ended December 31, 2019 and 2020 is primarily due to increase in expected utilization of accumulated tax losses in certain entities. The change of effective tax rate for the years ended December 31, 2020 and 2021 is primarily due to increase in expected non-deductible expenses and increase in valuation allowance.

The following table sets forth the effect of tax holiday related to China operations:

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
(in thousands, except for per share data)			
Tax holiday effect	31,394	108,213	141,554
Basic net income per share effect	0.02	0.05	0.04
Diluted net income per share effect	0.02	0.05	0.04

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. TAXATION (CONTINUED)

Deferred tax assets and liabilities

The tax effects of temporary differences that give rise to the deferred income tax assets and liabilities as of December 31, 2020 and 2021 are as follows:

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Deferred tax assets		
Net operating loss carrying forward	1,483,894	2,210,114
Asset impairment	530,710	730,959
Deferred rental cost	88,147	116,862
Unrealized profits	467,404	330,808
Accrual expense	451,008	556,900
Others	41,922	42,186
Less: valuation allowance	(2,178,650)	(2,892,268)
Deferred tax assets, net of valuation allowance	884,435	1,095,561
Deferred tax liability		
Fair value change of certain investments	(5,087)	(40,556)
Acquired intangible assets	(5,152)	(14,419)
Deferred revenue	(7,050)	(3,767)
Total deferred tax liability	(17,289)	(58,742)

The movements of the valuation allowance for the years ended December 31, 2019, 2020 and 2021 are as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Balance at the beginning of the year	(1,325,529)	(1,797,234)	(2,178,650)
Change of valuation allowance	(471,705)	(381,416)	(713,618)
Balance at the end of the year	(1,797,234)	(2,178,650)	(2,892,268)

A valuation allowance is provided against deferred tax assets when the Group determines that it is more-likely-than-not that the deferred tax assets will not be utilized in the future. The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will be more-likely-than-not realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses and forecasts of future profitability. These assumptions require significant judgment and the forecasts of future taxable income are consistent with the plans and estimates the Group is using to manage the underlying businesses. The statutory income tax rate of 25% or applicable preferential income tax rates were applied when calculating deferred tax assets.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. TAXATION (CONTINUED)

As of December 31, 2019, 2020 and 2021, the Group had net operating loss carryforwards of approximately RMB7,054.8 million, RMB6,347.1 million and RMB8,925.6 million, respectively, which arose from the Group's certain subsidiaries, VIEs and the VIEs' subsidiaries established in the PRC. As of December 31, 2019, 2020 and 2021, deferred tax assets arose from the net operating loss carryforwards amounted to RMB1,475.6 million, RMB1,483.9 million and RMB2,153.8 million was provided for full valuation allowance respectively, while the remaining RMB0.8 million, nil and RMB56.6 million is expected to be utilized prior to expiration considering future taxable income for respective entities. As of December 31, 2021, the net operating loss carryforwards of RMB8,925.6 million will expire in the years ending December 31, 2022 through 2026, respectively, if not utilized.

The Company intends to indefinitely reinvest all the undistributed earnings of the VIEs and subsidiaries of the VIEs in China, and does not plan to have any of its PRC subsidiaries to distribute any dividend; therefore no withholding tax is expected to be incurred in the foreseeable future. Accordingly, no income tax is accrued on the undistributed earnings of the VIEs and subsidiaries of the VIEs as of December 31, 2019, 2020 and 2021. Although the Company's certain PRC subsidiaries have generated accumulated earnings as of December 31, 2021, they have not paid any dividends in the past and currently have no plans to pay any dividends. These PRC subsidiaries plan to reinvest their profits into the PRC operations.

As of December 31, 2021, the total number of undistributed profits from the PRC subsidiaries and VIEs for which no withholding tax had been accrued was RMB19,389 million, and the unrecognized tax liabilities were RMB1,939 million.

Withholding tax on undistributed dividends

The new CIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC company is located." Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside of the PRC should be considered a resident enterprise for PRC tax purposes.

The new CIT law also imposes a withholding income tax of 10% on dividends distributed by an VIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an VIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the VIE). The Group did not record any dividend withholding tax on the retained earnings of its FIEs in the PRC, as the Group intends to reinvest all earnings in China to further expand its business in China, and the VIEs do not intend to declare dividends on the retained earnings to their immediate foreign holding companies.

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20. SHARE-BASED COMPENSATION

Compensation expenses recognized for share-based awards granted by the Company were as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB (in thousands)	RMB
Included in:			
Cost of revenues	—	511,637	406,131
Sales and marketing expenses	—	77,574	110,446
General and administrative expenses	2,955,590	1,131,335	595,732
Research and development expenses	—	532,043	425,978
Total	2,955,590	2,252,589	1,538,287
Share-based compensation related to share options (a)	2,523,105	2,252,589	1,504,025
Share-based compensation related to restricted share units (b)	—	—	34,262
Share-based compensation related to ordinary shares (c)	432,485	—	—
Total	2,955,590	2,252,589	1,538,287

There was no income tax benefit recognized in the consolidated statements of comprehensive income (loss) for share-based compensation expenses and the Group did not capitalize any of the share-based compensation expenses as part of the cost of any assets in the years ended December 31, 2019, 2020 and 2021.

(a) Share-based compensations related to share options

Share Awards in 2016

In January 2016, Beijing Lianjia, the Group's main operation entity in China prior to the Reorganization, granted certain number equity-settled share-based awards to a number of key management members with the purpose of providing incentives for their contribution to the Group. These share awards will vest over a period of four years of continuous service, with one fourth (1/4) of which vest on each anniversary of the grant date respectively. The options may be exercised at any time and are exercisable for a maximum period of 10 years after the date of grant.

In connection with the Reorganization described in Note 1(b), in August 2018, the share awards granted by the Group in 2016 were cancelled and replaced by 100,000,000 of the Company's share options granted by the Company to these employees ("Modification Awards") under the 2018 Share Option Plan as mentioned below; terms and conditions of the Modification Awards were not changed. Concurrently, the unvested portion of the Modification Awards were all vested immediately upon the grant. Cancellation of an award accompanied by the grant of a replacement award in connection to the Reorganization is accounted for as a modification and any incremental compensation cost is measured as the excess of the fair value of the replacement award over the fair value of the cancelled award at the cancellation date. In relation to the Modification Awards, the Group recognized the portion of the incremental value on the grant date of the new awards. The incremental value was insignificant for the Group's financial statements. All Modification Awards were exercised in September 2018.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. SHARE-BASED COMPENSATION (CONTINUED)*2018 Beijing Lianjia Plan*

On July 6, 2018, Beijing Lianjia, the Group's main operation entity in China prior to the Reorganization, adopted the "2018 Employee Share Option Scheme" (the "2018 Beijing Lianjia Plan"), an equity-settled share-based compensation plan with the purpose of providing incentives and rewards to its employees, officers, directors or any other qualified persons. The maximum number of virtual shares that may be issued under the 2018 Beijing Lianjia Plan (including the share awards granted in 2016 as described above) shall be equivalent to approximately 14.01% of Beijing Lianjia's total equity interests. The share options granted under 2018 Beijing Lianjia Plan have a contractual term of ten years from the stated vesting commencement date, and are generally scheduled to be vested over four years of continuous service subject to one of the vesting schedules below according to each option agreement:

- 25% of the total granted share options are vested on the first, second, third and fourth anniversary of the stated vesting commencement date respectively;
- 50% of the total granted share options are vested on the second anniversary of the stated vesting commencement date, and the remaining of the awards are vested in equal installments on an annual basis over the remaining vesting period.

Under the 2018 Beijing Lianjia Plan, share options granted to the employees of the Group are only exercisable upon the occurrence of an initial public offering of the Group.

Pursuant to the 2018 Beijing Lianjia Plan, certain number of share options with exercise price of US\$0.00002 per share were granted to the employees of the Group. In connection with the Reorganization described in Note 1(b), in November 2019, all of the then outstanding share options granted under 2018 Beijing Lianjia Plan were cancelled and replaced by 32,428,930 share options granted by the Company to these employees under the 2018 Share Option Plan as mentioned below. As there was no additional economic benefit granted to or received from the employees in line with such exchange, the cancellation of the old award accompanied by the grant of a replacement award in connection to the Reorganization is not considered a modification to the awards, and no incremental value was recognized.

2018 Share Option Plan

On August 20, 2018, the Company adopted the "Pre-IPO Share Option Scheme" (the "2018 Share Option Plan"), an equity-settled share-based compensation plan with the purpose of providing incentives and rewards to its employees, directors and consultants of the Group who have contributed or will contribute to the Group. The maximum number of shares that may be issued under the 2018 Share Option Plan shall be 350,225,435 Class A Ordinary Shares of the Company on December 28, 2018. Share options granted under 2018 Share Option Plan have a contractual term of ten years from the stated vesting commencement date, and are generally scheduled to be vested over continuous service period of one to five years, the majority of which are subject to one of the vesting schedules below according to each option agreement:

- 25% of the total granted share options are vested on the first, second, third and fourth anniversary of the stated vesting commencement date respectively;
- 50% of the total granted share options are vested on the second anniversary of the stated vesting commencement date, and the remaining of the awards are vested in equal installments on an annual basis over the remaining vesting period;
- 30%, 30% and 40% of the total granted share options are vested on the second, third and fourth anniversary of the stated vesting commencement date respectively;
- All granted share options are vested on the first anniversary of the stated vesting commencement date;
- All granted share options are vested on the fifth anniversary of the stated vesting commencement date.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. SHARE-BASED COMPENSATION (CONTINUED)

Under the 2018 Share Option Plan, share options granted to employees of the Group are only exercisable upon the occurrence of an initial public offering of the Company.

Pursuant to the 2018 Share Option Plan, the Company has granted 95,193,795 share options with exercise price of US\$0.00002 per share to certain senior management members, which are all vested immediately upon the grant, and the related share based compensation costs were recognized on the grant date based on the fair value on the same date. All of the 95,193,795 share options granted under 2018 Share Option Plan were exercised immediately after vesting on November 29, 2019.

For the year ended of December 31, 2021, pursuant to 2018 Share Option Plan, the Company further granted 20,341,532 share options with exercise price of US\$0.00002 per share which have a contractual term of ten years from the stated vesting commencement date, and are generally scheduled to be vested over one to five years of continuous service according to each option agreement. Under the 2018 Share Option Plan, share options granted to employees of the Group are only exercisable upon the occurrence of an initial public offering of the Company.

The following table summarizes activities of the Company's share options under Modification Awards, 2018 Beijing Lianjia Plan and 2018 Share Option Plan as converted to the number of ordinary shares of the Company:

	Number of options outstanding	Weighted average exercise price US\$	Weighted average remaining contractual life In Years	Aggregate intrinsic value US\$ (in thousands)
Outstanding as of December 31, 2018	24,551,710	0.00002	8.65	74,499
Granted	114,844,455	0.00002		
Exercised	(95,193,795)	0.00002		
Forfeited	(5,779,200)	0.00002		
Outstanding as of December 31, 2019	38,423,170	0.00002	8.12	144,869
Granted*	107,975,010	0.00002		
Exercised	-	0.00002		
Forfeited	(8,016,790)	0.00002		
Outstanding as of December 31, 2020	138,381,390	0.00002	8.29	2,838,661
Granted	20,341,532	0.00002		
Exercised	(57,076,970)	0.00002		
Forfeited	(8,913,268)	0.00002		
Outstanding as of December 31, 2021	92,732,684	0.00002	8.11	621,926
Vested and exercisable as of December 31, 2019	-	-	-	-
Vested and exercisable as of December 31, 2020	42,486,004	0.00002	8.29	871,529
Vested and exercisable as of December 31, 2021	10,816,028	0.00002	6.96	72,539

* 165,070 options were granted to non-employee consultants in the year ended December 31, 2020.

The weighted-average grant date fair value for options granted under the 2018 Beijing Lianjia Plan and 2018 Share Option Plan during the years ended December 31, 2019, 2020 and 2021 was US\$3.68, US\$6.63 and US\$15.65, respectively, computed using the binomial option pricing model. During the years ended December 31, 2019, 2020 and 2021, the aggregate intrinsic value of share options exercised was US\$359 million, nil and US\$788 million, respectively. The total share-based compensation expenses recognized for share options during the years ended December 31, 2019, 2020 and 2021 was RMB2,523 million, RMB2,253 million and RMB1,504 million.

KE Holdings Inc.
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20. SHARE-BASED COMPENSATION (CONTINUED)

The fair value of each option granted under the Company's Share Awards in 2018 Beijing Lianjia Plan and 2018 Share Option Plan for the years ended December 31, 2019, 2020 and 2021 was estimated on the date of each grant using the binomial option pricing model with the assumptions (or ranges thereof) in the following table:

	For the year ended December 31,		
	2019	2020	2021
Exercise price (US\$)	0.00002	0.00002	0.00002
Fair value of ordinary shares (US\$)	3.04 ~ 3.77	3.77 ~ 20.67	5.51 ~ 22.33
Expected volatility	50.8% ~ 52.6 %	51.6% ~ 52.1 %	51.0% ~ 52.2 %
Expected term (in years)	10	10	10
Expected dividend yield	0 %	0 %	0 %
Risk-free interest rate	2.3% ~ 3.5 %	1.1% ~ 1.6 %	1.9% ~ 2.3 %

Risk-free interest rate is estimated based on the yield curve of US Sovereign Bond as of the option valuation date. The expected volatility at the grant date and each option valuation date is estimated based on annualized standard deviation of daily stock price return of comparable companies with a time horizon close to the expected expiry of the term of the options. The Group does not anticipate any dividend payments in the foreseeable future. Expected term is the contract life of the options.

As of December 31, 2021, there was RMB3,300.6 million of unrecognized compensation expense related to the share options granted to the Group's employees, which are expected to be recognized over a weighted-average period of 2.9 years and may be adjusted for future changes in forfeitures.

(b) Share-based compensations related to restricted share units

2020 Share Incentive Plan

In July 2020, the Company adopted a 2020 Global Share Incentive Plan (the "2020 Share Incentive Plan"), pursuant to which the maximum number of shares of the Company available for issuance pursuant to all awards under the 2020 Share Incentive Plan (the "Award Pool") shall initially be 80,000,000 shares, plus an annual increase on the first day of each fiscal year of the Company during the ten-year term of this plan commencing with the fiscal year beginning January 1, 2021, by an amount equal to the lesser of (i) 1.0% of the total number of shares issued and outstanding on the last day of the immediately preceding fiscal year, and (ii) such number of shares as may be determined by the Board. The size of the Award Pool to be equitably adjusted in the event of any share dividend, subdivision, reclassification, recapitalization, split, reverse split, combination, consolidation or similar transactions.

Pursuant to the 2020 Share Incentive Plan, 2,525,730 restricted share units have been granted to employees of the Group as of December 31, 2021, which are generally scheduled to be vested over continuous service period of one to five years, the majority of which are subject to one of the vesting schedules below according to each option agreement:

- 25% of the total granted restricted share units are vested on the first, second, third and fourth anniversary of the stated vesting commencement date respectively;
- 50% of the total granted restricted share units are vested on the second anniversary of the stated vesting commencement date, and the remaining of the awards are vested in equal installments on an annual basis over the remaining vesting period;
- 30%, 30% and 40% of the total granted restricted share units are vested on the second, third and fourth anniversary of the stated vesting commencement date respectively;
- 50% of the total granted restricted share units are vested on the first and second anniversary of the stated vesting commencement date respectively;
- All granted restricted share units are vested on the fifth anniversary of the stated vesting commencement date.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. SHARE-BASED COMPENSATION (CONTINUED)

The following table summarizes activities of the Company's restricted share units under 2020 Share Incentive Plan:

	Number of RSU outstanding	Weighted average grant-date fair value US\$
Outstanding as of December 31, 2020	—	—
Granted	2,525,730	11.85
Vested	—	—
Forfeited	(83,607)	15.89
Outstanding as of December 31, 2021	2,442,123	11.72

The total share-based compensation expenses recognized for restricted share units during the year ended 2021 was RMB34.3 million.

As of December 31, 2021, there was RMB150.2 million of unrecognized compensation expense related to restricted share units granted to the Group's employees, which are expected to be recognized over a weighted-average period of 3.5 years and may be adjusted for future changes in forfeitures.

(c) Share-based Compensation related to ordinary shares

Compensation expenses related to ordinary shares were as follows:

	For the year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Share-based compensation at transfer of ordinary shares from employees to investors (i)	323,199	—	—
Share-based compensation at repurchase of ordinary shares (i)	46,048	—	—
Share-based compensation at repurchase of deemed issued shares	63,238	—	—
Total	432,485	—	—

(i) For the detail, please refer to Note 21.

21. ORDINARY SHARES

On July 6, 2018, the Company was incorporated as a limited liability company with authorized share capital of US\$50,000 divided into 2,500,000,000 ordinary shares of par value US\$0.00002 each. Upon its incorporation, 437,700 and 20,700 ordinary shares were issued to Mr. Zuo Hui and Shan Yigang, respectively.

On September 4, 2018, 971,577,300 and 57,829,300 ordinary shares were issued to Mr. Zuo Hui and Shan Yigang, respectively. Concurrently, certain executive officers of the Company exercised their vested stock options to acquire 100,000,000 ordinary shares of the Company.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. ORDINARY SHARES (CONTINUED)

On December 28, 2018, in connection with the Reorganization, the Company increased its authorized share capital to US\$500,000 divided into 25,000,000 shares comprising of:

- (i) 21,250,000,000 Class A Ordinary Shares at par value of US\$0.00002 each;
- (ii) 1,250,000,000 Class B Ordinary Shares at par value of US\$0.00002 each;
- (iii) 750,000,000 Series B Preferred Shares at par value of US\$0.00002 each;
- (iv) 750,000,000 Series C Preferred Shares at par value of US\$0.00002 each;
- (v) 1,000,000,000 Series D Preferred Shares at par value of US\$0.00002 each.

On that same date, ordinary shares held by Mr. Zuo Hui and Shan Yigang were reduced to 933,289,250 Class B Ordinary Shares and 52,649,160 Class A Ordinary Shares, respectively, and other ordinary shares were all re-designated as Class A Ordinary Shares. The Company issued another 289,034,485 Class A Ordinary Shares to other ordinary shareholders as part of the Reorganization to swap their equity interests in Beijing Lianjia and Yiju Taihe with the shareholding interests in the Company.

On June 17, 2019, the Company repurchased 8,806,005 Class A Ordinary Shares held by Golden Fortitude Enterprises Limited, which was controlled by a director of the Company, at a consideration of US\$33.5 million (RMB231 million). The difference between the repurchase price and fair value of the ordinary shares at the time of the repurchase amounting to US\$6.7 million (RMB46 million) was recorded as compensation expenses. The repurchased ordinary shares were recorded as treasury shares at the fair value of ordinary shares. On November 29, 2019, the treasury shares were reissued as Class A Ordinary Shares to one investor at a consideration of US\$36.8 million (RMB259 million). The reissuance gain was recorded as additional paid-in capital.

On November 29, 2019, 112,215,315 Class A Ordinary Shares of the Company held by certain directors and employees of the Group were transferred to two investors, at a total consideration of US\$469.1 million (RMB3,298 million). The Company did not receive any proceeds from this transaction. The Company considered that such transfer, in substance, was the same as a repurchase and cancellation of the ordinary shares and simultaneously an issuance of the ordinary shares. Therefore the difference between the purchase price and fair value of US\$46.0 million (RMB323.2 million), was recorded as share based compensation expenses.

On November 29, 2019, certain senior management members of the Company exercised their vested stock options to acquire 95,193,795 Class A Ordinary Shares of the Company.

On November 29, 2019, the Company authorized 750,000,000 Series D+ Preferred Shares at par value of US\$0.00002 each, and reduced the authorized number of Class A Ordinary Shares to 20,500,000,000 shares.

On April 10, 2020, the Group entered into share purchase agreements with selling shareholders of Zhonghuan, pursuant to which the Group agreed to issue 22,315,135 Class A Ordinary Shares to the selling shareholders of Zhonghuan to settle the mandatorily redeemable non-controlling interests as a part of consideration for acquisition of Zhonghuan. The shares were issued on April 13, 2020.

On April 16 and 17, 2020, the Company issued 336,915 Class A Ordinary Shares to two employees, who were former minority shareholders of certain of the Company's subsidiaries, to settle the RMB9.0 million payable to these employees in connection with the Group's acquisition of their non-controlling interests in November 2018, which approximates the fair value of the shares issued.

During the year ended December 31, 2020, the Company issued 60,852,775 Class A Ordinary Shares to employee trust controlled by the Company upon early exercise of options, of which 35,673,269 shares have been exercised by employees during the year ended December 31, 2021.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. ORDINARY SHARES (CONTINUED)

In August 2020, the Company completed its IPO on the New York Stock Exchange (“NYSE”). In the offering, 106,000,000 ADSs, representing 318,000,000 Class A Ordinary Shares, were issued and sold to the public at a price of US\$20.00 per ADS. In addition, the Company issued and sold an additional 15,900,000 ADSs, upon the underwriters’ exercise of their option to purchase additional ADSs in full, representing 47,700,000 Class A Ordinary Shares. The Company received total net proceeds of approximately US\$2,358.8 million after deducting US\$79.2 million of underwriter commissions and relevant offering expenses. Upon the completion of the IPO, all of the 1,510,766,620 preferred shares held by the Company’s shareholders were converted into an equal number of the Class A ordinary shares.

In November 2020, the Company completed a follow-on public offering on the NYSE. In the offering, 35,400,000 ADSs, representing 106,200,000 Class A Ordinary Shares, were issued and sold to the public at a price of US\$58.00 per ADS. In addition, the Company issued and sold additional 5,310,000 ADSs, upon the underwriters’ exercise of the option to purchase additional ADSs in full, representing 15,930,000 Class A Ordinary Shares. The Company received total net proceeds of approximately US\$2,322.6 million after deducting US\$38.5 million of underwriter commissions and relevant offering expenses.

During the year ended December 31, 2021, the Company issued 38,944,380 Class A Ordinary Shares to the depositary bank for future exercise of employees’ share options, of which 21,403,701 shares have been exercised by employees during the year ended December 31, 2021.

Holders of Class A Ordinary Shares and Class B Ordinary Shares have the same rights except for conversion and voting rights. Each Class A Ordinary Share is entitled to one vote, and each Class B Ordinary Share is entitled to ten votes. The Class B Ordinary Shares shall only be held by the Founder, the Immediate Family Members, any trust for the benefit of the Founder and/or any of the Immediate Family Members, and any corporation, partnership or any other entity ultimately controlled by the Founder and/or any of the Immediate Family Members (together, the “Founder Affiliates”). Each Class B Ordinary Share is convertible into one Class A Ordinary Share at any time at the option of the holder thereof. Upon any sale, transfer, assignment or disposition of any Class B Ordinary Share by a Shareholder to any person who is not the Founder or a Founder Affiliate, or upon a change of control of the ultimate beneficial ownership of any Class B Ordinary Share to any Person who is not the Founder or a Founder Affiliate, such Class B Ordinary Share shall be automatically and immediately converted into one Class A Ordinary Share. If at any time the Founder and the Founder Affiliates collectively own less than 5% of the total number of the issued and outstanding Class B Ordinary Shares of the Company upon the completion of the initial public offering, all of the issued and outstanding Class B Ordinary Shares shall be automatically converted into the same number of Class A Ordinary Shares.

On November 8, 2021, an extraordinary general meeting of shareholders of the Company was held. The Memorandum and Articles of Association was amended that the Class B ordinary shares shall only be held by the Founder and Mr. Yongdong Peng and Mr. Yigang Shan (“Co-founders”), and the Immediate Family Members, any trust for the benefit of the Co-Founder and/or any of the Immediate Family Members, and any corporation, partnership or any other entity ultimately controlled by the Co-Founder and/or any of the Immediate Family Members (together, the “Co-Founder Affiliates”). And the shareholders approved that 110,116,275 Class A ordinary shares that were held by Ever Orient International Limited and beneficially owned by Mr. PENG Yongdong, chairman and chief executive officer of the Company, and 47,777,775 Class A ordinary shares that were held by Clover Rich Limited and beneficially owned by Mr. SHAN Yigang, an executive director of the Company, were re-designated and re-classified as Class B Ordinary Shares on a 1:1 basis, such Class B Ordinary Shares to rank pari passu in all respects with all other existing Class B Ordinary Shares in the authorized share capital of the Company, and that the rights, preferences, privileges and restrictions attaching to such re-designated shares shall be varied accordingly (the “Share Re-designation”). Immediately prior to the resolutions above become effective, Propitious Global Holdings Limited converted 157,894,050 of its Class B ordinary shares into Class A ordinary shares on a 1:1 basis. Propitious Global Holdings Limited, the Company’s principal shareholder, is ultimately controlled by Z&Z Trust, the beneficiaries of which are the immediate family members of Mr. ZUO Hui, who has passed away in May 2021.

As of December 31, 2020 and 2021, after giving effect to the share subdivision and on an as if basis, the Company had issued and outstanding Class A Ordinary Shares of 2,606,114,080 and 2,663,191,050, Class B Ordinary Shares of 885,301,280 and 885,301,280, respectively.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. PREFERRED SHARES

The following table summarizes the issuances of convertible redeemable preferred shares:

Name	Issuance date	Issuance price per share US\$	Number of shares
Series B Preferred Shares	February to December 2016	2.48	402,891,265
Series C Preferred Shares	May to October 2017, and October 2018	3.13	477,780,220
Series D Preferred Shares	December 2018 to April 2019, August and November 2019	3.80	430,835,530
Series D+ Preferred Shares	November to December 2019	4.56	310,879,155

The major rights, preferences and privileges of the preferred shares were as follows:

(a) Dividends rights

Each Preferred Share had the right to receive non-cumulative dividends, *pari passu* with ordinary shares, on an as-converted basis, when, as and if declared by the Board.

(b) Conversion rights

Optional Conversion:

Unless converted earlier pursuant to Automatic Conversion as described below, any preferred share had, at the option of the holder thereof, be converted at any time after the date of issuance of such shares, without the payment of any additional consideration (provided that, if any preferred share was not fully paid in accordance with the terms of issue thereof prior to such conversion, the ordinary share(s) so converted remained subject to the payment requirements in accordance with the terms of issue of the preferred share), into fully-paid and non-assessable Class A Ordinary Shares based on the Conversion Price.

Automatic Conversion:

Each preferred share was automatically converted, based on the Conversion Price, without the payment of any additional consideration, into fully-paid and non-assessable Class A Ordinary Shares upon the consummation of a Qualified Initial Public Offering ("Qualified IPO") as defined in the Memorandum and Articles of Association.

The initial conversion ratio of preferred shares to ordinary shares was 1:1, subject to adjustments in the event of (i) share subdivisions, combinations or consolidations of equity securities, share dividends and similar events, or (ii) issuance or deemed issuance of new securities for a consideration per ordinary share received by the Company (net of any selling concessions, discounts or commissions) less than the conversion price with respect to any preferred share in effect immediately prior to such issue or deemed issue.

KE Holdings Inc.
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22. PREFERRED SHARES (CONTINUED)

(c) Redemption rights

Upon the occurrence of any Redemption Event as described below, the Company, at the written request of any holder of the preferred shares, was to redeem all or any of the issued and outstanding preferred shares held and as elected by such holder of the preferred shares, out of funds legally available therefor, at the price per share equal to the aggregate of (x) the applicable Original Issue Price as set forth in the Investor Rights Agreement and (y) an amount that gives such shareholder a simple non-compounded interest of eight percent (8)% per annum on the applicable Original Issue Price, calculated from the applicable Original Issue Date as set forth in the Investor Rights Agreement up until the date of receipt by such shareholder of the full redemption amount thereof.

Before December 28, 2018, for Series B and C Preferred Shares, “Redemption Event” meant the occurrence of any of the followings events: (i) the Company fails to complete a Qualified IPO within five (5) years following the issuance date of Series B and C Preferred Shares; or (ii) a majority of the Key Persons as set forth in the Investor Rights Agreement have ceased to be employed by any Group Company. On December 28, 2018, the Redemption Event was modified and for all preferred shares. “Redemption Event” meant the occurrence of either of the followings events: (i) the Company fails to complete a Qualified IPO by December 28, 2023; or (ii) a majority of the Key Persons as set forth in the Investor Rights Agreement have ceased to be employed by any Group Company.

(d) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, or any Deemed Liquidation Event, distributions to the Shareholders shall be made in the following manner, after satisfaction of all creditors’ claims and claims that may be mandated by law:

Holders of preferred shares of later series had preference to the distribution of assets or funds over holders of preferred shares of earlier series and holders of ordinary shares. The amount of the preference was the greater of (x) the aggregate of (i) the respective applicable Original Issue Price, (ii) any dividends declared and unpaid with respect to respective applicable Preferred Share, and (iii) an amount that would give such holder of respective applicable preferred shares a simple non-compounded interest of five percent (5)% per annum on the respective applicable Original Issue Price, calculated from the respective applicable Original Issue Date up until the date of receipt by the holder of the full liquidation preference amount thereof, and (y) the amount such respective applicable preferred shares would have received, with respect to each respective applicable Preferred Share, had that respective applicable preferred share been converted into ordinary shares immediately prior to the consummation of the liquidation event.

Deemed Liquidation Event included: (i) any transaction or series of transactions, whether by merger, consolidation, amalgamation, sale or issuance of equity, scheme of arrangement or otherwise, which resulted in a change in control of the Company; (ii) a disposition of all or substantially all of the assets of the Group as a whole; (iii) any termination or amendment of any VIE Contractual Agreements for any reason resulting in the Company losing control over any VIEs, or the financial results of any VIE incapable of being consolidated into the financial results of the Company; or (iv) a sale or exclusive licensing of all or substantially all of the intellectual property of the Group as a whole.

(e) Voting rights

Each preferred share was entitled to such number of vote(s) equal to the number of ordinary shares to which such preferred share is then convertible. The holders of preferred shares and the holders of ordinary shares voted together on an as-converted basis and not as a separate class.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. PREFERRED SHARES (CONTINUED)

The Company's preferred shares activities for the years ended December 31, 2019, 2020 and 2021 are summarized as below:

	Series B Shares		Series C Shares		Series D Shares		Series D+ Shares		Total	
	Number of shares	RMB	Number of shares	RMB	Number of shares (in thousands, except for shares)	RMB	Number of shares	RMB	Number of shares	RMB
Balance as of January 1, 2019	298,483,760	6,039,616	470,568,175	11,288,505	204,342,105	5,334,188	—	—	973,394,040	22,662,309
Issuance of Series D Preferred Shares, net of issuance cost	—	—	—	—	226,493,425	5,909,282	310,879,155	9,934,776	537,372,580	15,844,058
Accretion on convertible redeemable preferred shares to redemption value	—	366,440	—	829,746	—	587,753	—	82,589	—	1,866,528
Balance as of December 31, 2019	298,483,760	6,406,056	470,568,175	12,118,251	430,835,530	11,831,223	310,879,155	10,017,365	1,510,766,620	40,372,895
Balance as of January 1, 2020	298,483,760	6,406,056	470,568,175	12,118,251	430,835,530	11,831,223	310,879,155	10,017,365	1,510,766,620	40,372,895
Accretion on convertible redeemable preferred shares to redemption value	—	242,270	—	554,415	—	519,201	—	439,342	—	1,755,228
Automatic conversion of preferred shares into ordinary shares upon IPO	(298,483,760)	(6,648,326)	(470,568,175)	(12,672,666)	(430,835,530)	(12,350,424)	(310,879,155)	(10,456,707)	(1,510,766,620)	(42,128,123)
Balance as of December 31, 2020	—	—	—	—	—	—	—	—	—	—

All of the preferred shares were converted to Class A Ordinary Shares upon the completion of the Company's IPO in August 2020.

The key transaction of Preferred Shares

Prior to the Reorganization and the incorporation of the Company, the Group's business was carried out under Beijing Lianjia and Yiju Taihe. Preferred shares were issued by Beijing Lianjia and Yiju Taihe in the form of equity interests with preference and redemption rights, and were recorded in the "Mezzanine equity" at the respective periods. In connection with the Reorganization discussed in Note 1, in December 2018, the Company issued 298,483,760 series B Preferred Shares and 470,568,175 Series C Preferred Shares in exchange for the Series B and Series C preferred shareholders' interests in Beijing Lianjia and Yiju Taihe as above mentioned, respectively. Thereafter, the Series B and Series C preferred shareholders' equity interests were legally converted into Series B and Series C Preferred Shares of the Company.

In December 2018, the Company issued 204,342,105 Series D Preferred Shares to certain investors with a total cash and in-kind consideration amounted to US\$776.5 million (RMB5,330 million).

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. PREFERRED SHARES (CONTINUED)

From January to August 2019, the Company issued 121,230,265 Series D Preferred Shares to certain investors with total cash consideration amounted to US\$461 million (RMB3,108 million).

In November 2019, the Company issued 105,263,160 series D Preferred Shares to certain investors with total cash consideration amounted to US\$400 million (RMB2,801 million).

From November to December 2019, the Company issued 310,879,155 Series D+ Preferred Shares to certain investors with total cash consideration amounted to US\$1,418 million (RMB9,935 million).

The Series B, Series C, Series D and Series D+ Preferred Shares are collectively referred to as the “Preferred Shares”. All series of Preferred Shares have the same par value of US\$ 0.00002 per share.

Accounting for Preferred Shares

Prior to the IPO, the Company classified the preferred shares in the mezzanine equity of the consolidated balance sheets as they were contingently redeemable at the options of the holders. The Company recorded accretion on the preferred shares, where applicable, to the redemption value from the issuance dates to the earliest redemption dates. The accretion calculated using the effective interest method, was recorded against retained earnings, or in the absence of retained earnings, by charging against additional paid-in capital. Once additional paid-in capital had been exhausted, additional charges were recorded by increasing the accumulated deficit. The accretion of preferred shares was RMB1,866.5 million and RMB1,755.2 million for the years ended December 31, 2019 and 2020, respectively. Each issuance of the preferred shares was recognized at the respective issue price at the date of issuance net of issuance costs. The issuance costs for preferred shares was nil for the years presented.

The Company determined that the embedded conversion features and the redemption features did not require bifurcation as they either were clearly and closely related to the preferred shares or did not meet the definition of a derivative.

The Company determined that there was no beneficial conversion feature attributable to any of the preferred shares because the initial effective conversion price of these preferred shares were higher than the fair value of the Company’s ordinary shares determined by the Company with the assistance from an independent valuation firm.

Modification of Preferred Shares

The Company assessed whether an amendment to the terms of its Preferred Shares was an extinguishment or a modification using the fair value model. When Preferred Shares were extinguished, the difference between the fair value of the consideration was transferred to the convertible preferred shareholders and the carrying amount of the convertible preferred shares (net of issuance costs) were treated as deemed dividends to preferred shareholders. The Company considered that a significant change in fair value after the change of the terms to be substantive and thus triggered extinguishment. A change in fair value, which was not significant immediately after the change of the terms was considered non-substantive and thus subject to modification accounting. When the Preferred Shares were modified, the Company evaluated whether there was a transfer of value between ordinary shareholders and preferred shareholders as a result of the modification and therefore, would be recorded as a reduction of, or increase to, accumulated deficit as a deemed dividend. When value was transferred from preferred shareholders to ordinary shareholders, the value was recorded as an increase to accumulated deficit while charges against additional paid-in capital.

On August 17, 2020, the Company’s IPO was completed and all preferred shares were automatically converted into ordinary shares.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. FAIR VALUE MEASUREMENT

The following table sets forth the financial instruments, measured at fair value, by level within the fair value hierarchy on recurring basis as of December 31, 2020 and 2021:

	December 31, 2020	Fair value measurement at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
(in thousands)				
Assets				
Bank time deposits (maturing within 3 months) (i)	4,302,310	—	4,302,310	—
Long-term time deposits (ii)	224,752	—	224,752	—
Restricted cash, current	8,567,496	—	8,567,496	—
Short-term investments	15,626,624	—	15,626,624	—
Derivative instruments (iii)	61,697	—	61,697	—
Long-term investments accounted for at fair values (ii)				
Listed equity securities	103,621	103,621	—	—
Unlisted equity securities	238,294	—	—	238,294
Wealth management products	1,677,415	—	1,019,865	657,550
Loan receivables under fair value option	41,519	—	—	41,519
Total	30,843,728	103,621	29,802,744	937,363

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. FAIR VALUE MEASUREMENT (CONTINUED)

	Fair value measurement at reporting date using			
	December 31, 2021 RMB	Quoted prices in active markets for identical assets (Level 1) RMB (in thousands)	Significant other observable inputs (Level 2) RMB	Significant other unobservable inputs (Level 3) RMB
Assets				
Bank time deposits (maturing within 3 months) (i)	592,752	—	592,752	—
Long-term time deposits (ii)	946,096	—	946,096	—
Restricted cash, current	6,286,105	—	6,286,105	—
Short-term investments	29,270,635	—	26,980,989	2,289,646
Derivative instruments (iii)	132,026	—	132,026	—
Long-term investments accounted for at fair values (ii)				
Listed equity securities	153,779	153,779	—	—
Unlisted equity securities	246,007	—	—	246,007
Wealth management products	6,012,346	—	2,742,645	3,269,701
Loan receivables under fair value option	68,190	—	—	68,190
Available-for-sale debt investments	7,813,655	—	7,813,655	—
Long-term held-to-maturity debt securities (ii)	134,120	—	134,120	—
Total	51,655,711	153,779	45,628,388	5,873,544

(i) Included in cash and cash equivalents on the Company's consolidated balance sheets;

(ii) Included in long-term investments on the Company's consolidated balance sheets;

(iii) Included in other non-current liabilities and short-term investments on the Company's consolidated balance sheets.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. Following is a description of the valuation techniques that the Group uses to measure the fair value of assets that the Group reports in its consolidated balance sheets at fair value on a recurring basis.

Bank time deposits and restricted cash. Bank time deposits and restricted cash are valued based on the prevailing interest rates in the market, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 2.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. FAIR VALUE MEASUREMENT (CONTINUED)

Short-term investments. Short-term investment represents interest-bearing deposit placed with financial institution, which is restricted to withdrawal and use. For investment issued by commercial bank with a variable interest rate, the Group uses the expected return provided by the bank to estimate its fair value. As there are no quoted prices in active markets for the investment at the reporting date, the Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurements. For financial products issued by asset management company, whose fair values determined based on the expected cash flows and discounted by using the unobservable expected return, the Group classifies the valuation techniques that use these inputs as Level 3.

Loan receivables accounted for under the fair value option. The fair value of the loan receivables was estimated by using valuation models such as the binomial model with unobservable inputs including risk-free interest rate and expected volatility (Level 3).

Listed equity securities. The Group values its listed equity securities using quoted prices for the underlying securities in active markets, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 1.

Unlisted equity securities. The fair value of the investee is estimated by applying the discounted cash flow approach and the guideline public company approach. For discounted cash flow approach, major factors considered include historical financial results and assumptions including future growth rates, an estimate of weighted average cost of capital, effective tax rates. The guideline public company approach relies on publicly available market data of comparable companies and uses comparative valuation multiples of the investee's revenue. The Group classifies the valuation techniques that use these inputs as Level 3.

Wealth management products. Wealth management products are financial products issued by commercial bank or asset management company. For investment issued by commercial bank with a variable interest rate, the Group uses alternative pricing sources and models utilizing market observable inputs to estimate the fair value, and the Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurement. For financial product issued by asset management company, whose fair value is determined based on the expected cash flows and discounted by using the unobservable expected return, the Group classifies the valuation techniques that use these inputs as Level 3.

Available-for-sale debt investments. Available-for-sale debt investments are debt instruments or preferred shares issued by banks and other financial institutions that are redeemable at the issuer's option, which are measured at fair value. Available-for-sale debt investments that are redeemable at the issuer's option have no contractual maturity date. The Group classifies the valuation techniques that use these inputs as Level 2 fair value measurement.

Long-term held-to-maturity debt. Long-term held-to-maturity debt securities were mainly debt instruments issued by private companies with maturities of greater than one year and for which the Group has the positive intent and ability to hold those securities to maturity. The Group account for the held-to-maturity debt securities at amortized cost less allowance for credit losses. The Group determines the fair value of the debt securities using quoted prices in less active markets, and accordingly the Group categorizes the unsecured senior notes as Level 2 in the fair value hierarchy.

Mandatorily redeemable non-controlling interests in relation to an acquisition. The mandatorily redeemable non-controlling interests will be settled by a variable number of ordinary shares newly issued by the Group and is classified as liabilities; the liabilities were settled in April 2020 (Note 24). The valuation of this liability is performed based on the fair value of the Group's equity value estimated by applying the discounted cash flow approach, and with unobservable inputs including the probability of each scenario to determine the number of shares to be issued, and accordingly the Group classifies the valuation techniques that use these inputs as Level 3.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. FAIR VALUE MEASUREMENT (CONTINUED)

Contingent Consideration. The valuation of contingent consideration is performed using an expected cash flow method with unobservable inputs including the probability to achieve the contingencies, which is assessed by the Group, in connection with the contingent consideration arrangements. Accordingly the Group classifies the valuation techniques that use these inputs as Level 3.

Derivative instruments. Derivative instruments are mainly financial products issued by commercial bank linked to the forward exchange rate. Fair value is provided by the commercial bank using alternative pricing sources and models utilizing market observable inputs, and accordingly the Group classifies the valuation techniques that use these inputs as Level 2.

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a change in those significant unobservable inputs to a different amount might result in a significantly higher or lower fair value measurement at the reporting date.

The followings are other financial instruments not measured at fair value in the consolidated balance sheets, but for which the fair value is estimated for disclosure purposes.

Short-term receivables and payables. Accounts receivable, financing receivables and prepayments and other current assets are financial assets with carrying values that approximate fair value due to their short-term nature. Accounts payable, accrued expenses and other current liabilities and contract liabilities are financial liabilities with carrying values that approximate fair value due to their short-term nature. The Group classifies the valuation techniques that use these inputs as Level 2 fair value measurement.

Short-term borrowings and long-term borrowings. Interest rates under the borrowing agreements with the lending parties were determined based on the prevailing interest rates in the market. The carrying value of short-term borrowings and long-term borrowings approximates to fair value. The Group classifies the valuation techniques that use these inputs as Level 2 fair value measurement.

Non-current receivables and payables. Non-current assets including financing receivables and rental deposits are financial assets with carrying value that approximate fair value due to the impact of discounting is immaterial. Non-current funding debt and other non-current liabilities are financial liabilities with carrying value that approximate fair value due to the impact of discounting is immaterial.

Assets Measured at Fair Value on a Non-Recurring Basis

Investments without readily determinable fair value. For those investments without readily determinable fair value, the Group measures them at fair value when observable price changes are identified or impairment charge were recognized. The fair values of the Group's privately held investments as disclosed are determined based on the discounted cash flow model using the discount curve of market interest rates or based on the similar transaction price in the market directly. The Group classifies the valuation techniques on those investments that use similar identifiable transaction prices as Level 2 of fair value measurements.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. FAIR VALUE MEASUREMENT (CONTINUED)

The Group also measures equity investments without readily determinable fair values at fair value on a non-recurring basis when an impairment charge is to be recognized. As of December 31, 2020 and 2021 certain investments were measured using significant unobservable inputs (Level 3) and written down from their respective carrying values to fair values, considering the stage of development, the business plan, the financial condition, the sufficiency of funding and the operating performance of the investee companies, with impairment charges incurred and recorded in earnings for the years then ended. The fair value of the privately held investments is valued based on the discounted cash flow model with unobservable inputs including the discount curve of market interest rates, or valued based on market approach with unobservable inputs including selection of comparable companies and multiples and estimated discount for lack of marketability. Impairment recorded for equity method investments for the years ended December 31, 2019, 2020 and 2021 was RMB1.5 million, RMB26.7 million and RMB2.9 million, respectively. Impairment recorded for investments without readily determinable fair value for the years ended December 31, 2019, 2020 and 2021 was nil, RMB9.0 million and RMB183.8 million, respectively.

Non-financial assets. The Group's non-financial assets, such as intangible assets, goodwill and property and equipment, would be measured at fair value only if they were determined to be impaired.

The Group reviews the long-lived assets and certain identifiable intangible assets other than goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Impairment loss for those assets were recognized based on the impairment test using discounted cash flow method. The impairment recognized on the acquired intangible assets and long-lived assets based on management's assessment amount to nil, RMB213.4 million and RMB14.3 million, for the years ended December 31, 2019, 2020 and 2021, respectively.

The Group has a policy to perform goodwill impairment testing at the reporting unit level on December 31 annually, and between annual tests whenever a triggering event occurs. When performing the quantitative impairment test at reporting unit level, the Group considers a number of factors including but not limited to expected future cash flows, growth rates, discount rates, and comparable multiples from publicly traded companies in the industry. The impairment recognized on goodwill based on management's assessment amount to nil, RMB22.7 million and RMB732.4 million for the years ended December 31, 2019, 2020 and 2021, respectively. The fair value of reporting units was determined using Level 3 inputs.

24. BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method of accounting, which requires the acquisition cost be allocated to the assets and liabilities of the Group acquired, including separately identifiable intangible assets, based on their estimated fair values. The Group made estimates and judgments in determining the fair value of acquired assets and liabilities, with the assistance of an independent valuation firm and management's experience with similar assets and liabilities. In performing the purchase price allocation, the Group considered the analyses of historical financial performance and estimates of future performance of these companies acquired. Other than these acquisitions mentioned, other acquisition is immaterial for the years ended December 31, 2019, 2020 and 2021.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. BUSINESS COMBINATIONS(CONTINUED)

Acquisition of Zhonghuan

On July 12, 2019, the Group acquired 62% of the ordinary shares (the “Phase I Transaction”) issued by Zhonghuan, a real estate agency company in central China. Pursuant to the acquisition agreement, the Group was obligated to purchase, and the selling shareholders were also obligated to sell the remaining 38% ordinary shares (the “Phase II Transaction”) of Zhonghuan after certain administrative procedures. The acquisition of Phase I and Phase II Shares was considered bundled transactions negotiated and entered into together as a package. Total consideration for the acquisition of Phase I shares consisted of RMB931.0 million in cash, and acquisition of Phase II shares consisted of RMB194.0 million in cash and an obligation to issue Class A Ordinary Shares to the selling shareholders of Zhonghuan with value equal to RMB716.4 million and the per share price used to calculate the number of shares was i) the Series D+ Preferred Shares issuance price if the Company has initiated Series D+ Preferred Shares financing before the end of December 31, 2019, or ii) otherwise, the Series D Preferred Share issuance price which was US\$3.8. Therefore, the obligation to issue variable number of shares with a value equal to a fixed amount is considered a mandatorily redeemable non-controlling interest and classified as a liability measured at fair value, and changes in fair value were reflected in earnings. As of December 31, 2019, the Series D+ Preferred Shares financing was completed, thus the number of shares to be issued was determined based on a per share price of US\$4.56 and the Company issued 22,315,135 Class A Ordinary Shares to the selling shareholders of Zhonghuan.

The acquisition had been accounted for as a business combination and the results of operations of Zhonghuan and its subsidiaries from the acquisition date have been included in the Group’s consolidated financial statements from August 1, 2019. The Group estimated the fair value of acquired assets and liabilities with the assistance of an independent valuation firm.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. BUSINESS COMBINATIONS (CONTINUED)

Consideration for Zhonghuan was allocated on the acquisition date based on the fair value of the assets acquired and the liabilities assumed as follows:

	Amounts RMB (in thousands)
Net assets acquired (i)	114,849
Identifiable intangible assets (ii)	
License	316,800
Trademark and domain name	28,600
Software	41,700
Goodwill (iii)	1,343,556
Non-controlling interests (iv)	(124,807)
Deferred tax liabilities	(80,505)
Total	1,640,193
Total purchase price is comprised of:	
Cash consideration	930,999
Fair value of mandatorily redeemable non-controlling interest including cash of RMB193,983 and fair value of the obligation to issue ordinary shares of RMB482,671	676,653
Fair value of contingent consideration including contingently returnable consideration from seller of (RMB17,349) and contingent consideration payable to seller of RMB49,890 (v)	32,541
Total	1,640,193

- (i) Net assets acquired primarily included cash, cash equivalents of RMB163 million as of the date of acquisition.
- (ii) Acquired amortizable intangible assets had estimated amortization periods not exceeding 7 years and a weighted-average amortization period of 3.7 years.
- (iii) The excess of purchase price over net tangible assets and identifiable intangible assets acquired were recorded as goodwill. Goodwill primarily represents the expected synergies from combining the Zhonghuan's resources and experiences in real estate industry in central PRC with the Group's current business. The goodwill is not expected to be deductible for tax purposes.
- (iv) Non-controlling interests were the interests allocated to the minority shareholders of subsidiaries of Zhonghuan. Fair value of the non-controlling interests was estimated with reference to the purchase price per share as of the acquisition date, adjusted for a discount for control premium.
- (v) The Group has a right to receive back a certain number of issued shares or certain amount cash from the seller according to the Earn-Out arrangement. Based on the premise that the Earn-Out arrangement is met, the Group has the obligation to pay contingent consideration when certain conditions occur. The contingently returnable consideration from seller and the contingent compensation to seller are measured at fair value through earnings with the assistance of an independent valuation firm. The amounts were RMB17 million and RMB50 million as of the acquisition date, and are recorded in other non-current assets and other non-current liabilities, respectively.

All the cash consideration for acquisition of Phase I Shares has been settled as of December 31, 2019. In April 2020, the Group paid the remaining cash consideration and issued 22,315,135 Class A Ordinary Shares to the selling shareholders of Zhonghuan to settle the mandatorily redeemable non-controlling interest. No subsequent purchase price adjustment has been made. The acquisitions above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

25. SEGMENT INFORMATION

(a) Description of segments

The Group's organizational structure is based on a number of factors that the CODM uses to evaluate, view and run its business operations which include, but are not limited to, customer base, homogeneity of services and technology. The Group's operating segments are based on this organizational structure and information reviewed by the Group's CODM to evaluate the operating segment results.

Prior to the Reorganization, the Group had one reportable segment. Concurrent with the Reorganization, effective from 2019, the Group changed its internal organizational structure and separated its businesses into three segments, which were existing home transaction services, new home transaction services and emerging and other services, in light of the significant growth in new home transaction services business and emerging and other services business. Later in the first quarter of 2020, the Group further updated the financial measures provided to the CODM. This change in segment reporting aligns with the manner in which the Group's CODM currently receives and uses financial information to allocate resources and evaluate the performance of reporting segments. This change in segment presentation does not affect consolidated balance sheets, consolidated statements of comprehensive income (loss) or consolidated statements of cash flows. The Group retrospectively revised prior period segment information, to conform to current period presentation.

The Group now operates its businesses in three segments: existing home transaction services, new home transaction services and emerging and other services. The following summary describes the operations in each of the Group's reportable segment:

- (1) Existing home transaction services: The existing home transaction segment provides services in existing home market include i) agency services to sales or leases of existing homes, either through acting as the principal agent or a participating agent in collaboration with the principal agents; ii) platform and franchise services to brokerage firms on Beike platform who provide agency services in existing home market; iii) Other transaction services, such as transaction closing service through the Group's transaction center.
- (2) New home transaction services: The new home transaction business segment provides new home transaction services in new home market. New home transaction services refer to agency services provided to real estate developers to facilitate sales of new properties developed by the real estate developers to property buyers. The Group signs the new home transaction services contracts with the sales companies of the developers and then mobilizes all agents registered with the platform to fulfil such contracts.
- (3) Emerging and other services: Emerging and other services include financial service business and other newly developed businesses.

Commission and compensation include compensation to agents and sales professionals who are the Group's employees or contractors and split commission to brokerage firms who signs channel sale agency service agreements with the Group. Commission and compensation in existing home market are mainly to those who are the Group's employees or contractors. Commissions and compensation in new home market are mainly to brokerage firms who sign channel sale agency service agreements with the Group.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

25. SEGMENT INFORMATION (CONTINUED)

(b) Segments data

The following tables present summary information by segment:

	For the Year Ended December 31,		
	2019 RMB	2020 RMB (in thousands)	2021 RMB
Net revenues:			
Existing home transaction services	24,568,508	30,564,584	31,947,953
New home transaction services	20,273,860	37,937,886	46,472,378
Emerging and other services	1,172,538	1,978,508	2,332,108
Total	46,014,906	70,480,978	80,752,439
Commission and compensation:			
Existing home transaction services	(15,014,264)	(18,065,451)	(20,123,501)
New home transaction services	(15,355,160)	(29,787,961)	(37,525,240)
Emerging and other services	(229,401)	(317,756)	(484,462)
Total	(30,598,825)	(48,171,168)	(58,133,203)
Contribution:			
Existing home transaction services	9,554,244	12,499,133	11,824,452
New home transaction services	4,918,700	8,149,925	8,947,138
Emerging and other services	943,137	1,660,752	1,847,646
Total	15,416,081	22,309,810	22,619,236

As substantially all of the Group's long-lived assets are located in the PRC and substantially all of the Group's revenue of reportable segments are derived from China based on the geographical locations where services and products are provided to customers, no geographical information is presented.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

26. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is the amount of net income (loss) attributable to each share of ordinary shares outstanding during the reporting period. Diluted net income (loss) per share is the amount of net income (loss) attributable to each share of ordinary shares outstanding during the reporting period adjusted to include the effect of potentially dilutive ordinary shares. 1,098,514,498 and 932,877,749 preferred shares on a weighted average basis were excluded from the computation of diluted net income (loss) per share for the years ended December 31, 2019 and 2020 because of their anti-dilutive effect. The obligation to issue ordinary shares in relation to the acquisition of Zhonghuan which was 10,515,625 shares on a weighted average basis were excluded from the calculation of diluted net income (loss) per share for the year ended December 31, 2019, due to the anti-dilutive effect. 41,217,159 non-vested share options and 31,140 non-vested RSUs on a weighted average basis were excluded from the calculation of diluted net loss per share for the year ended December 31, 2021 because of their anti-dilutive effect.

The following table sets forth the computation of basic and diluted net income (loss) per share for the years and periods indicated:

	For the Year Ended December 31,		
	2019	2020	2021
	(RMB in thousands, except for share and per share data)		
Numerator:			
Net income (loss) attributable to KE Holdings Inc.	(2,183,546)	2,777,592	(524,129)
Accretion on Series B Preferred Shares to redemption value	(366,440)	(242,270)	—
Accretion on Series C Preferred Shares to redemption value	(829,746)	(554,415)	—
Accretion on Series D Preferred Shares to redemption value	(587,753)	(519,201)	—
Accretion on Series D+ Preferred Shares to redemption value	(82,589)	(439,342)	—
Income allocation to participating preferred shares	—	(301,898)	—
Net income (loss) attributable to KE Holdings Inc.'s ordinary shareholders	(4,050,074)	720,466	(524,129)
Denominator:			
Denominator for basic net income (loss) per share-weighted average ordinary shares outstanding	1,378,235,522	2,226,264,859	3,549,121,628
Dilutive effect of the obligation to issue ordinary shares in relation to the acquisition of Zhonghuan	—	6,375,753	—
Adjustments for dilutive share options	—	34,690,279	—
Denominator for diluted net income (loss) per share-weighted average ordinary shares outstanding	1,378,235,522	2,267,330,891	3,549,121,628
Net income (loss) per share attributable to ordinary shareholders:			
—Basic	(2.94)	0.32	(0.15)
—Diluted	(2.94)	0.32	(0.15)

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

During the years ended December 31, 2019, 2020 and 2021, other than disclosed elsewhere, the Group had the following material related party transactions.

Related Party	Relationship with the Group
Ziroom Inc. and its subsidiaries ("Ziroom")	A group which management or operating policies significantly influenced by a director of the Company
Yuanjing Mingde (Beijing) Holding Group Co., Ltd. ("Yuanjing Mingde")	A group which management or operating policies significantly influenced by a director of the Company
Vanlian (Beijing) Decoration Co., Ltd. ("Vanlian")	An affiliate company of the Group
IFM Investments Limited ("IFM")	An affiliate company of the Group
Shengdu Home Renovation Co., Ltd. ("Shengdu")	An affiliate company of the Group
Brokerage firms	Firms that the Group has significant influence in
Tencent	Principal owner of the Group

Tencent has been considered as related party of the Group from July 22, 2020. Shengdu has been considered as related party of the Group from December 10, 2021.

(i) The Group entered into the following transactions with related parties:

	For the Year Ended December 31,		
	2019 RMB	2020 RMB (in thousands)	2021 RMB
Revenues from related parties			
Agency services, online marketing services and home renovation services provided to Vanlian	3,523	14,706	174,511
Online marketing services provided to Ziroom	19,269	72,309	104,888
Agency services provided to Ziroom	281,769	55,447	53,150
Platform services provided to IFM	6,942	41,704	69,717
Agency services and other services provided to Shengdu	—	—	7,565
Agency services provided to Yuanjing Mingde	11,365	35,154	4,491
Technical services provided to Tencent	—	—	1,608
Commission support services provided to brokerage firms	58,194	201,385	423,448
Platform and franchise services provided to brokerage firms	4,541	1,870	8,512
Total	385,603	422,575	847,890

Agency services refer to services to facilitate home sales or leases. A certain percentage of commission was recognised upon the completion of contracts between referred customers and the related parties stated above.

Online marketing services mainly refer to the technical support, marketing and promotion services provided to the above related parties to promote their own services and products.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27. RELATED PARTY TRANSACTIONS (CONTINUED)

Platform services refer to the fees the Group charged for using the Group's ACN and SaaS system. Franchise services refer to the fees the Group charges for using the Group's Deyou brand.

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Services provided by related parties			
Online marketing and technical services from Tencent	—	38,943	193,866
Rental and property management services from Yuanjing Mingde	850	8,753	30,609
Referral services from IFM	2,776	8,656	10,672
Services from Ziroom	482	1,025	7,942
Referral services from brokerage firms	101,312	426,233	831,591
Others	2,970	16,343	1,322
Total	108,390	499,953	1,076,002

Online marketing services mainly refer to the cloud, marketing and promotion services provided by Tencent.

Rental services mainly include the office rental from Yuanjing Mingde, which was charged based on fair market price.

Referral services provided by related parties mainly refer to customer referrals from related parties.

Services from Ziroom including referral, cleaning, maintenance, sales and marketing services provided by Ziroom.

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Other income			
Interest income from loans provided to IFM	3,993	2,289	2,209
Interest income from loans provided to Yuanjing Mingde	215,158	92,013	—
Interest income from loans provided to Ziroom	7,825	—	—
Interest income from loans provided to executive directors	—	1,800	—
Interest income from loans provided to others	—	1,949	1,450
Total	226,976	98,051	3,659

(ii) On May 31, 2021, the Group invested in 29.16% of the equity interests of Yuanjing Mingchuang with certain preference rights with a total cash consideration of RMB700 million. Yuanjing Mingchuang is a subsidiary of Yuanjing Mingde. For the detail, please refer to Note 11.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) As of December 31, 2020 and 2021, the Group had the following lease balances and transactions with related parties:

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Operating Leases		
Store leases from Yuanjing Mingde	—	136,164
Administrative office leases from Ziroom	48	51
Administrative office leases from Yuanjing Mingde	94,130	—
Total operating lease assets	94,178	136,215
Operating lease liabilities, current from Yuanjing Mingde	9,619	8,213
Operating lease liabilities, current from Ziroom	49	51
Operating lease liabilities, non-current from Yuanjing Mingde	84,080	125,075
Total operating lease liabilities	93,748	133,339

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Operating lease cost from related parties			
Operating lease cost from Yuanjing Mingde	—	1,529	18,358
Operating lease cost from Ziroom	—	49	100
Operating lease cost from brokerage firms	—	—	49
Total	—	1,578	18,507

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) As of December 31, 2020 and 2021, the Group had the following balances with related parties:

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Amounts due from and prepayments to related parties		
Ziroom	335,521	349,375
Vanlian	21,618	209,087
IFM	6,505	7,799
Yuanjing Mingde	16,433	7,471
Shengdu	—	6,431
Tencent(a)	35,078	175
Brokerage firms	11,060	10,485
Others	58,134	519
Total	484,349	591,342
Amounts due to related parties		
Vanlian	879	143,804
Tencent	—	35,269
Ziroom	20,615	30,872
IFM	15,111	22,893
Yuanjing Mingde	2,822	8,569
Shengdu	—	1,498
Brokerage firms	214,335	339,911
Others	493	1,262
Total	254,255	584,078

- (a) As of December 31, 2020, amounts due from and prepayments to Tencent mainly consists of prepayment for advertising resources, marketing and cloud services amounting to RMB11.1 million and RMB24.0 million withheld by Tencent in relation to reissuance of treasury shares in 2019, which was received in 2021.

As of December 31, 2021, all amounts due from and prepayments to related parties and amounts due to related parties were trade in nature.

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands)	
Loan receivables from related parties		
Short-term loans to IFM	20,000	20,000
Short-term loans to Yuanjing Mingde (b)	—	—
Short-term loans to others (c)	13,019	22,788
Long-term loans to others	3,359	—
Total	36,378	42,788

- (b) In November 2018, the Group entered into a six-month RMB1.9 billion loan agreement with Yuanjing Mingde at a fixed borrowing rate of 10%. The agreement has been renewed with July 15, 2020 as the new maturity date and the borrowing rate has increased to 12%. In July 2020, Yuanjing Mingde repaid the remaining RMB58.3 million interest of the loan.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27. RELATED PARTY TRANSACTIONS (CONTINUED)

- (c) The balance of loans to others included the loans provided to entities that the Group invested and has significant influence in for operating of business of these entities, net of allowance for credit losses. In the year ended December 31, 2020, the Group provided RMB2.0 million and RMB9.0 million of loan to two entities it invested which operate home renovation business, at a fixed annual borrowing rate of 12% and 10%, respectively. At the end of 2020, the management assessed the expected credit losses of the loans to related parties and provided full allowance for the loans to and interests from these two invested entities, considering the operating difficulties and liquidity issues they encountered. The carrying value of investments amounting to RMB19.9 million was also fully impaired. As of December 31, 2021, all loan receivables from related parties were non-trade in nature.

In relation to the loans provided to the related parties stated above, the Group charged the related parties based on fair market interest rate, and cash flows resulted from the loans were presented within investing activities in the consolidated statements of cash flows.

28. COMMITMENTS AND CONTINGENCIES

	As of December 31, 2021 RMB (in thousands)
Investment commitments (i)	3,632,981
Operating leases commitments (ii)	948,471
Purchase of property and equipment	8,267
Purchase of services	1,368
Total	4,591,087

	Amounts RMB (in thousands)
2022	3,938,502
2023	269,224
2024	211,280
2025	115,179
Thereafter	56,902
Total	4,591,087

- (i) Investment commitments obligations primarily relate to capital contributions obligation under certain arrangements, the payment is due in one year. The commitment balance includes the consideration for the investment in Shengdu.
- (ii) Operating leases commitments represent the Group's obligations for leasing premises.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

28. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Funding Debt Obligations

The expected repayment amounts of the funding debt obligations are as follows:

	Less than 1 year RMB	1 - 2 years RMB	2 - 3 years RMB (in thousands)	More than 3 years RMB	Total RMB
Funding debt obligations					
Consolidated trusts	194,200	—	—	—	194,200
Interest payments	3,175	—	—	—	3,175
Total funding debt obligations	197,375	—	—	—	197,375

29. STATUTORY RESERVES AND RESTRICTED NET ASSETS

Pursuant to laws applicable to entities incorporated in the PRC, the Group's subsidiaries in the PRC must make appropriations from after-tax profit to non-distributable reserve funds. These reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires an annual appropriation of 10% of after tax profit (as determined under accounting principles generally accepted in the PRC at each year-end) until the accumulative amount of such reserve fund reaches 50% of a company's registered capital, the other fund appropriations are at the subsidiaries' discretion. These reserve funds can only be used for specific purposes of enterprise expansion and staff bonus and welfare and are not distributable as cash dividends. During the years ended December 31, 2019, 2020 and 2021, appropriations to the statutory reserve have been made by the Group, which was RMB79.1 million, RMB139.1 million and RMB91.1 million, respectively.

In addition, due to restrictions on the distribution of share capital from the Group's PRC subsidiaries and also as a result of these entities' unreserved accumulated losses, total restrictions placed on the distribution of the Group's PRC subsidiaries' net assets was RMB20.3 billion as of December 31, 2021.

Cash transfers from the Company's PRC subsidiaries to their parent companies outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may temporarily restrict the ability of the PRC subsidiaries and consolidated affiliated entities to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations.

The Company performed a test on the restricted net assets of consolidated subsidiaries in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that it was applicable for the Company to disclose the financial statements for the parent company.

For the purpose of presenting parent only financial information, the Company records its investments in its subsidiaries under the equity method of accounting. Such investments are presented on the separate condensed balance sheets of the Company as "Investment in subsidiaries and VIEs" and the income (loss) of the subsidiaries is presented as "share of income (loss) of subsidiaries and VIEs." Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted.

The Company became parent company of the Group upon the completion of the Reorganization on December 28, 2018. The following disclosures present the financial positions of the parent company as of December 31, 2020 and 2021, the operation results for the years ended December 31, 2019, 2020 and 2021, and the statements of cash flows for the years ended December 31, 2019, 2020 and 2021. The Company did not have significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2020 and 2021.

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

29. STATUTORY RESERVES AND RESTRICTED NET ASSETS (CONTINUED)

Condensed balance sheets of the parent company

	As of December 31,	
	2020	2021
	RMB	RMB
	(in thousands, except for share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	3,261,585	55,235
Short-term investments	3,903,368	81,906
Amounts due from related parties	34,414	—
Amounts due from subsidiaries and VIEs	2,618,824	1,997,867
Prepayments, receivables and other assets	20,468	55,320
Non-current assets:		
Investment in subsidiaries and VIEs	57,035,601	62,289,064
Long-term investments, net	—	2,527,253
TOTAL ASSETS	66,874,260	67,006,645
LIABILITIES		
Current liabilities		
Accrued expenses and other current liabilities	108,813	32,669
TOTAL LIABILITIES	108,813	32,669
SHAREHOLDERS' EQUITY (DEFICIT)		
Ordinary Shares (US\$0.00002 par value; 25,000,000,000 ordinary shares authorized, comprising of 23,614,698,720 Class A ordinary shares, 885,301,280 Class B ordinary shares and 500,000,000 shares each of such classes to be designated, 2,666,966,855 and 2,705,911,235 Class A ordinary shares issued and outstanding as of December 31, 2020 and 2021; 885,301,280 Class B ordinary shares issued and outstanding as of December 31, 2020 and 2021)	482	489
Additional paid-in capital	77,433,882	78,972,169
Accumulated other comprehensive loss	(1,834,087)	(2,639,723)
Accumulated deficit	(8,834,830)	(9,358,959)
Total shareholders' equity	66,765,447	66,973,976
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	66,874,260	67,006,645

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

29. STATUTORY RESERVES AND RESTRICTED NET ASSETS (CONTINUED)

Condensed statements of comprehensive income (loss)

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
		(in thousands)	
Sales and marketing expenses	(500,040)	(96,023)	(10,227)
General and administrative expenses	(18,981)	(28,640)	(82,109)
Research and development expenses	(65,927)	(79,023)	(57)
Interest income, net	36,063	40,611	3,035
Share of income (loss) of subsidiaries and VIEs	(1,588,194)	2,062,889	(748,580)
Fair value changes through earnings on investments, net	—	144,361	183,991
Foreign currency exchange loss	(46,467)	(33,395)	(3,968)
Other income, net	—	766,812	133,786
Income (loss) before income tax expense	(2,183,546)	2,777,592	(524,129)
Income tax expense	—	—	—
Net income (loss)	(2,183,546)	2,777,592	(524,129)
Accretion on convertible redeemable preferred shares to redemption value	(1,866,528)	(1,755,228)	—
Income allocation to participating preferred shares	—	(301,898)	—
Net income (loss) attributable to KE Holdings Inc.'s ordinary shareholders	(4,050,074)	720,466	(524,129)
Net income (loss)	(2,183,546)	2,777,592	(524,129)
Other comprehensive income (loss)			
Currency translation adjustments	63,442	(1,897,395)	(841,214)
Unrealized gains on available-for-sale investments, net of reclassification	—	—	35,578
Total comprehensive income (loss)	(2,120,104)	880,197	(1,329,765)
Accretion on convertible redeemable preferred shares to redemption value	(1,866,528)	(1,755,228)	—
Income allocation to participating preferred shares	—	(301,898)	—
Total comprehensive loss attributable to KE Holdings Inc.'s ordinary shareholders	(3,986,632)	(1,176,929)	(1,329,765)

Condensed statements of cash flows

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
		(in thousands)	
Net cash provided by (used in) operating activities	9,224	(72,175)	(10,302)
Net cash used in investing activities	(15,719,863)	(42,674,498)	(3,183,233)
Net cash provided by financing activities	25,763,789	34,151,607	7
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(43,253)	(668,623)	(12,822)
Net increase (decrease) in cash, cash equivalents and restricted cash	10,009,897	(9,263,689)	(3,206,350)
Cash, cash equivalents and restricted cash at beginning of the year	2,515,377	12,525,274	3,261,585
Cash, cash equivalents and restricted cash at end of the year	12,525,274	3,261,585	55,235

KE Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30. SUBSEQUENT EVENTS

The Group has evaluated subsequent events through the date the consolidated financial statements are issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements other than as discussed below.

Pursuant to the definitive agreement signed on July 4, 2021 among the Group, Shengdu and Shengdu's existing shareholders, the group agreed to acquire 49% equity interest in Shengdu for a total consideration capped at RMB3,920 million with cash and 51% equity interest in Shengdu for a total consideration at RMB4,080 million with restricted shares, from Shengdu's existing shareholders. The restricted shares would be settled at an issuance price based on the weighted average closing prices of the Company's ADSs for 30 consecutive trading days before the closing of the Shengdu Acquisition. Such equity interests shall be restricted from the transfer, sale, pledge or any other form of disposal within a certain period of time and will released upon certain conditions.

In January 2022, the Group has acquired 43% of Shengdu's equity interest, with capped consideration in cash amount to RMB3,440 million, among which RMB2,820 million had been paid in January. The Group paid the remaining cash consideration of RMB980 million on April 14, 2022. The cash consideration of RMB3,920 million has been fully settled.

Due to the valuation adjustment of China based companies in March 2022, the management of the Group renegotiated the consideration with Shengdu. On March 31, 2022, the management of the Group, Shengdu and Shengdu's existing shareholders agreed to enter into an amended share purchase agreement, in which the Group would acquire Shengdu's remaining 51% equity interest by issuing 44,315,854 restricted Class A Ordinary Shares to the selling shareholders of Shengdu as the consideration. The restrictions on the issued shares are the same as the original agreement. On April 11, 2022, the Group signed the amended agreement with Shengdu and its existing shareholders.

The Company does not expect that the amendment will have a material financial impact to its financial statements. The acquisition date fair value of the 44,315,854 restricted Class A Ordinary Shares to be issued to the selling shareholders of Shengdu will be recognized as share-based compensation expenses in the restriction period of three years.

Powers of Attorney

I, [Name of Shareholder], am a holder of the corresponding equity interests in Beijing Lianjia Real Estate Agency Co., Ltd. (“**Lianjia Real Estate**”) as described in Annex I hereto as of the effective date of the Power of Attorney. I hereby irrevocably authorize Beike (Tianjin) Investment Co., Ltd. (“**WFOE**”) to exercise the following rights relating to all equity interests I hold and will hold in Lianjia Real Estate (“**My Equity Interests**”) during the term of this Power of Attorney:

WFOE or any person(s) designated by WFOE (including but not limited to directors of WFOE’s parent company, successors of such directors and liquidators in replacement of such directors, excluding any non-independent persons or persons who may result in the conflicts of interest) (“**Agent**”) is hereby authorized to act on my behalf as my sole and exclusive agent to exercise the rights with respect to all matters concerning My Equity Interests, including without limitation to: (1) convening and attending shareholders’ meetings of Lianjia Real Estate; (2) filing documents with the relevant companies registry as necessary; (3) exercising all the shareholder’s rights including voting rights I am entitled to under the laws and articles association of Lianjia Real Estate, including but not limited to the dividend rights, the rights to sell, transfer, pledge or dispose My Equity Interests in part or in whole; and (4) act on my behalf in the capacity of a shareholder of the Lianjia Real Estate to sign any resolutions and meeting minutes and approve revisions to the articles of association of Lianjia Real Estate; and (5) act as my authorized representative to designate, appoint or replace the legal representative, directors, supervisors, general manager and other senior officers of Lianjia Real Estate and sue or initiate other proceedings against the foregoing persons if they commit any acts that are detrimental to interests of Lianjia Real Estate or its other shareholders. Without written consent of WFOE, I have no right to increase, decrease, transfer, re-pledge, or otherwise dispose or change My Equity Interests.

For the purpose of exercising the right as authorized under this Power of Attorney, WFOE or any person(s) designated by WFOE have the right to access relevant information relating to operations, business, customers, finance, employees, etc. of Lianjia Real Estate, and to inspect relevant data of Lianjia Real Estate, for which I should fully cooperate.

Without prior written consent of WFOE, I shall not directly or indirectly participate, engage in, be involved in or own, or use information acquired from WFOE and Lianjia Real Estate to participate, engage in, be involved in or own any business that may compete with the business of WFOE, Lianjia Real Estate or their affiliates or principal business, nor shall I hold any interests in or receive any benefits from any business that may compete with business of WFOE, Lianjia Real Estate or their affiliates or principal business. For the avoidance of doubt, this Power of Attorney should not be deemed as authorizing myself or other non-independent persons or persons that may results in the conflicts of interest to exercise the rights authorized under this Power of Attorney.

The Agent shall have the right to execute on my behalf the Exclusive Option Agreement entered into by and among I, WFOE, Lianjia Real Estate and related parties on the same date of this Power of Attorney, and the Equity Interests Pledge Agreement entered into by and among I, WFOE, Lianjia Real Estate and related parties on the same day as the Power of Attorney (in each case, including any modification, amendment or restatement to the aforementioned documents, collectively referred to as the “**Transaction Documents**”) and all the documents to be executed by me as referred in the Transaction Documents, and to perform the Transaction Documents on time, and the exercise of which right shall not restrict in any form the authorization granted hereunder.

All actions taken by Agent associated with My Equity Interests shall be deemed as the actions taken by myself, and the documents executed by Agent shall be deemed to be executed by myself, which I shall acknowledge.

Agent is entitled to re-entrust its rights as authorized to it under this Power of Attorney, and to authorize any other person or entity in connection with the conducting of the abovementioned matters, at its own discretion without giving prior notice to me or obtaining my consent. If required by PRC laws, Agent may only re-authorize a PRC citizen to exercise the aforementioned rights.

Except as otherwise stipulated in this Power of Attorney, the Agent has the right to allocate, use or otherwise dispose of cash dividends and other non-cash proceeds accrued on My Equity Interests according to my oral or written instructions.

As long as I remain a shareholder of Lianjia Real Estate, this Power of Attorney shall be irrevocable and remain effective, which shall come into effects from the effective date hereof.

In the event of occurrence of any dispute arising from or with respect to the performance of this Power of Attorney, either Party may submit such dispute to the Beijing Arbitration Commission for arbitration in Beijing in accordance with the arbitration procedures and rules of such arbitration commission effective at that time. The arbitration tribunal shall consist of three arbitrators appointed in accordance with arbitration rules, among which one is appointed by applicant of the arbitration, one is appointed by the respondent of the arbitration and the third one is jointly appointed by the first two arbitrators through consultations or by Beijing Arbitration Commission. The arbitration shall be conducted in a confidential manner. The language of arbitration shall be Chinese. The arbitral award shall be final and binding upon both Parties. Where appropriate, the arbitration tribunal or the arbitrators may, in accordance with the dispute resolution provisions and/or the applicable PRC laws, adjudicate indemnification or injunctive relief (including, without limitation, for the need of the conduct of the business or the compulsory transfer of assets) against the equity interests, assets, property interests or land assets of Beijing Lianjia and its subsidiaries or adjudicate the winding up of Beijing Lianjia and its subsidiaries. In addition, in the period of composition of the arbitral tribunal or if it is appropriate, upon the request of a Party of the dispute, a court of competent jurisdiction, including a PRC court, shall be entitled to impose an interim injunction or other interim relief in aid of the arbitration, and for the purpose of this Paragraph, in addition to the PRC courts, the courts of Hong Kong, the courts of Cayman Islands and the courts of where the major assets of Beijing Lianjia and/or its subsidiaries are located shall also be deemed to have jurisdiction for such above purpose. During the arbitration period, this Power of Attorney shall continue to be valid except for the part under dispute and submitted to arbitration.

This Power of Attorney is duly signed by both Parties on January 30, 2022 (if the party is an individual; or sealed if the party is a non-individual) and shall become effective on the date. The Power of Attorney shall replace my Power of Attorney signed on September 6, 2021 in all respects. During the valid term of this Power of Attorney, I hereby waive all rights related to the My Equity Interests that have been authorized to the Agent under this Power of Attorney, and shall refrain from exercising such rights by myself.

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Power of Attorney on the date first written hereof, which shall take effects in accordance with provisions hereof.

Principal:

By: /s/ Name of Shareholder

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Power of Attorney on the date first written hereof, which shall take effects in accordance with provisions hereof.

Accepted by:

Beike (Tianjin) Investment Co., Ltd.

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Power of Attorney on the date first written hereof, which shall take effects in accordance with provisions hereof.

Acknowledged by:

Beijing Lianjia Real Estate Agency Co., Ltd.

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Schedule of Material Differences

One or more persons executed Power of Attorney using this form. Pursuant to Instruction ii to Item 601 of Regulation S-K, the Registrant may only file this form as an exhibit with a schedule setting forth the material details in which the executed agreements differ from this form:

No.	Name of Variable Interest Entity	Name of Shareholder	% of Shareholder's Equity Interest in the VIE	Registered Capital Contribution in the VIE (RMB)
1	Beijing Lianjia Real Estate Brokerage Co., Ltd.	ZHU Yan	59.81%	7,986,153
2	Beijing Lianjia Real Estate Brokerage Co., Ltd.	SHAN Yigang	3.56%	475,294
3	Beijing Lianjia Real Estate Brokerage Co., Ltd.	Tianjin Yurui Business Consulting Partnership (Limited Partnership)	7.05%	941,439
4	Beijing Lianjia Real Estate Brokerage Co., Ltd.	Tianjin Yusi Business Consulting Partnership (Limited Partnership)	2.99%	398,833
5	Beijing Lianjia Real Estate Brokerage Co., Ltd.	Tianjin Yumin Business Consulting Partnership (Limited Partnership)	2.73%	364,133
6	Beijing Lianjia Real Estate Brokerage Co., Ltd.	Tianjin Dingcong Business Consulting Partnership (Limited Partnership)	4.86%	649,374
7	Beijing Lianjia Real Estate Brokerage Co., Ltd.	Tianjin Bojun Business Consulting Partnership (Limited Partnership)	1.22%	162,810
8	Beijing Lianjia Real Estate Brokerage Co., Ltd.	DANG Jie	0.49%	65,460
9	Beijing Lianjia Real Estate Brokerage Co., Ltd.	XU Wangang	1.65%	220,502
10	Beijing Lianjia Real Estate Brokerage Co., Ltd.	GAO Jun	1.56%	208,780
11	Beijing Lianjia Real Estate Brokerage Co., Ltd.	Shanghai Zhanben Investment Management Center (Limited Partnership)	11.08%	1,479,685
12	Beijing Lianjia Real Estate Brokerage Co., Ltd.	Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership)	0.64%	85,906
13	Beijing Lianjia Real Estate Brokerage Co., Ltd.	DU Xin	2.06%	274,826
14	Beijing Lianjia Real Estate Brokerage Co., Ltd.	CHEN Rong	0.24%	32,296
15	Beijing Lianjia Real Estate Brokerage Co., Ltd.	RUAN Guangjie	0.05%	7,277
16	Tianjin Xiaowu Information & Technology Co., Ltd.	ZHU Yan	94.38%	9,438,280

17	Tianjin Xiaowu Information & Technology Co., Ltd.	SHAN Yigang	5.62%	561,720
18	Beijing Yiju Taihe Technology Co., Ltd.	ZHU Yan	2.54%	18,950,000
19	Beijing Yiju Taihe Technology Co., Ltd.	Tianjin Gaotong Business Consulting Co., Ltd.	9.24%	69,022,335
20	Beijing Yiju Taihe Technology Co., Ltd.	Tianjin Juge Business Consulting Partnership (Limited Partnership)	0.80%	5,968,681
21	Beijing Yiju Taihe Technology Co., Ltd.	Tianjin Jingchuang Business Consulting Partnership (Limited Partnership)	0.97%	7,212,370
22	Beijing Yiju Taihe Technology Co., Ltd.	Tianjin Jingda Business Consulting Partnership (Limited Partnership)	1.01%	7,580,000
23	Beijing Yiju Taihe Technology Co., Ltd.	Tianjin Mingchen Business Consulting Partnership (Limited Partnership)	0.24%	1,793,496
24	Beijing Yiju Taihe Technology Co., Ltd.	Tianjin Jurui Business Consulting Partnership (Limited Partnership)	0.69%	5,167,286
25	Beijing Yiju Taihe Technology Co., Ltd.	SHAN Yigang	0.70%	5,235,696
26	Beijing Yiju Taihe Technology Co., Ltd.	DANG Jie	0.10%	720,998
27	Beijing Yiju Taihe Technology Co., Ltd.	XU Wangang	0.33%	2,428,897
28	Beijing Yiju Taihe Technology Co., Ltd.	GAO Jun	0.31%	2,299,877
29	Beijing Yiju Taihe Technology Co., Ltd.	Tianjin Chuangtian Business Consulting Partnership (Limited Partnership)	2.18%	16,299,662
30	Beijing Yiju Taihe Technology Co., Ltd.	Tianjin Fuxun Business Consulting Partnership (Limited Partnership)	0.13%	946,298
31	Beijing Yiju Taihe Technology Co., Ltd.	DU Xin	0.41%	3,027,332
32	Beijing Yiju Taihe Technology Co., Ltd.	CHEN Rong	0.05%	355,776
33	Beijing Yiju Taihe Technology Co., Ltd.	RUAN Guangjie	0.01%	80,159
34	Beijing Yiju Taihe Technology Co., Ltd.	Beijing Lianjia Real Estate Agency Co., Ltd.	80.31%	600,000,000
35	Beijing Beihao Commercial Consultancy Co., Ltd.	GU Feifan	4.17%	100,000
36	Beijing Beihao Commercial Consultancy Co., Ltd.	RUAN Guangjie	4.17%	100,000
37	Beijing Beihao Commercial Consultancy Co., Ltd.	TAO Hongbing	4.17%	100,000
38	Beijing Beihao Commercial Consultancy Co., Ltd.	GAO Jun	4.17%	100,000
39	Beijing Beihao Commercial Consultancy Co., Ltd.	WEI Zhenghui	4.17%	100,000
40	Beijing Beihao Commercial Consultancy Co., Ltd.	LIU Enpeng	4.17%	100,000
41	Beijing Beihao Commercial Consultancy Co., Ltd.	FENG Xia	4.17%	100,000
42	Beijing Beihao Commercial Consultancy Co., Ltd.	SONG Dongfeng	4.17%	100,000

43	Beijing Beihao Commercial Consultancy Co., Ltd.	LI Guofping	4.17%	100,000
44	Beijing Beihao Commercial Consultancy Co., Ltd.	DANG Jie	4.17%	100,000
45	Beijing Beihao Commercial Consultancy Co., Ltd.	WANG Zhe	4.17%	100,000
46	Beijing Beihao Commercial Consultancy Co., Ltd.	CHENG Wenlong	4.17%	100,000
47	Beijing Beihao Commercial Consultancy Co., Ltd.	DING Zongyang	4.17%	100,000
48	Beijing Beihao Commercial Consultancy Co., Ltd.	ZHOU Xiaolong	4.17%	100,000
49	Beijing Beihao Commercial Consultancy Co., Ltd.	CHEN Rong	4.17%	100,000
50	Beijing Beihao Commercial Consultancy Co., Ltd.	XU Wangang	4.17%	100,000

51	Beijing Beihao Commercial Consultancy Co., Ltd.	DU Xin	4.17%	100,000
52	Beijing Beihao Commercial Consultancy Co., Ltd.	SHAO Fei	4.17%	100,000
53	Beijing Beihao Commercial Consultancy Co., Ltd.	LIU Xiaoxiao	4.17%	100,000
54	Beijing Beihao Commercial Consultancy Co., Ltd.	ZHANG Xuefei	4.17%	100,000
55	Beijing Beihao Commercial Consultancy Co., Ltd.	FENG Wencui	4.17%	100,000
56	Beijing Beihao Commercial Consultancy Co., Ltd.	ZHANG Jiandong	4.17%	100,000
57	Beijing Beihao Commercial Consultancy Co., Ltd.	GE Jun	4.17%	100,000
58	Beijing Beihao Commercial Consultancy Co., Ltd.	LIU Wuyang	4.17%	100,000
59	Beijing Beijia Commercial Consultancy Co., Ltd.	LIN Junquan	25.00%	100,000
60	Beijing Beijia Commercial Consultancy Co., Ltd.	XU Tao	25.00%	100,000
61	Beijing Beijia Commercial Consultancy Co., Ltd.	PENG Yongdong	25.00%	100,000
62	Beijing Beijia Commercial Consultancy Co., Ltd.	WANG Yongqun	25.00%	100,000

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Agreement”) is made and entered into on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) by and among:

Party A: Beike (Tianjin) Investment Co., Ltd. (“Pledgee”)

Legal Representative: PENG Yongdong

Party B: Party C’s shareholders listed in Appendix 1 hereto (hereinafter referred to collectively as “Pledgors” and individually as a “Pledgor”)

Party C: Beijing Lianjia Real Estate Brokerage Co., Ltd.

Legal Representative: PENG Yongdong

(Pledgee, Pledgors and Party C are hereinafter collectively referred to as the “Parties” and individually as a “Party”).

WHEREAS,

- (1) The Parties entered into an Equity Interest Pledge Agreement dated September 6, 2021 (“Original EIPA”);
- (2) Pledgors are the shareholders of Party C, and Party C’s shareholding structure on the Effective Date of this Agreement is set forth in Appendix 1 hereto. Party C is a limited liability company registered in Beijing, China which engages in real estate brokerage. Party C desires to acknowledge the rights and obligations of Pledgors and Pledgee hereunder and provide necessary assistance on the registration of such pledge;
- (3) Pledgee is a wholly foreign-owned enterprise registered in the PRC. The Pledgee and Party C have entered into an Exclusive Business Cooperation Agreement (as defined below). The Pledgee, the Pledgors and Party C have entered into an Exclusive Option Agreement (as defined below). Each of the Pledgors has executed a Power of Attorney (as defined below) with the Pledgee as the attorney;
- (4) To ensure that Party C and the Pledgors fully perform its or their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney, the Pledgors pledge to the Pledgee all the equity interests they hold in Party C as security for the performance of Party C’s and the Pledgors’ obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney.

To perform the terms of the Transaction Documents (as defined below), the Parties have agreed to enter into this Agreement as follows.

Article 1 Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

- 1.1 **Pledge:** means the security interest granted by the Pledgors to the Pledgee pursuant to Article 2 of this Agreement, i.e., the right of the Pledgee to be compensated on a preferential basis with any proceeds received from monetization, auction or sale of the Pledged Equity Interest.
- 1.2 **Pledged Equity Interest:** means 100% of the equity interests in Party C collectively held by the Pledgors for the time being, and all the future equity rights and interests in Party C held by the Pledgors.
- 1.3 **Term of Pledge:** means the term set forth in Article 3 of this Agreement.

1.4 **Transaction Documents:** means the Exclusive Business Cooperation Agreement entered into by and between Party C and the Pledgee on January 30, 2022 (the “Exclusive Business Cooperation Agreement”); the Exclusive Option Agreement entered into by and among the Pledgors, Party C and the Pledgee on the date hereof (the “Exclusive Option Agreement”); and the Power of Attorney executed by the Pledgors respectively on the date hereof (the “Power of Attorney”), and any amendments, revisions and/or restatements thereto.

1.5 **Contractual Obligations:** means all the obligations of the Pledgors under the Exclusive Option Agreement, the Power of Attorney and this Agreement, and all the obligations of Party C under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and this Agreement.

1.6 **Secured Indebtedness:** means all direct, indirect, consequential losses and loss of anticipated profits suffered by the Pledgee as a result of any Event of Default of the Pledgors and/or Party C, of which the basis for the amount of such losses includes without limitation reasonable business plans and profit forecasts of the Pledgee, the service fees payable by Party C under the Exclusive Business Cooperation Agreement, as well as all expenses as incurred by the Pledgee to enforce the performance of the Contractual Obligations by the Pledgors and/or Party C.

1.7 **Event of Default:** means any circumstances as set forth in Article 7 of this Agreement.

1.8 **Notice of Default:** means the notice issued by the Pledgee in accordance with this Agreement declaring an Event of Default.

Article 2 The Pledge

2.1 The Pledgors hereby agree to pledge to the Pledgee the Pledged Equity Interest in accordance with this Agreement as security for the performance of the Contractual Obligations and the repayment of the Secured Indebtedness. Party C hereby agrees for the Pledgors to pledge the Pledged Equity Interest to the Pledgee in accordance with this Agreement.

2.2 During the Term of Pledge, the Pledgee is entitled to receive any dividends or distributions in respect of the Pledged Equity Interest. With the prior written consent of the Pledgee, the Pledgors may collect such dividends or distributions in respect of the Pledged Equity Interest. Any dividends or distributions received by the Pledgors in respect of the Pledged Equity Interest after deduction of individual income tax paid by them shall, upon the Pledgee’s request, (1) be deposited into a bank account designated by the Pledgee, subject to supervision of the Pledgee, used as security for the Contractual Obligations and first applied towards full satisfaction of the Secured Indebtedness; or (2) to the extent permitted by the PRC laws, be unconditionally gifted to the Pledgee or any person designated by the Pledgee.

2.3 With the prior written consent of the Pledgee, the Pledgors may subscribe for increased capital in Party C. Any increase in the capital contributed by the Pledgors to the registered capital of Party C as a result of any capital increase of Party C shall also be deemed as the Pledged Equity Interest, with respect to which, the Parties shall enter into further pledge agreement and file pledge registration for the increased capital contribution amount.

2.4 In the event that Party C is to be dissolved or liquidated as required by any mandatory rules of the PRC laws, upon the lawful completion of such dissolution or liquidation procedure, any proceeds distributed by Party C to the Pledgors shall, upon the Pledgee’s request, (1) be deposited into a bank account designated by the Pledgee, subject to the supervision of the Pledgee, and used as security for the Contractual Obligations and first applied towards full satisfaction of the Secured Indebtedness; or (2) to the extent permitted by the PRC laws, be unconditionally gifted to the Pledgee or any person designated by the Pledgee.

Article 3 Term of Pledge

3.1 The Pledge shall become effective on such date when the pledge of the Pledged Equity Interest contemplated herein has been registered with the relevant administration for industry and commerce. The Pledge shall be continuously valid until (1) full performance of the Contractual Obligations and full satisfaction of the Secured Indebtedness, or (2) to the extent permitted by the

PRC laws, the Pledgee and/or the Designee decides to purchase all the equity interests in Party C held by the Pledgors in accordance with the Exclusive Option Agreement, and the equity interests in Party C have all been duly transferred under the name of the Pledgee and/or the designee, and the Pledgee and/or the designee may legally engage in Party C's business. The Pledgors and Party C shall register the Pledge in the shareholders' register of Party C on the effective date of this Agreement, and the Pledgors shall submit an application to the relevant administration for industry and commerce for the registration of the Pledge on the same date. The Parties jointly confirm that for the purpose of registration of the Pledged Equity Interest, at the request of Party A, the Parties shall submit to the administration for industry and commerce this Agreement or an equity interest pledge agreement in the form required by the administration for industry and commerce at the place where Party C is located (the "AIC Pledge Agreement"). In case of any matter specified in the AIC Pledge Agreement which is inconsistent with this Agreement, this Agreement shall prevail. The Pledgors and Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant administration for industry and commerce, to ensure that the Pledge shall be registered as soon as possible after filing.

3.2 During the Term of Pledge, in the event the Pledgors and/or Party C fail to fulfill the Contractual Obligations or pay the Secured Indebtedness, the Pledgee shall be entitled to, but not be obliged to, exercise the Pledge in accordance with this Agreement.

Article 4 Custody for Certificates of the Pledge

4.1 During the Term of Pledge, the Pledgors shall deliver to the Pledgee for custody within one (1) week following the execution of this Agreement the certificate of capital contributions to Party C and the register of shareholders which records the Pledge. The Pledgee will place such documents in custody throughout the entire Term of Pledge specified in this Agreement.

Article 5 Representations and Warranties of the Pledgors and Party C

The Pledgors and Party C hereby severally but not jointly represent and warrant to Party A on the effective date of this Agreement that:

5.1 The Pledgors are the sole legal owners of the Pledged Equity Interest;

5.2 The Pledgee is entitled to dispose of and transfer the Pledged Equity Interest in accordance with this Agreement;

5.3 Except for the Pledge, the Pledgors have not created any other pledge or other security interest on the Pledged Equity Interest;

5.4 The Pledgors and Party C have obtained all necessary approvals and consents from governmental authorities and third parties (if required) in connection with the execution, delivery and performance of this Agreement;

5.5 The execution, delivery and performance of this Agreement shall not: (i) cause any violation of any applicable PRC laws; (ii) conflict with the articles of association or other organizational documents of Party C; (iii) cause the breach of or constitute any default under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them.

Article 6 Undertakings by the Pledgors and Party C

6.1 During the Term of Pledge, the Pledgors and Party C severally but not jointly undertake to the Pledgee that:

6.1.1 Without the prior written consent of the Pledgee, the Pledgors shall not transfer the Pledged Equity Interest or any portion thereof, create or permit the creation of any security interest or other encumbrances on the Pledged Equity Interest, except for the performance of the Transaction Documents;

6.1.2 The Pledgors and Party C shall comply with the provisions of all the laws and regulations relating to the pledge of rights, and shall, within five (5) days upon receipt of any notice, order or recommendation issued or promulgated by the relevant competent authorities regarding the Pledge, present it to the Pledgee and concurrently comply with such notice, order or recommendation, or object thereto upon the reasonable request or consent of the Pledgee;

6.1.3 The Pledgors and Party C shall promptly notify the Pledgee of any event or notice received by the Pledgors that may have an impact on the Pledged Equity Interest or any portion thereof, and that may change any warranties and obligations of the Pledgors hereunder or may have an impact on the fulfillment of any obligations by the Pledgors hereunder;

6.2 The Pledgors agree that the rights granted to the Pledgee in respect of the Pledge hereunder shall not be interrupted or impaired by any legal procedure initiated by the Pledgors, any successors of the Pledgors or their entrusting party or any other persons.

6.3 The Pledgors undertake to the Pledgee that in order to protect or perfect the security for the Contractual Obligations and the Secured Indebtedness under this Agreement, the Pledgors shall execute in good faith and cause other parties who have interests in the Pledge to execute all the certificates of rights, deeds, and/or perform and procure other parties who have interests in the Pledge to perform the acts as required by the Pledgee, facilitate the exercise of the Pledgee's rights and authorizations granted hereunder and enter into all relevant documents regarding ownership of the Pledged Equity Interest with the Pledgee or any person (individuals or legal persons) designated by the Pledgee, as well as provide the Pledgee with all notices, orders and decisions regarding the Pledge as required by the Pledgee within a reasonable period of time.

6.4 The Pledgors hereby undertake to the Pledgee that they will comply with and perform all the undertakings, representations and warranties and terms and conditions hereunder. In the event that the Pledgors fail to perform or fail to fully perform such undertakings, representations and warranties and terms and conditions hereunder, the Pledgors shall indemnify the Pledgee against all the losses resulting therefrom.

Article 7 Event of Default

7.1 Each of the following circumstances shall constitute an Event of Default:

7.1.1 The Pledgors breach any of their obligations under the Transaction Documents and/or this Agreement;

7.1.2 Party C breaches any of its obligations under the Transaction Documents and/or this Agreement.

7.2 Should the Pledgors and Party C know or identify the occurrence of any event set forth in Article 7.1 or any circumstance that may result in the foregoing events, they shall immediately notify the Pledgee in writing.

7.3 Unless an Event of Default set forth in this Article 7.1 has been remedied at the request of the Pledgee within twenty (20) days upon receipt of the notice from the Pledgee to the Pledgors and/or Party C requesting the rectification of such Event of Default, the Pledgee may issue a Notice of Default to the Pledgors in writing at any time thereafter, requesting the exercise of the Pledge in accordance with Article 8 hereof.

Article 8 Exercise of the Pledge

8.1 The Pledgee shall issue a written Notice of Default to the Pledgors for the exercise of the Pledge.

8.2 Subject to the provisions of Article 7.3, the Pledgee may exercise its right to dispose of the Pledge at any time after the issuance of the Notice of Default in accordance with Article 8.1. Upon the Pledgee's decision to exercise its right to dispose of the Pledge, the Pledgors shall no longer own any right and interest in respect of the Pledged Equity Interest.

8.3 Upon the issuance of the Notice of Default in accordance with Article 8.1, the Pledgee is

entitled to exercise all the remedies, rights and powers available to it under the PRC laws, the Transaction Documents and this Agreement, including without limitation to monetize, auction or sell the Pledged Equity Interests for preferential compensation. The Pledgee shall not be held liable for any losses arising from its reasonable exercise of such rights and powers.

8.4 The proceeds received by the Pledgee as a result of the exercise of the Pledge shall be first applied towards payment of the taxes and administrative charges; payable in connection with the disposal of the Pledged Equity Interest and the performance of the Contractual Obligations and the repayment of the Secured Indebtedness to the Pledgee. Any balance after the deduction of the foregoing payments shall be returned to the Pledgors or any other person who is entitled to such balance under applicable laws and regulations, or be deposited with the notary public at the place where the Pledgors are located, at the cost of the Pledgors; and to the extent permitted by the PRC laws, the Pledgors shall unconditionally gift such balance to the Pledgee or any person designated by the Pledgee.

8.5 The Pledgee shall be entitled to elect to exercise, simultaneously or successively, any of its remedies for breach of contract; and the Pledgee shall not be required to first exercise other remedies for breach of contract prior to exercising its right to monetize, auction or sell the Pledged Equity Interest hereunder.

8.6 The Pledgee shall be entitled to designate in writing its legal counsel or other agents to exercise on its behalf the Pledge, and neither the Pledgors nor Party C shall object thereto.

8.7 When the Pledgee disposes of the Pledge in accordance with this Agreement, the Pledgors and Party C shall provide necessary assistance to the Pledgee for its exercise of the Pledge.

Article 9 Liabilities for Breach of Agreement

9.1 If the Pledgors or Party C commits any material breach of any term of this Agreement, the Pledgee shall have right to terminate this Agreement and/or require the Pledgors or Party C to indemnify all damages. This Article 9 shall not prejudice any other rights of the Pledgee hereunder.

Article 10 Assignment

10.1 The Pledgors and Party C shall not gift or assign their rights and obligations hereunder without the prior written consent of the Pledgee.

10.2 This Agreement shall be binding upon the Pledgors and their successors and permitted assignees, and effective upon the Pledgee and each of its successors and assignees.

10.3 The Pledgee may assign any or all of its rights and obligations under the Transaction Documents and this Agreement to any person designated by it at any time. In this case, the assignee shall enjoy and assume the rights and obligations of the Pledgee under the Transaction Documents and this Agreement as if the assignee were a party hereto or thereto, as applicable.

10.4 In the event of a change of Pledgee due to assignment, the Pledgors and/or Party C shall, at the request of the Pledgee, enter into a new pledge agreement with the new pledgee with the same terms and conditions as this Agreement, and register such new pledge with the relevant administration for industry and commerce.

10.5 The Pledgors and Party C shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among the Parties, including the Transaction Documents, perform the obligations under the Transaction Documents, and refrain from any action/omission that may affect the validity and enforceability thereof. Unless with the written instructions of the Pledgee, the Pledgors shall not exercise their retained rights in respect of the Pledged Equity Interest.

Article 11 Termination

11.1 Upon the full and complete performance of all of the Contractual Obligations and full satisfaction of the Secured Indebtedness by the Pledgors and Party C, this Agreement will automatically terminate. The Pledgee shall, upon the Pledgors' request, release the Pledge of the

Pledged Equity Interest hereunder and cooperate with the Pledgors in relation to both the deregistration of the Pledge of the Pledged Equity Interest in the shareholders' register of Party C and the deregistration of the Pledge of the Pledged Equity Interest with the relevant administration for industry and commerce (if registered), as soon as practicably possible.

11.2 Articles 9, 13, 14 and 11.2 hereof shall survive the termination of this Agreement.

11.3 The Parties agree that as of the effective date of this Agreement, the Original EIPA shall fully terminate and be superseded by this Agreement in entirety.

Article 12 Costs and Other Expenses

All costs and actual expenses arising in connection with this Agreement, including without limitation the legal fees, processing fees, stamp duty, any other taxes and expenses, shall be borne by Party C.

Article 13 Confidentiality

The Parties acknowledge and confirm that any oral or written information related to this Agreement, the content hereof and exchanged for the purpose of preparation or performance of this Agreement shall be regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without prior written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is subject to disclosure required under the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 14 Applicable Law and Dispute Resolution

14.1 The conclusion, validity, interpretation, performance, revision and termination and dispute resolution of this Agreement shall be governed by the PRC laws.

14.2 In case of any dispute arising out of the performance of this Agreement or in connection with this Agreement, either Party may submit such dispute to Beijing Arbitration Commission ("BAC") for arbitration in Beijing in accordance with the arbitration rules of BAC then in force. The arbitral tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant appointing one arbitrator, the respondent appointing one arbitrator, and the third arbitrator appointed by the first two arbitrators or appointed by BAC. The arbitration shall be conducted in confidentiality and the language used in the arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties. Where appropriate, the arbitration tribunal or the arbitrator may award compensation in respect of the equity, assets, property interests or land assets of Party C and its subsidiaries, award compulsory remedies (including but not limited to those necessary for conducting business or mandating transfer of assets), or direct liquidation of Party C and its subsidiaries, in accordance with the dispute resolution provisions and/or applicable PRC laws. Moreover, pending the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies to facilitate the arbitration from a court with competent jurisdiction, including the PRC courts, which shall also include the courts of Hong Kong, Cayman Islands and the place where the main assets of Party C and/or its subsidiaries are located.

14.3 Pending arbitration of any dispute, except for the disputed matters under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Article 15 Notice

15.1 All notices and other communications required or permitted to be given hereunder shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

15.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

15.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th day after the date on the registered letter receipt;

15.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o'clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

15.2 For the purpose of notice, the addresses of the Parties shall be set forth in Appendix 2 hereto.

15.3 Either Party may change its address for notice at any time by delivering a notice to the other Party in accordance with this Article.

Article 16 Severability

In the event that any or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by laws the intentions of the Parties, and are of an economic effect as close as possible to that of such invalid, illegal or unenforceable provisions.

Article 17 Appendices

The appendices attached to this Agreement shall be integral parts of this Agreement.

Article 18 Effectiveness

18.1 This Agreement shall become effective upon the date of execution (which will be signing by hand, in case of natural person; or affixation of seal, in case of non-natural person) by the Parties.

18.2 Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon signing or affixation of seal by the Parties and completion of the governmental registration procedures (if applicable) in accordance with the regulations.

Article 19 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall have the same legal effect.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beike (Tianjin) Investment Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong

Name: PENG Yongdong

Title: Legal Representative

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

ZHU Yan

Signed by: /s/ ZHU Yan

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

SHAN Yigang

Signed by: /s/ SHAN Yigang

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Yurui Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Yurui Information Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Yusi Business Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Yusi Business Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Yumin Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Yumin Information Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Dingcong Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Dingcong Information Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Bojun Business Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Bojun Business Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DANG Jie

Signed by: /s/ DANG Jie

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

XU Wan'gang

Signed by: /s/ XU Wan'gang

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

GAO Jun

Signed by: /s/ GAO Jun

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Shanghai Zhanben Investment Management Center (Limited Partnership) (seal)

Signed by: /s/ Shanghai Zhanben Investment Management Center (Limited Partnership) (seal)

Name: (seal)

Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership) (seal)

Signed by: /s/ Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DU Xin

Signed by: /s/ DU Xin

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

CHEN Rong

Signed by: /s/ CHEN Rong

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

RUAN Guangjie

Signed by: /s/ RUAN Guanjie

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Lianjia Real Estate Brokerage Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong

Name: PENG Yongdong

Title: Legal Representative

Equity Interest Pledge Agreement
Signature Page

Appendix 1: Shareholding Structure of Party C

Shareholders	Subscribed Registered Capital (RMB)	Contribution Percentage
ZHU Yan	7,986,153	59.8090%
SHAN Yigang	475,294	3.5595%
Tianjin Yurui Information Consulting Partnership (Limited Partnership)	941,439	7.0505%
Tianjin Yusi Business Consulting Partnership (Limited Partnership)	398,833	2.9869%
Tianjin Yumin Information Consulting Partnership (Limited Partnership)	364,133	2.7270%
Tianjin Dingcong Information Consulting Partnership (Limited Partnership)	649,374	4.8632%
Tianjin Bojun Business Consulting Partnership (Limited Partnership)	162,810	1.2193%
DANG Jie	65,460	0.4902%
XU Wan'gang	220,502	1.6513%
GAO Jun	208,780	1.5636%
Shanghai Zhanben Investment Management Center (Limited Partnership)	1,479,685	11.0815%
Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership)	85,906	0.6434%
DU Xin	274,826	2.0582%
CHEN Rong	32,296	0.2419%
RUAN Guangjie	7,277	0.0545%
Total	13,352,768	100.00%

Equity Interest Pledge Agreement
Appendix 1

Appendix 2: Notice Address

To all Parties:

Correspondence Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Phone: *****

Email: *****

Designated Contact Person: *****

Equity Interest Pledge Agreement
Appendix 2

Appendix 3

1. Party C's Register of Shareholders;
2. Party C's Certificate of Capital Contribution;
3. Exclusive Business Cooperation Agreement;
4. Exclusive Option Agreement;
5. Power of Attorney.

Equity Interest Pledge Agreement
Appendix 3

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Agreement”) has been executed by and among the following parties on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, for the purpose of this agreement, excluding Hong Kong, Macau and Taiwan):

Party A: Jinbei (Tianjin) Technology Co., Ltd. (hereinafter “Pledgee”), a limited liability company, organized and existing under the laws of the PRC, with its address at Unit 28, Room 212, 2/F, Office Building C, Integrated Service Area, Nangang Industrial Zone, Tianjin Economic-Technological Development Area;

Party B: SHAN Yigang (hereinafter “Pledgor”), a Chinese citizen with Chinese Identification No.: *****; and

Party C: Tianjin Xiaowu Information & Technology Co., Ltd., a limited liability company organized and existing under the laws of the PRC, with its address at Room 708, Building A3, No. 12, Nanhai Road, Tianjin Economic-Technological Development Area.

In this Agreement, each of Pledgee, Pledgor and Party C shall be hereinafter referred to as a “Party” individually, and as the “Parties” collectively.

鉴于：

1. The Parties entered into an Equity Interest Pledge Agreement dated December 28, 2018 (“Original EIPA”).
2. Pledgor is a citizen of China who as of the date hereof holds 5.6172% of equity interests of Party C, representing RMB 561,720 in the registered capital of Party C. Party C is a limited liability company registered in Tianjin, China, engaging in real estate related Internet information services. Party C acknowledges the respective rights and obligations of Pledgor and Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge;
3. Pledgee is a wholly foreign-owned enterprise registered in China. Pledgee and Party C have executed an Exclusive Business Cooperation Agreement (as defined below); Party C, Pledgee and Pledgor have executed an Exclusive Option Agreement (as defined below); and Pledgor has executed a Power of Attorney (as defined below) in favor of Pledgee;
4. To ensure that Party C and Pledgor fully perform their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney, Pledgor hereby pledges to the Pledgee all of the equity interest that Pledgor holds in Party C as security for Party C’s and Pledgor’s obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney.

1. Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

- 1.1 Pledge: shall refer to the security interest granted by Pledgor to Pledgee pursuant to Section 2 of this Agreement, i.e., the right of Pledgee to be paid in priority with the Equity Interest based on the monetary valuation that such Equity Interest is converted into or from the proceeds from auction or sale of the Equity Interest.
- 1.2 Equity Interest: shall refer to all of the equity interest lawfully now held and hereafter acquired by Pledgor in Party C.
- 1.3 Term of Pledge: shall refer to the term set forth in Section 3 of this Agreement.
- 1.4 Transaction Documents: shall refer to the Exclusive Business Cooperation Agreement executed by and between Party C and Pledgee on January 30, 2022 (the "Exclusive Business Cooperation Agreement"), the Exclusive Option Agreement executed by and among Party C, Pledgee and Pledgor on January 30, 2022 (the "Exclusive Option Agreement"), Power of Attorney executed on January 30, 2022 by Pledgor (the "Power of Attorney") and any modification, amendment and restatement to the aforementioned documents.
- 1.5 Contract Obligations: shall refer to all the obligations of Pledgor under the Exclusive Option Agreement, the Power of Attorney and this Agreement; all the obligations of Party C under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and this Agreement.
- 1.6 Secured Indebtedness: shall refer to all the direct, indirect and derivative losses and losses of anticipated profits, suffered by Pledgee, incurred as a result of any Event of Default of the Pledgor and/or Party C or invalidity, revocation and termination of any Transaction Document. The amount of such loss shall be calculated in accordance with but not limited to the reasonable business plan and profit forecast of Pledgee, the service fees payable to Pledgee under the Exclusive Business Cooperation Agreement, damages and relevant fees, all expenses occurred in connection with enforcement by Pledgee of Pledgor's and/or Party C's Contract Obligations and etc.
- 1.7 Event of Default: shall refer to any of the circumstances set forth in Section 7 of this Agreement.
- 1.8 Notice of Default: shall refer to the notice issued by Pledgee in accordance with this Agreement declaring an Event of Default.

2. Pledge

- 2.1 Pledgor agrees to pledge all the Equity Interest as security for performance of the Contract Obligations and payment of the Secured Indebtedness under this Agreement. Party C hereby assents that Pledgor pledges the Equity Interest to the Pledgee pursuant to this Agreement.
- 2.2 The effect of the security under this Agreement shall not be affected in any way due to any modification or change of the Transaction Documents. The security under this Agreement shall remain effective upon the obligations of the Pledgor and Party C under the revised Transaction Documents. If any Transaction Document becomes invalid, revoked or terminated for any reason, the Pledgee shall be entitled to immediately exercise the Pledge in accordance with Article 8 of this Agreement.
- 2.3 During the term of the Pledge, Pledgee is entitled to receive dividends distributed on the Equity Interest. Pledgor may receive dividends distributed on the Equity Interest only with prior written consent of Pledgee. Dividends received by Pledgor on Equity Interest after deduction of individual income tax paid by Pledgor shall be, as required by Pledgee, (1) deposited into an account designated and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to making any other payment; or (2) unconditionally donated to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.
- 2.4 Pledgor may subscribe for capital increase in Party C only with prior written consent of Pledgee. Any equity interest obtained by Pledgor as a result of Pledgor's subscription of the increased registered capital of the Company shall also be deemed as Equity Interest. All Parties shall enter into the equity pledge agreement on such Equity Interest and register such Equity Interest with the relevant AIC (as defined below).
- 2.5 In the event that Party C is required by PRC law to be liquidated or dissolved, any interest distributed to Pledgor upon Party C's dissolution or liquidation shall, upon the request of the Pledgee, be (1) deposited into an account designate and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to make any other payment; or (2) unconditionally donated to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.

3. Term of Pledge

- 3.1 The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein is registered with relevant administration for industry and commerce (the "AIC"). The Pledge shall remain effective until all Contract Obligations have been fully performed and all Secured Indebtedness has been fully paid. Pledgor and Party C shall register the Pledge in the shareholders' register of Party C on the effective date of this Agreement, and submit an application to the AIC for the registration of the Pledge of the Equity Interest contemplated herein on the date hereof. The

parties covenant that for the purpose of registration of the Pledge, the Parties hereto and all other shareholders of Party C shall submit to the AIC this Agreement or an equity interest pledge contract in the form required by the AIC at the location of Party C which shall truly reflect the information of the Pledge hereunder (the "AIC Pledge Contract"). For the conflicts between this Agreement and the AIC Pledge Contract, the parties shall be bound by the provisions of this Agreement. Pledgor and Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant AIC, to ensure that the Pledge of the Equity Interest shall be registered with the AIC as soon as possible after submission for filing.

- 3.2 During the Term of Pledge, in the event Pledgor and/or Party C fails to perform the Contract Obligations or pay Secured Indebtedness, Pledgee shall have the right, but not the obligation, to exercise the Pledge in accordance with the provisions of this Agreement.

4. Custody of Records for Equity Interest subject to Pledge

- 4.1 During the Term of Pledge set forth in this Agreement, Pledgor shall deliver to Pledgee's custody the capital contribution certificate for the Equity Interest and the shareholders' register containing the Pledge within one week from the execution of this Agreement. Pledgee shall have custody of such documents during the entire Term of Pledge set forth in this Agreement.

5. Representations and Warranties of Pledgor and Party C

As of the execution date of this Agreement, Pledgor and Party C hereby severally represent and warrant to Party A that:

- 5.1 Party C is a limited liability company duly organized and validly existing under the laws of the PRC;
- 5.2 Pledgor is the sole legal and beneficial owner of the Equity Interest;
- 5.3 Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement;
- 5.4 Except for the Pledge, Pledgor has not placed any security interest or other encumbrance on the Equity Interest;
- 5.5 They have the power, capacity and authority to execute and deliver this Agreement and to perform their obligations hereunder. This Agreement, when executed, will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;
- 5.6 Pledgor and Party C have obtained any and all approvals and consents from applicable government authorities and third parties (if required) for execution, delivery and performance of this Agreement; and

- 5.7 The execution, delivery and performance of this Agreement will not: (i) violate any relevant PRC laws; (ii) conflict with Party C's articles of association or other constitutional documents; (iii) result in any breach of or constitute any default under any contract or instrument to which it is a party or by which it is otherwise bound; (iv) result in any violation of any condition for the grant and/or maintenance of any permit or approval granted to any Party; or (v) cause any permit or approval granted to any Party to be suspended, cancelled or attached with additional conditions.

6. Covenants of Pledgor and Party C

- 6.1 During the term of this Agreement, Pledgor and Party C hereby jointly and severally covenant to the Pledgee:
- 6.1.1 Pledgor shall not transfer the Equity Interest, place or permit the existence of any security interest or other encumbrance on the Equity Interest or any portion thereof, without the prior written consent of Pledgee, except for the performance of the Transaction Documents; Party C shall not assent to or assist in the aforesaid behaviors;
- 6.1.2 Pledgor and Party C shall comply with the provisions of all laws and regulations applicable to the pledge of rights, and within five (5) days of receipt of any notice, order or recommendation issued or prepared by relevant competent authorities regarding the Pledge, shall present the aforementioned notice, order or recommendation to Pledgee, and shall comply with the aforementioned notice, order or recommendation or submit objections and representations with respect to the aforementioned matters upon Pledgee's reasonable request or upon consent of Pledgee;
- 6.1.3 Pledgor shall not conduct or allow any activities or actions that would adversely affect Pledgee's rights related to the Contract Obligations or the Equity Interest. Pledgor and Party C shall promptly notify Pledgee of any event or notice received by Pledgor that may have an impact on the Equity Interest or any portion thereof, as well as any event or notice received by Pledgor that may have an impact on any guarantees and other obligations of Pledgor arising out of this Agreement;
- 6.1.4 Party C shall complete the registration procedures for extension of the term of operation within three (3) months prior to the expiration of such term to maintain the validity of this Agreement.
- 6.2 Pledgor agrees that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgor or any heirs or representatives of Pledgor or any other persons through any legal proceedings.
- 6.3 To protect or perfect the security interest granted by this Agreement for the

Contract Obligations and Secured Indebtedness, Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the Pledge to execute all certificates, agreements, deeds and/or covenants required by Pledgee. Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by Pledgee, to facilitate the exercise by Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with Pledgee or designee(s) of Pledgee (natural persons/legal persons). Pledgor undertakes to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.

- 6.4 Pledgor and Party C shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Transaction Documents, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of Pledgor with respect to the Equity Interest pledged hereunder shall not be exercised by Pledgor except in accordance with the written instructions of Pledgee.
- 6.5 Pledgor hereby undertakes to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure of or partial performance of its guarantees, promises, agreements, representations and conditions, the Pledgor is deemed in breach of this Agreement and shall indemnify the Pledgee for all losses resulting therefrom.

7. Event of Breach

- 7.1 The following circumstances shall be deemed Event of Default:
 - 7.1.1 Pledgor's any breach to any obligations under the Transaction Documents and/or this Agreement.
 - 7.1.2 Party C's any breach to any obligations under the Transaction Documents and/or this Agreement.
- 7.2 Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Section 7.1, Pledgor and Party C shall immediately notify Pledgee in writing accordingly.
- 7.3 Unless an Event of Default set forth in this Section 7.1 has been successfully resolved to Pledgee's satisfaction within twenty (20) days after the Pledgee delivers a notice to the Pledgor and/or Party C requesting rectification of such Event of Default, Pledgee may issue a Notice of Default to Pledgor in writing at any time thereafter, demanding the Pledgor to immediately exercise the Pledge in accordance with the provisions of Section 8 of this Agreement.

8. Exercise of Pledge

- 8.1 Pledgee shall issue a written Notice of Default to Pledgor when it exercises the Pledge.
- 8.2 Subject to the provisions of Section 7.3, Pledgee may exercise the right to enforce the Pledge at any time after the issuance of the Notice of Default in accordance with Section 8.1.
- 8.3 After Pledgee issues a Notice of Default to Pledgor in accordance with Section 8.1, Pledgee may exercise any remedy measure under applicable PRC laws, the Transaction Documents and this Agreement, including but not limited to being paid in priority with the Equity Interest based on the monetary valuation that such Equity Interest is converted into or from the proceeds from auction or sale of the Equity Interest. The Pledgee shall not be liable for any loss incurred by its due exercise of such rights and powers.
- 8.4 The proceeds from exercise of the Pledge by Pledgee shall be used to pay for tax and expenses incurred as result of disposing the Equity Interest and to perform Contract Obligations and pay the Secured Indebtedness to the Pledgee prior and in preference to any other payment. After the payment of the aforementioned amounts, the remaining balance shall be returned to Pledgor or any other person who have rights to such balance under applicable laws or be deposited to the local notary public office where Pledgor resides, with all expense incurred being borne by Pledgor. To the extent permitted under applicable PRC laws, Pledgor shall unconditionally donate the aforementioned proceeds to Pledgee or any other person designated by Pledgee.
- 8.5 Pledgee may exercise any remedy measure available simultaneously or in any order. Pledgee may exercise the right to being paid in priority with the Equity Interest based on the monetary valuation that such Equity Interest is converted into or from the proceeds from auction or sale of the Equity Interest under this Agreement, without exercising any other remedy measure first.
- 8.6 Pledgee is entitled to designate an attorney or other representatives to exercise the Pledge on its behalf, and Pledgor or Party C shall not raise any objection to such exercise.
- 8.7 When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgor and Party C shall provide necessary assistance to enable Pledgee to enforce the Pledge in accordance with this Agreement.

9. Breach of Agreement

- 9.1 If Pledgor or Party C conducts any material breach of any term of this Agreement, Pledgee shall have right to terminate this Agreement and/or require Pledgor or Party C to indemnify all damages; this Section 9 shall not prejudice any other rights of Pledgee herein;

- 9.2 Pledgor or Party C shall not have any right to terminate this Agreement unilaterally in any event unless otherwise required by applicable laws.

10. Assignment

- 10.1 Without Pledgee's prior written consent, Pledgor and Party C shall not have the right to assign or delegate their rights and obligations under this Agreement.
- 10.2 This Agreement shall be binding on Pledgor and his/her successors and permitted assigns, and shall be valid with respect to Pledgee and each of his/her successors and assigns.
- 10.3 At any time, Pledgee may assign any and all of its rights and obligations under the Transaction Documents and this Agreement to its designee(s), in which case the assigns shall have the rights and obligations of Pledgee under the Transaction Documents and this Agreement, as if it were the original party to the Transaction Documents and this Agreement.
- 10.4 In the event of change of Pledgee due to assignment, Pledgor and/or Party C shall, at the request of Pledgee, execute a new pledge agreement with the new pledgee on the same terms and conditions as this Agreement, and register the same with the relevant AIC.

11. Termination

- 11.1 Upon the fulfillment of all Contract Obligations and the full payment of all Secured Indebtedness by Pledgor and Party C, Pledgee shall release the Pledge under this Agreement upon Pledgor's request as soon as reasonably practicable and shall assist Pledgor to de-register the Pledge from the shareholders' register of Party C and with relevant AIC.
- 11.2 The provisions under Sections 9, 13, 14 and 11.2 herein of this Agreement shall survive the expiration or termination of this Agreement.

12. Handling Fees and Other Expenses

All fees and out of pocket expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C.

13. Confidentiality

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the

receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

14. Governing Law and Resolution of Disputes

- 14.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of the PRC.
- 14.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute through negotiations, either Party may submit the relevant dispute to the Beijing Arbitration Commission for arbitration, in accordance with its Arbitration Rules and procedures in effect at that time. The arbitration tribunal shall be consisted three (3) arbitrators according to the arbitration rules and procedures, among whom one of them shall be designated by the applicant, one of them shall be designated by respondent and one of them shall be designated upon the negotiation by aforesaid two arbitrators or by the Beijing Arbitration Commission. The arbitration shall be conduct confidentially and the language of the arbitration shall be Chinese. The arbitration shall be conducted in Beijing. The arbitration award shall be final and binding on all Parties.
- 14.3 To the extent permitted by PRC laws and where appropriate, the arbitration tribunal may grant any remedies in accordance with the provisions of this Agreement and applicable PRC laws, including preliminary and permanent injunctive relief (such as injunction against carrying out business activities, or mandating the transfer of assets), specific performance of contractual obligations, remedies concerning the equity interest or assets of Party C and awards directing Party C to conduct liquidation. To the extent permitted by PRC laws, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies from a court with competent jurisdiction to facilitate the arbitration. Without violating the applicable governing laws, the Parties agree that the courts of Hong Kong, Cayman Islands, China and the place where the principal assets of Party C are located shall all be deemed to have competent jurisdiction.
- 14.4 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any

dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

15. Notices

- 15.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such party set forth below. A confirmation copy of each notice shall also be sent by E-mail. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 15.2 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.
- 15.3 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 15.4 For the purpose of notices, the addresses of the Parties are as follows:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing
Attn: *****
Phone: *****

Party B: SHAN Yigang

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing
Attn: *****
Phone: *****

Party C: Tianjin Xiaowu Information & Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing
Attn: *****
Phone: *****

- 15.5 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

16. Severability

In the event that one or several of the provisions of this Contract are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or

regulations, the validity, legality or enforceability of the remaining provisions of this Contract shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

17. Entire Agreement

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement, including but not limited to the Original EIPA.

18. Attachments

The attachments set forth herein shall be an integral part of this Agreement.

19. Effectiveness

This Agreement shall become effective upon execution by the Parties. This agreement shall fully terminate and supersede the Original EIPA. Any amendments, supplements or changes to this Agreement shall be in writing and shall become effective after the affixation of the signatures or seals of the Parties.

20. Language and Counterparts

This Agreement is written in Chinese in four copies. Pledgor, Pledgee and Party C shall hold one copy respectively and the other copy shall be used for registration.

[The remainder of this page is intentionally left blank; Signature page to follow.]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written.

Party A: Jinbei (Tianjin) Technology Co., Ltd. (Seal)

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Signature Page to Entity Interest Pledge Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written.

Party B: SHAN Yigang

By: /s/ SHAN Yigang

Signature Page to Entity Interest Pledge Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written.

Party C: Tianjin Xiaowu Information & Technology Co., Ltd. (Seal)

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Signature Page to Entity Interest Pledge Agreement

Attachments:

1. Shareholders' Register of Party C;
2. The Capital Contribution Certificate for Party C.

Attachments to Equity Interest Pledge Agreement

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Agreement”) has been executed by and among the following parties on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, for the purpose of this agreement, excluding Hong Kong, Macau and Taiwan):

Party A: Jinbei (Tianjin) Technology Co., Ltd. (hereinafter “Pledgee”), a limited liability company, organized and existing under the laws of the PRC, with its address at Unit 28, Room 212, 2/F, Office Building C, Integrated Service Area, Nangang Industrial Zone, Tianjin Economic-Technological Development Area;

Party B: ZHU Yan (hereinafter “Pledgor”), a Chinese citizen with Chinese Identification No.: *****; and

Party C: Tianjin Xiaowu Information & Technology Co., Ltd., a limited liability company organized and existing under the laws of the PRC, with its address at Room 708, Building A3, No. 12, Nanhai Road, Tianjin Economic-Technological Development Area.

In this Agreement, each of Pledgee, Pledgor and Party C shall be hereinafter referred to as a “Party” individually, and as the “Parties” collectively.

鉴于：

- 5 . The Parties entered into an Equity Interest Pledge Agreement dated September 6, 2021 (“Original EIPA”).
- 6 . Pledgor is a citizen of China who as of the date hereof holds 94.3828% of equity interests of Party C, representing RMB 9,438,280 in the registered capital of Party C. Party C is a limited liability company registered in Tianjin, China, engaging in real estate related Internet information services. Party C acknowledges the respective rights and obligations of Pledgor and Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge;
- 7 . Pledgee is a wholly foreign-owned enterprise registered in China. Pledgee and Party C have executed an Exclusive Business Cooperation Agreement (as defined below); Party C, Pledgee and Pledgor have executed an Exclusive Option Agreement (as defined below); and Pledgor has executed a Power of Attorney (as defined below) in favor of Pledgee;
- 8 . To ensure that Party C and Pledgor fully perform their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney, Pledgor hereby pledges to the Pledgee all of the equity interest that Pledgor holds in Party C as security for Party C’s and Pledgor’s obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney.

21. Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

- 1.9 Pledge: shall refer to the security interest granted by Pledgor to Pledgee pursuant to Section 2 of this Agreement, i.e., the right of Pledgee to be paid in priority with the Equity Interest based on the monetary valuation that such Equity Interest is converted into or from the proceeds from auction or sale of the Equity Interest.
- 1.10 Equity Interest: shall refer to all of the equity interest lawfully now held and hereafter acquired by Pledgor in Party C.
- 1.11 Term of Pledge: shall refer to the term set forth in Section 3 of this Agreement.
- 1.12 Transaction Documents: shall refer to the Exclusive Business Cooperation Agreement executed by and between Party C and Pledgee on January 30, 2022 (the "Exclusive Business Cooperation Agreement"), the Exclusive Option Agreement executed by and among Party C, Pledgee and Pledgor on January 30, 2022 (the "Exclusive Option Agreement"), Power of Attorney executed on January 30, 2022 by Pledgor (the "Power of Attorney") and any modification, amendment and restatement to the aforementioned documents.
- 1.13 Contract Obligations: shall refer to all the obligations of Pledgor under the Exclusive Option Agreement, the Power of Attorney and this Agreement; all the obligations of Party C under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and this Agreement.
- 1.14 Secured Indebtedness: shall refer to all the direct, indirect and derivative losses and losses of anticipated profits, suffered by Pledgee, incurred as a result of any Event of Default of the Pledgor and/or Party C or invalidity, revocation and termination of any Transaction Document. The amount of such loss shall be calculated in accordance with but not limited to the reasonable business plan and profit forecast of Pledgee, the service fees payable to Pledgee under the Exclusive Business Cooperation Agreement, damages and relevant fees, all expenses occurred in connection with enforcement by Pledgee of Pledgor's and/or Party C's Contract Obligations and etc.
- 1.15 Event of Default: shall refer to any of the circumstances set forth in Section 7 of this Agreement.
- 1.16 Notice of Default: shall refer to the notice issued by Pledgee in accordance with this Agreement declaring an Event of Default.

22. Pledge

- 2.6 Pledgor agrees to pledge all the Equity Interest as security for performance of the Contract Obligations and payment of the Secured Indebtedness under

this Agreement. Party C hereby assents that Pledgor pledges the Equity Interest to the Pledgee pursuant to this Agreement.

- 2.7 The effect of the security under this Agreement shall not be affected in any way due to any modification or change of the Transaction Documents. The security under this Agreement shall remain effective upon the obligations of the Pledgor and Party C under the revised Transaction Documents. If any Transaction Document becomes invalid, revoked or terminated for any reason, the Pledgee shall be entitled to immediately exercise the Pledge in accordance with Article 8 of this Agreement.
- 2.8 During the term of the Pledge, Pledgee is entitled to receive dividends distributed on the Equity Interest. Pledgor may receive dividends distributed on the Equity Interest only with prior written consent of Pledgee. Dividends received by Pledgor on Equity Interest after deduction of individual income tax paid by Pledgor shall be, as required by Pledgee, (1) deposited into an account designated and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to making any other payment; or (2) unconditionally donated to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.
- 2.9 Pledgor may subscribe for capital increase in Party C only with prior written consent of Pledgee. Any equity interest obtained by Pledgor as a result of Pledgor's subscription of the increased registered capital of the Company shall also be deemed as Equity Interest. All Parties shall enter into the equity pledge agreement on such Equity Interest and register such Equity Interest with the relevant AIC (as defined below).
- 2.10 In the event that Party C is required by PRC law to be liquidated or dissolved, any interest distributed to Pledgor upon Party C's dissolution or liquidation shall, upon the request of the Pledgee, be (1) deposited into an account designate and supervised by Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to make any other payment; or (2) unconditionally donated to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.

23. Term of Pledge

- 3.3 The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein is registered with relevant administration for industry and commerce (the "AIC"). The Pledge shall remain effective until all Contract Obligations have been fully performed and all Secured Indebtedness has been fully paid. Pledgor and Party C shall register the Pledge in the shareholders' register of Party C on the effective date of this Agreement, and submit an application to the AIC for the registration of the Pledge of the Equity Interest contemplated herein on the date hereof. The parties covenant that for the purpose of registration of the Pledge, the Parties hereto and all other shareholders of Party C shall submit to the AIC this

Agreement or an equity interest pledge contract in the form required by the AIC at the location of Party C which shall truly reflect the information of the Pledge hereunder (the "AIC Pledge Contract"). For the conflicts between this Agreement and the AIC Pledge Contract, the parties shall be bound by the provisions of this Agreement. Pledgor and Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant AIC, to ensure that the Pledge of the Equity Interest shall be registered with the AIC as soon as possible after submission for filing.

- 3.4 During the Term of Pledge, in the event Pledgor and/or Party C fails to perform the Contract Obligations or pay Secured Indebtedness, Pledgee shall have the right, but not the obligation, to exercise the Pledge in accordance with the provisions of this Agreement.

24. Custody of Records for Equity Interest subject to Pledge

- 4.2 During the Term of Pledge set forth in this Agreement, Pledgor shall deliver to Pledgee's custody the capital contribution certificate for the Equity Interest and the shareholders' register containing the Pledge within one week from the execution of this Agreement. Pledgee shall have custody of such documents during the entire Term of Pledge set forth in this Agreement.

25. Representations and Warranties of Pledgor and Party C

As of the execution date of this Agreement, Pledgor and Party C hereby severally represent and warrant to Party A that:

- 5.8 Party C is a limited liability company duly organized and validly existing under the laws of the PRC;
- 5.9 Pledgor is the sole legal and beneficial owner of the Equity Interest;
- 5.10 Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement;
- 5.11 Except for the Pledge, Pledgor has not placed any security interest or other encumbrance on the Equity Interest;
- 5.12 They have the power, capacity and authority to execute and deliver this Agreement and to perform their obligations hereunder. This Agreement, when executed, will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;
- 5.13 Pledgor and Party C have obtained any and all approvals and consents from applicable government authorities and third parties (if required) for execution, delivery and performance of this Agreement; and
- 5.14 The execution, delivery and performance of this Agreement will not: (i)

violate any relevant PRC laws; (ii) conflict with Party C's articles of association or other constitutional documents; (iii) result in any breach of or constitute any default under any contract or instrument to which it is a party or by which it is otherwise bound; (iv) result in any violation of any condition for the grant and/or maintenance of any permit or approval granted to any Party; or (v) cause any permit or approval granted to any Party to be suspended, cancelled or attached with additional conditions.

26. Covenants of Pledgor and Party C

- 6.6 During the term of this Agreement, Pledgor and Party C hereby jointly and severally covenant to the Pledgee:
- 6.1.5 Pledgor shall not transfer the Equity Interest, place or permit the existence of any security interest or other encumbrance on the Equity Interest or any portion thereof, without the prior written consent of Pledgee, except for the performance of the Transaction Documents; Party C shall not assent to or assist in the aforesaid behaviors;
 - 6.1.6 Pledgor and Party C shall comply with the provisions of all laws and regulations applicable to the pledge of rights, and within five (5) days of receipt of any notice, order or recommendation issued or prepared by relevant competent authorities regarding the Pledge, shall present the aforementioned notice, order or recommendation to Pledgee, and shall comply with the aforementioned notice, order or recommendation or submit objections and representations with respect to the aforementioned matters upon Pledgee's reasonable request or upon consent of Pledgee;
 - 6.1.7 Pledgor shall not conduct or allow any activities or actions that would adversely affect Pledgee's rights related to the Contract Obligations or the Equity Interest. Pledgor and Party C shall promptly notify Pledgee of any event or notice received by Pledgor that may have an impact on the Equity Interest or any portion thereof, as well as any event or notice received by Pledgor that may have an impact on any guarantees and other obligations of Pledgor arising out of this Agreement;
 - 6.1.8 Party C shall complete the registration procedures for extension of the term of operation within three (3) months prior to the expiration of such term to maintain the validity of this Agreement.
- 6.7 Pledgor agrees that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgor or any heirs or representatives of Pledgor or any other persons through any legal proceedings.
- 6.8 To protect or perfect the security interest granted by this Agreement for the Contract Obligations and Secured Indebtedness, Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the

Pledge to execute all certificates, agreements, deeds and/or covenants required by Pledgee. Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by Pledgee, to facilitate the exercise by Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with Pledgee or designee(s) of Pledgee (natural persons/legal persons). Pledgor undertakes to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.

- 6.9 Pledgor and Party C shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Transaction Documents, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of Pledgor with respect to the Equity Interest pledged hereunder shall not be exercised by Pledgor except in accordance with the written instructions of Pledgee.
- 6.10 Pledgor hereby undertakes to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure of or partial performance of its guarantees, promises, agreements, representations and conditions, the Pledgor is deemed in breach of this Agreement and shall indemnify the Pledgee for all losses resulting therefrom.

27. Event of Breach

- 7.4 The following circumstances shall be deemed Event of Default:
 - 7.1.3 Pledgor's any breach to any obligations under the Transaction Documents and/or this Agreement.
 - 7.1.4 Party C's any breach to any obligations under the Transaction Documents and/or this Agreement.
- 7.5 Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Section 7.1, Pledgor and Party C shall immediately notify Pledgee in writing accordingly.
- 7.6 Unless an Event of Default set forth in this Section 7.1 has been successfully resolved to Pledgee's satisfaction within twenty (20) days after the Pledgee delivers a notice to the Pledgor and/or Party C requesting rectification of such Event of Default, Pledgee may issue a Notice of Default to Pledgor in writing at any time thereafter, demanding the Pledgor to immediately exercise the Pledge in accordance with the provisions of Section 8 of this Agreement.

28. Exercise of Pledge

- 8.8 Pledgee shall issue a written Notice of Default to Pledgor when it exercises

the Pledge.

- 8.9 Subject to the provisions of Section 7.3, Pledgee may exercise the right to enforce the Pledge at any time after the issuance of the Notice of Default in accordance with Section 8.1.
- 8.10 After Pledgee issues a Notice of Default to Pledgor in accordance with Section 8.1, Pledgee may exercise any remedy measure under applicable PRC laws, the Transaction Documents and this Agreement, including but not limited to being paid in priority with the Equity Interest based on the monetary valuation that such Equity Interest is converted into or from the proceeds from auction or sale of the Equity Interest. The Pledgee shall not be liable for any loss incurred by its due exercise of such rights and powers.
- 8.11 The proceeds from exercise of the Pledge by Pledgee shall be used to pay for tax and expenses incurred as result of disposing the Equity Interest and to perform Contract Obligations and pay the Secured Indebtedness to the Pledgee prior and in preference to any other payment. After the payment of the aforementioned amounts, the remaining balance shall be returned to Pledgor or any other person who have rights to such balance under applicable laws or be deposited to the local notary public office where Pledgor resides, with all expense incurred being borne by Pledgor. To the extent permitted under applicable PRC laws, Pledgor shall unconditionally donate the aforementioned proceeds to Pledgee or any other person designated by Pledgee.
- 8.12 Pledgee may exercise any remedy measure available simultaneously or in any order. Pledgee may exercise the right to being paid in priority with the Equity Interest based on the monetary valuation that such Equity Interest is converted into or from the proceeds from auction or sale of the Equity Interest under this Agreement, without exercising any other remedy measure first.
- 8.13 Pledgee is entitled to designate an attorney or other representatives to exercise the Pledge on its behalf, and Pledgor or Party C shall not raise any objection to such exercise.
- 8.14 When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgor and Party C shall provide necessary assistance to enable Pledgee to enforce the Pledge in accordance with this Agreement.

29. Breach of Agreement

- 9.3 If Pledgor or Party C conducts any material breach of any term of this Agreement, Pledgee shall have right to terminate this Agreement and/or require Pledgor or Party C to indemnify all damages; this Section 9 shall not prejudice any other rights of Pledgee herein;
- 9.4 Pledgor or Party C shall not have any right to terminate this Agreement unilaterally in any event unless otherwise required by applicable laws.

30. Assignment

- 10.5 Without Pledgee's prior written consent, Pledgor and Party C shall not have the right to assign or delegate their rights and obligations under this Agreement.
- 10.6 This Agreement shall be binding on Pledgor and his/her successors and permitted assigns, and shall be valid with respect to Pledgee and each of his/her successors and assigns.
- 10.7 At any time, Pledgee may assign any and all of its rights and obligations under the Transaction Documents and this Agreement to its designee(s), in which case the assigns shall have the rights and obligations of Pledgee under the Transaction Documents and this Agreement, as if it were the original party to the Transaction Documents and this Agreement.
- 10.8 In the event of change of Pledgee due to assignment, Pledgor and/or Party C shall, at the request of Pledgee, execute a new pledge agreement with the new pledgee on the same terms and conditions as this Agreement, and register the same with the relevant AIC.

31. Termination

- 11.3 Upon the fulfillment of all Contract Obligations and the full payment of all Secured Indebtedness by Pledgor and Party C, Pledgee shall release the Pledge under this Agreement upon Pledgor's request as soon as reasonably practicable and shall assist Pledgor to de-register the Pledge from the shareholders' register of Party C and with relevant AIC.
- 11.4 The provisions under Sections 9, 13, 14 and 11.2 herein of this Agreement shall survive the expiration or termination of this Agreement.

32. Handling Fees and Other Expenses

All fees and out of pocket expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C.

33. Confidentiality

The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock

exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

34. Governing Law and Resolution of Disputes

- 14.5 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of the PRC.
- 14.6 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute through negotiations, either Party may submit the relevant dispute to the Beijing Arbitration Commission for arbitration, in accordance with its Arbitration Rules and procedures in effect at that time. The arbitration tribunal shall be consisted three (3) arbitrators according to the arbitration rules and procedures, among whom one of them shall be designated by the applicant, one of them shall be designated by respondent and one of them shall be designated upon the negotiation by aforesaid two arbitrators or by the Beijing Arbitration Commission. The arbitration shall be conduct confidentially and the language of the arbitration shall be Chinese. The arbitration shall be conducted in Beijing. The arbitration award shall be final and binding on all Parties.
- 14.7 To the extent permitted by PRC laws and where appropriate, the arbitration tribunal may grant any remedies in accordance with the provisions of this Agreement and applicable PRC laws, including preliminary and permanent injunctive relief (such as injunction against carrying out business activities, or mandating the transfer of assets), specific performance of contractual obligations, remedies concerning the equity interest or assets of Party C and awards directing Party C to conduct liquidation. To the extent permitted by PRC laws, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies from a court with competent jurisdiction to facilitate the arbitration. Without violating the applicable governing laws, the Parties agree that the courts of Hong Kong, Cayman Islands, China and the place where the principal assets of Party C are located shall all be deemed to have competent jurisdiction.
- 14.8 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and

perform their respective obligations under this Agreement.

35. Notices

- 15.6 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such party set forth below. A confirmation copy of each notice shall also be sent by E-mail. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 15.7 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the address specified for notices.
- 15.8 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 15.9 For the purpose of notices, the addresses of the Parties are as follows:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****)

Party B: ZHU Yan

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****)

Party C: Tianjin Xiaowu Information & Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

- 15.10 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

36. Severability

In the event that one or several of the provisions of this Contract are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Contract shall not be affected or compromised in any respect. The Parties

shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

37. Entire Agreement

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement, including but not limited to the Original EIPA.

38. Attachments

The attachments set forth herein shall be an integral part of this Agreement.

39. Effectiveness

This Agreement shall become effective upon execution by the Parties. This agreement shall fully terminate and supersede the Original EIPA. Any amendments, supplements or changes to this Agreement shall be in writing and shall become effective after the affixation of the signatures or seals of the Parties.

40. Language and Counterparts

This Agreement is written in Chinese in four copies. Pledgor, Pledgee and Party C shall hold one copy respectively and the other copy shall be used for registration.

[The remainder of this page is intentionally left blank; Signature page to follow.]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written.

Party A: Jinbei (Tianjin) Technology Co., Ltd. (Seal)

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Signature Page to Entity Interest Pledge Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written.

Party B: ZHU Yan

By: /s/ ZHU Yan

Signature Page to Entity Interest Pledge Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written.

Party C: Tianjin Xiaowu Information & Technology Co., Ltd. (Seal)

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Signature Page to Entity Interest Pledge Agreement

Attachments:

3. Shareholders' Register of Party C;
4. The Capital Contribution Certificate for Party C.

Attachments to Equity Interest Pledge Agreement

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Agreement”) is made and entered into on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) by and among:

Party A: Beike Jinke (Tianjin) Technology Co., Ltd. (“Pledgee”)

Legal Representative: FAN Zhuopeng

Party B: Party C’s shareholders listed in Appendix 1 hereto (hereinafter referred to collectively as “Pledgors” and individually as a “Pledgor”)

Party C: Beijing Yiju Taihe Technology Co., Ltd.

Legal Representative: WEI Yong

(Pledgee, Pledgors and Party C are hereinafter collectively referred to as the “Parties” and individually as a “Party”.)

WHEREAS,

- (1) The Parties entered into an Equity Interest Pledge Agreement dated September 6, 2021 (“Original EIPA”);
- (2) Pledgors are the shareholders of Party C, and Party C’s shareholding structure on the Effective Date of this Agreement is set forth in Appendix 1 hereto. Party C is a limited liability company registered in Beijing, China which engages in financial services. Party C desires to acknowledge the rights and obligations of Pledgors and Pledgee hereunder and provide necessary assistance on the registration of such pledge;
- (3) Pledgee is a wholly foreign-owned enterprise registered in the PRC. The Pledgee and Party C have entered into an Exclusive Business Cooperation Agreement (as defined below). The Pledgee, the Pledgors and Party C have entered into an Exclusive Option Agreement (as defined below). Each of the Pledgors has executed a Power of Attorney (as defined below) with the Pledgee as the attorney;
- (4) To ensure that Party C and the Pledgors fully perform its or their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney, the Pledgors pledge to the Pledgee all the equity interests they hold in Party C as security for the performance of Party C’s and the Pledgors’ obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney.

To perform the terms of the Transaction Documents (as defined below), the Parties have agreed to enter into this Agreement as follows.

Article 1 Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

1.1 **Pledge:** means the security interest granted by the Pledgors to the Pledgee pursuant to Article 2 of this Agreement, i.e., the right of the Pledgee to be compensated on a preferential basis with any proceeds received from monetization, auction or sale of the Pledged Equity Interest.

1.2 **Pledged Equity Interest:** means 100% of the equity interests in Party C collectively held by the Pledgors for the time being, and all the future equity rights and interests in Party C held by the Pledgors.

1.3 **Term of Pledge:** means the term set forth in Article 3 of this Agreement.

1.4 **Transaction Documents:** means the Exclusive Business Cooperation Agreement entered into by and between Party C and the Pledgee on January 30, 2022 (the “Exclusive Business Cooperation Agreement”); the Exclusive Option Agreement entered into by and among the Pledgors, Party C and the Pledgee on the date hereof (the “Exclusive Option Agreement”); and the Power of Attorney executed by the Pledgors respectively on the date hereof (the “Power of Attorney”), and any amendments, revisions and/or restatements thereto.

1.5 **Contractual Obligations:** means all the obligations of the Pledgors under the Exclusive Option Agreement, the Power of Attorney and this Agreement, and all the obligations of Party C under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and this Agreement.

1.6 **Secured Indebtedness:** means all direct, indirect, consequential losses and loss of anticipated profits suffered by the Pledgee as a result of any Event of Default of the Pledgors and/or Party C, of which the basis for the amount of such losses includes without limitation reasonable business plans and profit forecasts of the Pledgee, the service fees payable by Party C under the Exclusive Business Cooperation Agreement, as well as all expenses as incurred by the Pledgee to enforce the performance of the Contractual Obligations by the Pledgors and/or Party C.

1.7 **Event of Default:** means any circumstances as set forth in Article 7 of this Agreement.

1.8 **Notice of Default:** means the notice issued by the Pledgee in accordance with this Agreement declaring an Event of Default.

Article 2 The Pledge

2.1 The Pledgors hereby agree to pledge to the Pledgee the Pledged Equity Interest in accordance with this Agreement as security for the performance of the Contractual Obligations and the repayment of the Secured Indebtedness. Party C hereby agrees for the Pledgors to pledge the Pledged Equity Interest to the Pledgee in accordance with this Agreement.

2.2 During the Term of Pledge, the Pledgee is entitled to receive any dividends or distributions in respect of the Pledged Equity Interest. With the prior written consent of the Pledgee, the Pledgors may collect such dividends or distributions in respect of the Pledged Equity Interest. Any dividends or distributions received by the Pledgors in respect of the Pledged Equity Interest after deduction of individual income tax paid by them shall, upon the Pledgee’s request, (1) be deposited into a bank account designated by the Pledgee, subject to supervision of the Pledgee, used as security for the Contractual Obligations and first applied towards full satisfaction of the Secured Indebtedness; or (2) to the extent permitted by the PRC laws, be unconditionally gifted to the Pledgee or any person designated by the Pledgee.

2.3 With the prior written consent of the Pledgee, the Pledgors may subscribe for increased capital in Party C. Any increase in the capital contributed by the Pledgors to the registered capital of Party C as a result of any capital increase of Party C shall also be deemed as the Pledged Equity Interest, with respect to which, the Parties shall enter into further pledge agreement and file pledge registration for the increased capital contribution amount.

2.4 In the event that Party C is to be dissolved or liquidated as required by any mandatory rules of the PRC laws, upon the lawful completion of such dissolution or liquidation procedure, any proceeds distributed by Party C to the Pledgors shall, upon the Pledgee’s request, (1) be deposited into a bank account designated by the Pledgee, subject to the supervision of the Pledgee, and used as security for the Contractual Obligations and first applied towards full satisfaction of the Secured Indebtedness; or (2) to the extent permitted by the PRC laws, be unconditionally gifted to the Pledgee or any person designated by the Pledgee.

Article 3 Term of Pledge

3.1 The Pledge shall become effective on such date when the pledge of the Pledged Equity Interest contemplated herein has been registered with the relevant administration for industry and commerce. The Pledge shall be continuously valid until (1) full performance of the Contractual Obligations and full satisfaction of the Secured Indebtedness, or (2) to the extent permitted by the

PRC laws, the Pledgee and/or the Designee decides to purchase all the equity interests in Party C held by the Pledgors in accordance with the Exclusive Option Agreement, and the equity interests in Party C have all been duly transferred under the name of the Pledgee and/or the designee, and the Pledgee and/or the designee may legally engage in Party C's business. The Pledgors and Party C shall register the Pledge in the shareholders' register of Party C on the effective date of this Agreement, and the Pledgors shall submit an application to the relevant administration for industry and commerce for the registration of the Pledge on the same date. The Parties jointly confirm that for the purpose of registration of the Pledged Equity Interest, at the request of Party A, the Parties shall submit to the administration for industry and commerce this Agreement or an equity interest pledge agreement in the form required by the administration for industry and commerce at the place where Party C is located (the "AIC Pledge Agreement"). In case of any matter specified in the AIC Pledge Agreement which is inconsistent with this Agreement, this Agreement shall prevail. The Pledgors and Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant administration for industry and commerce, to ensure that the Pledge shall be registered as soon as possible after filing.

3.2 During the Term of Pledge, in the event the Pledgors and/or Party C fail to fulfill the Contractual Obligations or pay the Secured Indebtedness, the Pledgee shall be entitled to, but not be obliged to, exercise the Pledge in accordance with this Agreement.

Article 4 Custody for Certificates of the Pledge

4.1 During the Term of Pledge, the Pledgors shall deliver to the Pledgee for custody within one (1) week following the execution of this Agreement the certificate of capital contributions to Party C and the register of shareholders which records the Pledge. The Pledgee will place such documents in custody throughout the entire Term of Pledge specified in this Agreement.

Article 5 Representations and Warranties of the Pledgors and Party C

The Pledgors and Party C hereby severally but not jointly represent and warrant to Party A on the effective date of this Agreement that:

- 5.1 The Pledgors are the sole legal owners of the Pledged Equity Interest;
- 5.2 The Pledgee is entitled to dispose of and transfer the Pledged Equity Interest in accordance with this Agreement;
- 5.3 Except for the Pledge, the Pledgors have not created any other pledge or other security interest on the Pledged Equity Interest;
- 5.4 The Pledgors and Party C have obtained all necessary approvals and consents from governmental authorities and third parties (if required) in connection with the execution, delivery and performance of this Agreement;
- 5.5 The execution, delivery and performance of this Agreement shall not: (i) cause any violation of any applicable PRC laws; (ii) conflict with the articles of association or other organizational documents of Party C; (iii) cause the breach of or constitute any default under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them.

Article 6 Undertakings by the Pledgors and Party C

- 6.1 During the Term of Pledge, the Pledgors and Party C severally but not jointly undertake to the Pledgee that:
 - 6.1.1 Without the prior written consent of the Pledgee, the Pledgors shall not transfer the Pledged Equity Interest or any portion thereof, create or permit the creation of any security interest or other encumbrances on the Pledged Equity Interest, except for the performance of the Transaction Documents;

6.1.2 The Pledgors and Party C shall comply with the provisions of all the laws and regulations relating to the pledge of rights, and shall, within five (5) days upon receipt of any notice, order or recommendation issued or promulgated by the relevant competent authorities regarding the Pledge, present it to the Pledgee and concurrently comply with such notice, order or recommendation, or object thereto upon the reasonable request or consent of the Pledgee;

6.1.3 The Pledgors and Party C shall promptly notify the Pledgee of any event or notice received by the Pledgors that may have an impact on the Pledged Equity Interest or any portion thereof, and that may change any warranties and obligations of the Pledgors hereunder or may have an impact on the fulfillment of any obligations by the Pledgors hereunder;

6.2 The Pledgors agree that the rights granted to the Pledgee in respect of the Pledge hereunder shall not be interrupted or impaired by any legal procedure initiated by the Pledgors, any successors of the Pledgors or their entrusting party or any other persons.

6.3 The Pledgors undertake to the Pledgee that in order to protect or perfect the security for the Contractual Obligations and the Secured Indebtedness under this Agreement, the Pledgors shall execute in good faith and cause other parties who have interests in the Pledge to execute all the certificates of rights, deeds, and/or perform and procure other parties who have interests in the Pledge to perform the acts as required by the Pledgee, facilitate the exercise of the Pledgee's rights and authorizations granted hereunder and enter into all relevant documents regarding ownership of the Pledged Equity Interest with the Pledgee or any person (individuals or legal persons) designated by the Pledgee, as well as provide the Pledgee with all notices, orders and decisions regarding the Pledge as required by the Pledgee within a reasonable period of time.

6.4 The Pledgors hereby undertake to the Pledgee that they will comply with and perform all the undertakings, representations and warranties and terms and conditions hereunder. In the event that the Pledgors fail to perform or fail to fully perform such undertakings, representations and warranties and terms and conditions hereunder, the Pledgors shall indemnify the Pledgee against all the losses resulting therefrom.

Article 7 Event of Default

7.1 Each of the following circumstances shall constitute an Event of Default:

7.1.1 The Pledgors breach any of their obligations under the Transaction Documents and/or this Agreement;

7.1.2 Party C breaches any of its obligations under the Transaction Documents and/or this Agreement.

7.2 Should the Pledgors and Party C know or identify the occurrence of any event set forth in Article 7.1 or any circumstance that may result in the foregoing events, they shall immediately notify the Pledgee in writing.

7.3 Unless an Event of Default set forth in this Article 7.1 has been remedied at the request of the Pledgee within twenty (20) days upon receipt of the notice from the Pledgee to the Pledgors and/or Party C requesting the rectification of such Event of Default, the Pledgee may issue a Notice of Default to the Pledgors in writing at any time thereafter, requesting the exercise of the Pledge in accordance with Article 8 hereof.

Article 8 Exercise of the Pledge

8.1 The Pledgee shall issue a written Notice of Default to the Pledgors for the exercise of the Pledge.

8.2 Subject to the provisions of Article 7.3, the Pledgee may exercise its right to dispose of the Pledge at any time after the issuance of the Notice of Default in accordance with Article 8.1. Upon the Pledgee's decision to exercise its right to dispose of the Pledge, the Pledgors shall no longer own any right and interest in respect of the Pledged Equity Interest.

8.3 Upon the issuance of the Notice of Default in accordance with Article 8.1, the Pledgee is

entitled to exercise all the remedies, rights and powers available to it under the PRC laws, the Transaction Documents and this Agreement, including without limitation to monetize, auction or sell the Pledged Equity Interests for preferential compensation. The Pledgee shall not be held liable for any losses arising from its reasonable exercise of such rights and powers.

8.4 The proceeds received by the Pledgee as a result of the exercise of the Pledge shall be first applied towards payment of the taxes and administrative charges; payable in connection with the disposal of the Pledged Equity Interest and the performance of the Contractual Obligations and the repayment of the Secured Indebtedness to the Pledgee. Any balance after the deduction of the foregoing payments shall be returned to the Pledgors or any other person who is entitled to such balance under applicable laws and regulations, or be deposited with the notary public at the place where the Pledgors are located, at the cost of the Pledgors; and to the extent permitted by the PRC laws, the Pledgors shall unconditionally gift such balance to the Pledgee or any person designated by the Pledgee.

8.5 The Pledgee shall be entitled to elect to exercise, simultaneously or successively, any of its remedies for breach of contract; and the Pledgee shall not be required to first exercise other remedies for breach of contract prior to exercising its right to monetize, auction or sell the Pledged Equity Interest hereunder.

8.6 The Pledgee shall be entitled to designate in writing its legal counsel or other agents to exercise on its behalf the Pledge, and neither the Pledgors nor Party C shall object thereto.

8.7 When the Pledgee disposes of the Pledge in accordance with this Agreement, the Pledgors and Party C shall provide necessary assistance to the Pledgee for its exercise of the Pledge.

Article 9 Liabilities for Breach of Agreement

9.1 If the Pledgors or Party C commits any material breach of any term of this Agreement, the Pledgee shall have right to terminate this Agreement and/or require the Pledgors or Party C to indemnify all damages. This Article 9 shall not prejudice any other rights of the Pledgee hereunder.

Article 10 Assignment

10.1 The Pledgors and Party C shall not gift or assign their rights and obligations hereunder without the prior written consent of the Pledgee.

10.2 This Agreement shall be binding upon the Pledgors and their successors and permitted assignees, and effective upon the Pledgee and each of its successors and assignees.

10.3 The Pledgee may assign any or all of its rights and obligations under the Transaction Documents and this Agreement to any person designated by it at any time. In this case, the assignee shall enjoy and assume the rights and obligations of the Pledgee under the Transaction Documents and this Agreement as if the assignee were a party hereto or thereto, as applicable.

10.4 In the event of a change of Pledgee due to assignment, the Pledgors and/or Party C shall, at the request of the Pledgee, enter into a new pledge agreement with the new pledgee with the same terms and conditions as this Agreement, and register such new pledge with the relevant administration for industry and commerce.

10.5 The Pledgors and Party C shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among the Parties, including the Transaction Documents, perform the obligations under the Transaction Documents, and refrain from any action/omission that may affect the validity and enforceability thereof. Unless with the written instructions of the Pledgee, the Pledgors shall not exercise their retained rights in respect of the Pledged Equity Interest.

Article 11 Termination

11.1 Upon the full and complete performance of all of the Contractual Obligations and full satisfaction of the Secured Indebtedness by the Pledgors and Party C, this Agreement will automatically terminate. The Pledgee shall, upon the Pledgors' request, release the Pledge of the

Pledged Equity Interest hereunder and cooperate with the Pledgors in relation to both the deregistration of the Pledge of the Pledged Equity Interest in the shareholders' register of Party C and the deregistration of the Pledge of the Pledged Equity Interest with the relevant administration for industry and commerce (if registered), as soon as practicably possible.

11.2 Articles 9, 13, 14 and 11.2 hereof shall survive the termination of this Agreement.

11.3 The Parties agree that as of the effective date of this Agreement, the Original EIPA shall fully terminate and be superseded by this Agreement in entirety.

Article 12 Costs and Other Expenses

All costs and actual expenses arising in connection with this Agreement, including without limitation the legal fees, processing fees, stamp duty, any other taxes and expenses, shall be borne by Party C.

Article 13 Confidentiality

The Parties acknowledge and confirm that any oral or written information related to this Agreement, the content hereof and exchanged for the purpose of preparation or performance of this Agreement shall be regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without prior written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is subject to disclosure required under the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 14 Applicable Law and Dispute Resolution

14.1 The conclusion, validity, interpretation, performance, revision and termination and dispute resolution of this Agreement shall be governed by the PRC laws.

14.2 In case of any dispute arising out of the performance of this Agreement or in connection with this Agreement, either Party may submit such dispute to Beijing Arbitration Commission ("BAC") for arbitration in Beijing in accordance with the arbitration rules of BAC then in force. The arbitral tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant appointing one arbitrator, the respondent appointing one arbitrator, and the third arbitrator appointed by the first two arbitrators or appointed by BAC. The arbitration shall be conducted in confidentiality and the language used in the arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties. Where appropriate, the arbitration tribunal or the arbitrator may award compensation in respect of the equity, assets, property interests or land assets of Party C and its subsidiaries, award compulsory remedies (including but not limited to those necessary for conducting business or mandating transfer of assets), or direct liquidation of Party C and its subsidiaries, in accordance with the dispute resolution provisions and/or applicable PRC laws. Moreover, pending the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies to facilitate the arbitration from a court with competent jurisdiction, including the PRC courts, which shall also include the courts of Hong Kong, Cayman Islands and the place where the main assets of Party C and/or its subsidiaries are located.

14.3 Pending arbitration of any dispute, except for the disputed matters under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Article 15 Notice

15.1 All notices and other communications required or permitted to be given hereunder shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

15.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

15.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th day after the date on the registered letter receipt;

15.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o'clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

15.2 For the purpose of notice, the addresses of the Parties shall be set forth in Appendix 2 hereto.

15.3 Either Party may change its address for notice at any time by delivering a notice to the other Party in accordance with this Article.

Article 16 Severability

In the event that any or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by laws the intentions of the Parties, and are of an economic effect as close as possible to that of such invalid, illegal or unenforceable provisions.

Article 17 Appendices

The appendices attached to this Agreement shall be integral parts of this Agreement.

Article 18 Effectiveness

18.1 This Agreement shall become effective upon the date of execution (which will be signing by hand, in case of natural person; or affixation of seal, in case of non-natural person) by the Parties.

18.2 Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon signing or affixation of seal by the Parties and completion of the governmental registration procedures (if applicable) in accordance with the regulations.

Article 19 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall have the same legal effect.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beike Jinke (Tianjin) Technology Co., Ltd. (seal)

Signed by: /s/ FAN Zhuopeng
Name: Fan Zhuopeng
Title: Legal Representative

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

ZHU Yan

Signed by: /s/ ZHU Yan

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

SHAN Yigang

Signed by: /s/ SHAN Yigang

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

XU Wan’gang

Signed by: /s/ XU Wan’gang

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DANG Jie

Signed by: /s/ DANG Jie

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DU Xin

Signed by: /s/ DU Xin

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

CHEN Rong

Signed by: /s/ CHEN Rong

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

RUAN Guangjie

Signed by: /s/ RUAN Guangjie

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

GAO Jun

Signed by: /s/ GAO Jun

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Gaotong Information Consulting Co., Ltd. (seal)

Signed by: /s/ SHAN Yigang
Name: SHAN Yigang
Title: Legal Representative

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Juge Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Juge Information Consulting Partnership (Limited Partnership) (seal)
Name: (seal)
Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Jingchuang Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Jingchuang Information Consulting Partnership (Limited Partnership) (seal)
Name: (seal)
Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Jingda Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Jingda Information Consulting Partnership (Limited Partnership) (seal)
Name: (seal)
Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Mingchen Business Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Mingchen Business Consulting Partnership (Limited Partnership) (seal)
Name: (seal)
Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Jurui Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Jurui Information Consulting Partnership (Limited Partnership) (seal)
Name: (seal)
Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Chuangtian Business Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Chuangtian Business Consulting Partnership (Limited Partnership) (seal)
Name: (seal)
Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Fuxun Business Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Fuxun Business Consulting Partnership (Limited Partnership) (seal)
Name: (seal)
Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Lianjia Real Estate Brokerage Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Yiju Taihe Technology Co., Ltd. (seal)

Signed by: /s/ WEI Yong
Name: WEI Yong
Title: Legal Representative

Equity Interest Pledge Agreement
Signature Page

Appendix 1: Shareholding Structure of Party C

Shareholders	Subscribed Registered Capital (RMB)	Contribution Percentage	
ZHU Yan	18,950,000	2.5365%	
Tianjin Gaotong Information Consulting Co., Ltd.	69,022,335	9.2388%	
Tianjin Juge Information Consulting Partnership (Limited Partnership)	5,968,681	0.7989%	
Tianjin Jingchuang Information Consulting Partnership (Limited Partnership)	7,212,370	0.9654%	
Tianjin Jingda Information Consulting Partnership (Limited Partnership)	7,580,000	1.0146%	
Tianjin Mingchen Business Consulting Partnership (Limited Partnership)	1,793,496	0.2401%	
Tianjin Jurui Information Consulting Partnership (Limited Partnership)	5,167,286	0.6917%	
SHAN Yigang	5,235,696	0.7008%	
DANG Jie	720,998	0.0965%	
XU Wan'gang	2,428,897	0.3251%	
GAO Jun	2,299,877	0.3078%	
Tianjin Chuangtian Business Consulting Partnership (Limited Partnership)	16,299,662	2.1818%	
Tianjin Fuxun Business Consulting Partnership (Limited Partnership)	946,298	0.1267%	
DU Xin	3,027,332	0.4052%	
CHEN Rong	355,776	0.0476%	
RUAN Guangjie	80,159	0.0107%	
Beijing Lianjia Real Estate Brokerage Co., Ltd.	600,000,000	80.3117%	
Total	747,088,863	100.0000%	

Equity Interest Pledge Agreement
Appendix 1

Appendix 2: Notice Address

To all Parties:

Correspondence Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Phone: *****

Email: *****

Designated Contact Person: *****

Equity Interest Pledge Agreement
Appendix 2

Appendix 3

1. Party C's Register of Shareholders;
2. Party C's Certificate of Capital Contribution;
3. Exclusive Business Cooperation Agreement;
4. Exclusive Option Agreement;
5. Power of Attorney.

Equity Interest Pledge Agreement
Appendix 3

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Agreement”) is made and entered into on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) by and among:

Party A: Jinbei (Tianjin) Technology Co., Ltd. (“Pledgee”)

Legal Representative: PENG Yongdong

Party B: Party C’s shareholders listed in Appendix 1 hereto (hereinafter referred to collectively as “Pledgors” and individually as a “Pledgor”)

Party C: Beijing Beihao Commercial Consultancy Co., Ltd.

Legal Representative: GAO Jun

(Pledgee, Pledgors and Party C are hereinafter collectively referred to as the “Parties” and individually as a “Party”).

WHEREAS,

- (1) The Parties entered into an Equity Interest Pledge Agreement dated December 28, 2018 (“Original EIPA”);
- (2) Pledgors are the shareholders of Party C, and Party C’s shareholding structure on the date hereof is set forth in Appendix 1 hereto. Party C is a limited liability company registered in Beijing, China. Party C desires to acknowledge the rights and obligations of Pledgors and Pledgee hereunder and provide necessary assistance on the registration of such pledge;
- (3) Pledgee is a wholly foreign-owned enterprise registered in the PRC. The Pledgee and Party C have entered into an Exclusive Business Cooperation Agreement (as defined below). The Pledgee, the Pledgors and Party C have entered into an Exclusive Option Agreement (as defined below). Each of the Pledgors has executed a Power of Attorney (as defined below) with the Pledgee as the attorney;
- (4) To ensure that Party C and the Pledgors fully perform its or their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney, the Pledgors pledge to the Pledgee all the equity interests they hold in Party C as security for the performance of Party C’s and the Pledgors’ obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney.

To perform the terms of the Transaction Documents (as defined below), the Parties have agreed to enter into this Agreement as follows.

Article 1 Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

- 1.1 **Pledge:** means the security interest granted by the Pledgors to the Pledgee pursuant to Article 2 of this Agreement, i.e., the right of the Pledgee to be compensated on a preferential basis with any proceeds received from monetization, auction or sale of the Pledged Equity Interest.
- 1.2 **Pledged Equity Interest:** means 100% of the equity interests in Party C collectively held by the Pledgors for the time being, and all the future equity rights and interests in Party C held by the Pledgors.
- 1.3 **Term of Pledge:** means the term set forth in Article 3 of this Agreement.
- 1.4 **Transaction Documents:** means the Exclusive Business Cooperation Agreement entered into

by and between Party C and the Pledgee on January 30, 2022 (the “Exclusive Business Cooperation Agreement”); the Exclusive Option Agreement entered into by and among the Pledgors, Party C and the Pledgee on January 30, 2022 (the “Exclusive Option Agreement”); and the Power of Attorney executed by the Pledgors respectively on January 30, 2022 (the “Power of Attorney”), and any amendments, revisions and/or restatements thereto.

1.5 **Contractual Obligations:** means all the obligations of the Pledgors under the Exclusive Option Agreement, the Power of Attorney and this Agreement, and all the obligations of Party C under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and this Agreement.

1.6 **Secured Indebtedness:** means all direct, indirect, consequential losses and loss of anticipated profits suffered by the Pledgee as a result of any Event of Default of the Pledgors and/or Party C, of which the basis for the amount of such losses includes without limitation reasonable business plans and profit forecasts of the Pledgee, the service fees payable by Party C under the Exclusive Business Cooperation Agreement, as well as all expenses as incurred by the Pledgee to enforce the performance of the Contractual Obligations by the Pledgors and/or Party C.

1.7 **Event of Default:** means any circumstances as set forth in Article 7 of this Agreement.

1.8 **Notice of Default:** means the notice issued by the Pledgee in accordance with this Agreement declaring an Event of Default.

Article 2 The Pledge

2.1 The Pledgors hereby agree to pledge to the Pledgee the Pledged Equity Interest in accordance with this Agreement as security for the performance of the Contractual Obligations and the repayment of the Secured Indebtedness. Party C hereby agrees for the Pledgors to pledge the Pledged Equity Interest to the Pledgee in accordance with this Agreement.

2.2 During the Term of Pledge, the Pledgee is entitled to receive any dividends or distributions in respect of the Pledged Equity Interest. With the prior written consent of the Pledgee, the Pledgors may collect such dividends or distributions in respect of the Pledged Equity Interest. Any dividends or distributions received by the Pledgors in respect of the Pledged Equity Interest after deduction of individual income tax paid by them shall, upon the Pledgee’s request, (1) be deposited into a bank account designated by the Pledgee, subject to supervision of the Pledgee, used as security for the Contractual Obligations and first applied towards full satisfaction of the Secured Indebtedness; or (2) to the extent permitted by the PRC laws, be unconditionally gifted to the Pledgee or any person designated by the Pledgee.

2.3 With the prior written consent of the Pledgee, the Pledgors may subscribe for increased capital in Party C. Any increase in the capital contributed by the Pledgors to the registered capital of Party C as a result of any capital increase of Party C shall also be deemed as the Pledged Equity Interest, with respect to which, the Parties shall enter into further pledge agreement and file pledge registration for the increased capital contribution amount.

2.4 In the event that Party C is to be dissolved or liquidated as required by any mandatory rules of the PRC laws, upon the lawful completion of such dissolution or liquidation procedure, any proceeds distributed by Party C to the Pledgors shall, upon the Pledgee’s request, (1) be deposited into a bank account designated by the Pledgee, subject to the supervision of the Pledgee, and used as security for the Contractual Obligations and first applied towards full satisfaction of the Secured Indebtedness; or (2) to the extent permitted by the PRC laws, be unconditionally gifted to the Pledgee or any person designated by the Pledgee.

Article 3 Term of Pledge

3.1 The Pledge shall become effective on such date when the pledge of the Pledged Equity Interest contemplated herein has been registered with the relevant administration for industry and commerce. The Pledge shall be continuously valid until (1) full performance of the Contractual Obligations and full satisfaction of the Secured Indebtedness,(2) to the extent permitted by the PRC laws, the Pledgee and/or the Designee decides to purchase all the equity interests in Party C held by

the Pledgors in accordance with the Exclusive Option Agreement, and the equity interests in Party C have all been duly transferred under the name of the Pledgee and/or the designee, and the Pledgee and/or the designee may legally engage in Party C's business. The Pledgors and Party C shall register the Pledge in the shareholders' register of Party C on the execution date of this Agreement, and shall duly submit an application to the relevant administration for industry and commerce for the registration of the Pledge. The Parties jointly confirm that for the purpose of registration of the Pledged Equity Interest, at the request of Party A, the Parties shall submit to the administration for industry and commerce this Agreement or an equity interest pledge agreement in the form required by the administration for industry and commerce at the place where Party C is located (the "AIC Pledge Agreement") which truthfully reflects the pledge information under this Agreement. In case of any matter not specified in the AIC Pledge Agreement, this Agreement shall prevail. The Pledgors and Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant administration for industry and commerce, to ensure that the Pledge shall be registered as soon as possible after filing.

3.2 During the Term of Pledge, in the event the Pledgors and/or Party C fail to fulfill the Contractual Obligations or pay the Secured Indebtedness, the Pledgee shall be entitled to, but not be obliged to, exercise the Pledge in accordance with this Agreement.

Article 4 Custody for Certificates of the Pledge

4.1 During the Term of Pledge, the Pledgors shall deliver to the Pledgee for custody within one (1) week following the execution of this Agreement the certificate of capital contributions to Party C and the register of shareholders which records the Pledge. The Pledgee will place such documents in custody throughout the entire Term of Pledge specified in this Agreement.

Article 5 Representations and Warranties of the Pledgors and Party C

The Pledgors and Party C hereby severally but not jointly represent and warrant to Party A on the execution date of this Agreement that:

- 5.1 The Pledgors are the sole legal owners of the Pledged Equity Interest;
- 5.2 The Pledgee is entitled to dispose of and transfer the Pledged Equity Interest in accordance with this Agreement;
- 5.3 Except for the Pledge, the Pledgors have not created any other pledge or other security interest on the Pledged Equity Interest;
- 5.4 The Pledgors and Party C have obtained all necessary approvals and consents from governmental authorities and third parties (if required) in connection with the execution, delivery and performance of this Agreement;
- 5.5 The execution, delivery and performance of this Agreement shall not: (i) cause any violation of any applicable PRC laws; (ii) conflict with the articles of association or other organizational documents of Party C; (iii) cause the breach of or constitute any default under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them.

Article 6 Undertakings by the Pledgors and Party C

- 6.1 During the Term of Pledge, the Pledgors and Party C severally but not jointly undertake to the Pledgee that:
 - 6.1.1 Without the prior written consent of the Pledgee, the Pledgors shall not transfer the Pledged Equity Interest or any portion thereof, create or permit the creation of any security interest or other encumbrances on the Pledged Equity Interest, except for the performance of the Transaction Documents;
 - 6.1.2 The Pledgors and Party C shall comply with the provisions of all the laws and regulations

relating to the pledge of rights, and shall, within five (5) days upon receipt of any notice, order or recommendation issued or promulgated by the relevant competent authorities regarding the Pledge, present it to the Pledgee and concurrently comply with such notice, order or recommendation, or object thereto upon the reasonable request or consent of the Pledgee;

6.1.3 The Pledgors and Party C shall promptly notify the Pledgee of any event or notice received by the Pledgors that may have an impact on the Pledged Equity Interest or any portion thereof, and that may change any warranties and obligations of the Pledgors hereunder or may have an impact on the fulfillment of any obligations by the Pledgors hereunder;

6.2 The Pledgors agree that the rights granted to the Pledgee in respect of the Pledge hereunder shall not be interrupted or impaired by any legal procedure initiated by the Pledgors, any successors of the Pledgors or their entrusting party or any other persons.

6.3 The Pledgors undertake to the Pledgee that in order to protect or perfect the security for the Contractual Obligations and the Secured Indebtedness under this Agreement, the Pledgors shall execute in good faith and cause other parties who have interests in the Pledge to execute all the certificates of rights, deeds, and/or perform and procure other parties who have interests in the Pledge to perform the acts as required by the Pledgee, facilitate the exercise of the Pledgee's rights and authorizations granted hereunder and enter into all relevant documents regarding ownership of the Pledged Equity Interest with the Pledgee or any person (individuals or legal persons) designated by the Pledgee, as well as provide the Pledgee with all notices, orders and decisions regarding the Pledge as required by the Pledgee within a reasonable period of time.

6.4 The Pledgors hereby undertake to the Pledgee that they will comply with and perform all the undertakings, representations and warranties and terms and conditions hereunder. In the event that the Pledgors fail to perform or fail to fully perform such undertakings, representations and warranties and terms and conditions hereunder, the Pledgors shall indemnify the Pledgee against all the losses resulting therefrom.

Article 7 Event of Default

7.1 Each of the following circumstances shall constitute an Event of Default:

7.1.1 The Pledgors breach any of their obligations under the Transaction Documents and/or this Agreement;

7.1.2 Party C breaches any of its obligations under the Transaction Documents and/or this Agreement.

7.2 Should the Pledgors and Party C know or identify the occurrence of any event set forth in Article 7.1 or any circumstance that may result in the foregoing events, they shall immediately notify the Pledgee in writing.

7.3 Unless an Event of Default set forth in this Article 7.1 has been remedied at the request of the Pledgee within twenty (20) days upon receipt of the notice from the Pledgee to the Pledgors and/or Party C requesting the rectification of such Event of Default, the Pledgee may issue a Notice of Default to the Pledgors in writing at any time thereafter, requesting the exercise of the Pledge in accordance with Article 8 hereof.

Article 8 Exercise of the Pledge

8.1 The Pledgee shall issue a written Notice of Default to the Pledgors for the exercise of the Pledge.

8.2 Subject to the provisions of Article 7.3, the Pledgee may exercise its right to dispose of the Pledge at any time after the issuance of the Notice of Default in accordance with Article 8.1. Upon the Pledgee's decision to exercise its right to dispose of the Pledge, the Pledgors shall no longer own any right and interest in respect of the Pledged Equity Interest.

8.3 Upon the issuance of the Notice of Default in accordance with Article 8.1, the Pledgee is entitled to exercise all the remedies, rights and powers available to it under the PRC laws, the

Transaction Documents and this Agreement, including without limitation to monetize, auction or sell the Pledged Equity Interests for preferential compensation. The Pledgee shall not be held liable for any losses arising from its reasonable exercise of such rights and powers.

8.4 The proceeds received by the Pledgee as a result of the exercise of the Pledge shall be first applied towards payment of the taxes and administrative charges; payable in connection with the disposal of the Pledged Equity Interest and the performance of the Contractual Obligations and the repayment of the Secured Indebtedness to the Pledgee. Any balance after the deduction of the foregoing payments shall be returned to the Pledgors or any other person who is entitled to such balance under applicable laws and regulations, or be deposited with the notary public at the place where the Pledgors are located, at the cost of the Pledgors; and to the extent permitted by the PRC laws, the Pledgors shall unconditionally gift such balance to the Pledgee or any person designated by the Pledgee.

8.5 The Pledgee shall be entitled to elect to exercise, simultaneously or successively, any of its remedies for breach of contract; and the Pledgee shall not be required to first exercise other remedies for breach of contract prior to exercising its right to monetize, auction or sell the Pledged Equity Interest hereunder.

8.6 The Pledgee shall be entitled to designate in writing its legal counsel or other agents to exercise on its behalf the Pledge, and neither the Pledgors nor Party C shall object thereto.

8.7 When the Pledgee disposes of the Pledge in accordance with this Agreement, the Pledgors and Party C shall provide necessary assistance to the Pledgee for its exercise of the Pledge.

Article 9 Liabilities for Breach of Agreement

9.1 If the Pledgors or Party C commits any material breach of any term of this Agreement, the Pledgee shall have right to terminate this Agreement and/or require the Pledgors or Party C to indemnify all damages. This Article 9 shall not prejudice any other rights of the Pledgee hereunder.

Article 10 Assignment

10.1 The Pledgors and Party C shall not gift or assign their rights and obligations hereunder without the prior written consent of the Pledgee.

10.2 This Agreement shall be binding upon the Pledgors and their successors and permitted assignees, and effective upon the Pledgee and each of its successors and assignees.

10.3 The Pledgee may assign any or all of its rights and obligations under the Transaction Documents and this Agreement to any person designated by it at any time. In this case, the assignee shall enjoy and assume the rights and obligations of the Pledgee under the Transaction Documents and this Agreement as if the assignee were a party hereto or thereto, as applicable.

10.4 In the event of a change of Pledgee due to assignment, the Pledgors and/or Party C shall, at the request of the Pledgee, enter into a new pledge agreement with the new pledgee with the same terms and conditions as this Agreement, and register such new pledge with the relevant administration for industry and commerce.

10.5 The Pledgors and Party C shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among the Parties, including the Transaction Documents, perform the obligations under the Transaction Documents, and refrain from any action/omission that may affect the validity and enforceability thereof. Unless with the written instructions of the Pledgee, the Pledgors shall not exercise their retained rights in respect of the Pledged Equity Interest.

Article 11 Termination

11.1 Upon the full and complete performance of all of the Contractual Obligations and full satisfaction of the Secured Indebtedness by the Pledgors and Party C, the Pledgee shall, upon the Pledgors' request, release the Pledge of the Pledged Equity Interest hereunder and cooperate with the Pledgors in relation to both the deregistration of the Pledge of the Pledged Equity Interest in the

shareholders' register of Party C and the deregistration of the Pledge of the Pledged Equity Interest with the relevant administration for industry and commerce, as soon as practicably possible.

11.2 Articles 9, 13, 14 and 11.2 hereof shall survive the termination of this Agreement.

11.3 The Parties agree that as of the effective date of this Agreement, the Original EIPA shall fully terminate and be superseded by this Agreement in entirety.

Article 12 Costs and Other Expenses

All costs and actual expenses arising in connection with this Agreement, including without limitation the legal fees, processing fees, stamp duty, any other taxes and expenses, shall be borne by Party C.

Article 13 Confidentiality

The Parties acknowledge and confirm that any oral or written information related to this Agreement, the content hereof and exchanged for the purpose of preparation or performance of this Agreement shall be regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without prior written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is subject to disclosure required under the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 14 Applicable Law and Dispute Resolution

14.1 The conclusion, validity, interpretation, performance, revision and termination and dispute resolution of this Agreement shall be governed by the PRC laws.

14.2 In case of any dispute arising out of the performance of this Agreement or in connection with this Agreement, either Party may submit such dispute to Beijing Arbitration Commission ("BAC") for arbitration in Beijing in accordance with the arbitration rules of BAC then in force. The arbitral tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant appointing one arbitrator, the respondent appointing one arbitrator, and the third arbitrator appointed by the first two arbitrators or appointed by BAC. The arbitration shall be conducted in confidentiality and the language used in the arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties. Where appropriate, the arbitration tribunal or the arbitrator may award compensation in respect of the equity, assets, property interests or land assets of Party C and its subsidiaries, award compulsory remedies (including but not limited to those necessary for conducting business or mandating transfer of assets), or direct liquidation of Party C and its subsidiaries, in accordance with the dispute resolution provisions and/or applicable PRC laws. Moreover, pending the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies to facilitate the arbitration from a court with competent jurisdiction, including the PRC courts, which shall also include the courts of Hong Kong, Cayman Islands and the place where the main assets of Party C and/or its subsidiaries are located.

14.3 Pending arbitration of any dispute, except for the disputed matters under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Article 15 Notice

15.1 All notices and other communications required or permitted to be given hereunder shall

be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

15.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

15.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th day after the date on the registered letter receipt;

15.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o'clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

15.2 For the purpose of notice, the addresses of the Parties are as follows:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

Party B: Party C's shareholders listed in Appendix 1 hereto

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

Party C: Beijing Beihao Commercial Consultancy Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

15.3 Either Party may change its address for notice at any time by delivering a notice to the other Party in accordance with this Article.

Article 16 Severability

In the event that any or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by laws the intentions of the Parties, and are of an economic effect as close as possible to that of such invalid, illegal or unenforceable provisions.

Article 17 Appendices

The appendices attached to this Agreement shall be integral parts of this Agreement.

Article 18 Effectiveness

18.1 This Agreement shall become effective upon the date of execution (which will be signing

by hand, in case of natural person; or affixation of seal, in case of non-natural person) by the Parties.

18.2 Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon signing or affixation of seal by the Parties and completion of the governmental registration procedures (if applicable) in accordance with the regulations.

Article 19 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall have the same legal effect.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Jinbei (Tianjin) Technology Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

GU Feifan

Signed by: /s/ GU Feifan
Name: GU Feifan

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

RUAN Guangjie

Signed by: /s/ RUAN Guangjie
Name: RUAN Guangjie

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

TAO Hongbing

Signed by: /s/ TAO Hongbing
Name: TAO Hongbing

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

GAO Jun

Signed by: /s/ GAO Jun
Name: GAO Jun

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

WEI Zhenghui

Signed by: /s/ WEI Zhenghui
Name: WEI Zhenghui

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

LIU Enpeng

Signed by: /s/ LIU Enpeng
Name: LIU Enpeng

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

FENG Xia

Signed by: /s/ FENG Xia
Name: FENG Xia

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

SONG Dongfeng

Signed by: /s/ SONG Dongfeng
Name: SONG Dongfeng

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

LI Guoping

Signed by: /s/ LI Guoping
Name: LI Guoping

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DANG Jie

Signed by: /s/ DANG Jie
Name: DANG Jie

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

WANG Zhe

Signed by: /s/ WANG Zhe
Name: WANG Zhe

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

CHENG Wenlong

Signed by: /s/ CHENG Wenlong
Name: CHENG Wenlong

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DING Zongyang

Signed by: /s/ DING Zongyang
Name: DING Zongyang

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

ZHOU Xiaolong

Signed by: /s/ ZHOU Xiaolong
Name: ZHOU Xiaolong

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

CHEN Rong

Signed by: /s/ CHEN Rong
Name: CHEN Rong

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

XU Wan'gang

Signed by: /s/ XU Wan'gang
Name: XU Wan'gang

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DU Xin

Signed by: /s/ DU Xin
Name: DU Xin

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

SHAO Fei

Signed by: /s/ SHAO Fei
Name: SHAO Fei

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

LIU Xiaoxiao

Signed by: /s/ LIU Xiaoxiao
Name: LIU Xiaoxiao

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

ZHANG Xuefei

Signed by: /s/ ZHANG Xuefei
Name: ZHANG Xuefei

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

FENG Wencui

Signed by: /s/ FENG Wencui
Name: FENG Wencui

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

ZHANG Jiandong

Signed by: /s/ ZHANG Jiandong
Name: ZHANG Jiandong

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

GE Jun

Signed by: /s/ GE Jun
Name: GE Jun

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

LIU Wuyang

Signed by: /s/ LIU Wuyang
Name: LIU Wuyang

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Beihao Commercial Consultancy Co., Ltd.

Signed by: /s/ GAO Jun
Name: GAO Jun
Title: Legal Representative

Equity Interest Pledge Agreement
Signature Page

Appendix 1: Shareholding Structure of Party C

Shareholders	Subscribed Registered Capital (RMB)	Contribution Percentage
GU Feifan	100,000	4.17%
RUAN Guangjie	100,000	4.17%
TAO Hongbing	100,000	4.17%
GAO Jun	100,000	4.17%
WEI Zhenghui	100,000	4.17%
LIU Enpeng	100,000	4.17%
FENG Xia	100,000	4.17%
SONG Dongfeng	100,000	4.17%
LI Guoping	100,000	4.17%
DANG Jie	100,000	4.17%
WANG Zhe	100,000	4.17%
CHENG Wenlong	100,000	4.17%
DING Zongyang	100,000	4.17%
ZHOU Xiaolong	100,000	4.17%
CHEN Rong	100,000	4.17%
XU Wan'gang	100,000	4.17%
DU Xin	100,000	4.17%
SHAO Fei	100,000	4.17%
LIU Xiaoxiao	100,000	4.17%
ZHANG Xuefei	100,000	4.17%
FENG Wencui	100,000	4.17%
ZHANG Jiandong	100,000	4.17%
GE Jun	100,000	4.17%
LIU Wuyang	100,000	4.17%
Total	2,400,000	100%

Equity Interest Pledge Agreement
Appendix 1

Appendix 2

1. Party C's Register of Shareholders which shall specify the equity pledge information under this Agreement;
2. Party C's Certificate of Capital Contribution;
3. Exclusive Business Cooperation Agreement;
4. Exclusive Option Agreement;
5. Power of Attorney.

Equity Interest Pledge Agreement
Appendix 2

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Agreement”) is made and entered into on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) by and among:

Party A: Jinbei (Tianjin) Technology Co., Ltd. (“Pledgee”)

Legal Representative: PENG Yongdong

Party B: Party C’s shareholders listed in Appendix 1 hereto (hereinafter referred to collectively as “Pledgors” and individually as a “Pledgor”)

Party C: Beijing Beijia Commercial Consultancy Co., Ltd.

Legal Representative: LIN Junquan

(Pledgee, Pledgors and Party C are hereinafter collectively referred to as the “Parties” and individually as a “Party”).

WHEREAS,

- (1) The Parties entered into an Equity Interest Pledge Agreement dated March 23, 2020 (“Original EIPA”);
- (2) Pledgors are the shareholders of Party C, and Party C’s shareholding structure as of the date hereof is set forth in Appendix 1 hereto. Party C is a limited liability company registered in Beijing, China. Party C desires to acknowledge the rights and obligations of Pledgors and Pledgee hereunder and provide necessary assistance on the registration of such pledge;
- (3) Pledgee is a wholly foreign-owned enterprise registered in the PRC. The Pledgee and Party C have entered into an Exclusive Business Cooperation Agreement (as defined below). The Pledgee, the Pledgors and Party C have entered into an Exclusive Option Agreement (as defined below). Each of the Pledgors has executed a Power of Attorney (as defined below) with the Pledgee as the attorney;
- (4) To ensure that Party C and the Pledgors fully perform its or their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney, the Pledgors pledge to the Pledgee all the equity interests they hold in Party C as security for the performance of Party C’s and the Pledgors’ obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney.

To perform the terms of the Transaction Documents (as defined below), the Parties have agreed to enter into this Agreement as follows.

Article 1 Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

1.1 **Pledge:** means the security interest granted by the Pledgors to the Pledgee pursuant to Article 2 of this Agreement, i.e., the right of the Pledgee to be compensated on a preferential basis with any proceeds received from monetization, auction or sale of the Pledged Equity Interest.

1.2 **Pledged Equity Interest:** means 100% of the equity interests in Party C collectively held by the Pledgors for the time being, and all the future equity rights and interests in Party C held by the Pledgors.

1.3 **Term of Pledge:** means the term set forth in Article 3 of this Agreement.

1.4 **Transaction Documents:** means the Exclusive Business Cooperation Agreement entered into

by and between Party C and the Pledgee on January 30, 2022 (the “Exclusive Business Cooperation Agreement”); the Exclusive Option Agreement entered into by and among the Pledgors, Party C and the Pledgee on January 30, 2022 (the “Exclusive Option Agreement”); and the Power of Attorney executed by the Pledgors respectively on January 30, 2022 (the “Power of Attorney”), and any amendments, revisions and/or restatements thereto.

1.5 Contractual Obligations: means all the obligations of the Pledgors under the Exclusive Option Agreement, the Power of Attorney and this Agreement, and all the obligations of Party C under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and this Agreement.

1.6 Secured Indebtedness: means all direct, indirect, consequential losses and loss of anticipated profits suffered by the Pledgee as a result of any Event of Default of the Pledgors and/or Party C, of which the basis for the amount of such losses includes without limitation reasonable business plans and profit forecasts of the Pledgee, the service fees payable by Party C under the Exclusive Business Cooperation Agreement, as well as all expenses as incurred by the Pledgee to enforce the performance of the Contractual Obligations by the Pledgors and/or Party C.

1.7 Event of Default: means any circumstances as set forth in Article 7 of this Agreement.

1.8 Notice of Default: means the notice issued by the Pledgee in accordance with this Agreement declaring an Event of Default.

Article 2 The Pledge

2.1 The Pledgors hereby agree to pledge to the Pledgee the Pledged Equity Interest in accordance with this Agreement as security for the performance of the Contractual Obligations and the repayment of the Secured Indebtedness. Party C hereby agrees for the Pledgors to pledge the Pledged Equity Interest to the Pledgee in accordance with this Agreement.

2.2 During the Term of Pledge, the Pledgee is entitled to receive any dividends or distributions in respect of the Pledged Equity Interest. With the prior written consent of the Pledgee, the Pledgors may collect such dividends or distributions in respect of the Pledged Equity Interest. Any dividends or distributions received by the Pledgors in respect of the Pledged Equity Interest after deduction of individual income tax paid by them shall, upon the Pledgee’s request, (1) be deposited into a bank account designated by the Pledgee, subject to supervision of the Pledgee, used as security for the Contractual Obligations and first applied towards full satisfaction of the Secured Indebtedness; or (2) to the extent permitted by the PRC laws, be unconditionally gifted to the Pledgee or any person designated by the Pledgee.

2.3 With the prior written consent of the Pledgee, the Pledgors may subscribe for increased capital in Party C. Any increase in the capital contributed by the Pledgors to the registered capital of Party C as a result of any capital increase of Party C shall also be deemed as the Pledged Equity Interest, with respect to which, the Parties shall enter into further pledge agreement and file pledge registration for the increased capital contribution amount.

2.4 In the event that Party C is to be dissolved or liquidated as required by any mandatory rules of the PRC laws, upon the lawful completion of such dissolution or liquidation procedure, any proceeds distributed by Party C to the Pledgors shall, upon the Pledgee’s request, (1) be deposited into a bank account designated by the Pledgee, subject to the supervision of the Pledgee, and used as security for the Contractual Obligations and first applied towards full satisfaction of the Secured Indebtedness; or (2) to the extent permitted by the PRC laws, be unconditionally gifted to the Pledgee or any person designated by the Pledgee.

Article 3 Term of Pledge

3.1 The Pledge shall become effective on such date when the pledge of the Pledged Equity Interest contemplated herein has been registered with the relevant administration for market regulation. The Pledge shall be continuously valid until (1) full performance of the Contractual Obligations and full satisfaction of the Secured Indebtedness, (2) to the extent permitted by the PRC laws, the Pledgee and/or the Designee decides to purchase all the equity interests in Party C held by

the Pledgors in accordance with the Exclusive Option Agreement, and the equity interests in Party C have all been duly transferred under the name of the Pledgee and/or the designee, and the Pledgee and/or the designee may legally engage in Party C's business. The Pledgors and Party C shall register the Pledge in the shareholders' register of Party C on the execution date of this Agreement, and shall duly submit an application to the relevant administration for market regulation for the registration of the Pledge. The Parties jointly confirm that for the purpose of registration of the Pledged Equity Interest, at the request of Party A, the Parties shall submit to the administration for market regulation this Agreement or an equity interest pledge agreement in the form required by the administration for market regulation at the place where Party C is located (the "AIC Pledge Agreement") which truthfully reflects the pledge information under this Agreement. In case of any matter not specified in the AIC Pledge Agreement, this Agreement shall prevail. The Pledgors and Party C shall submit all necessary documents and complete all necessary procedures, as required by the PRC laws and regulations and the relevant administration for market regulation, to ensure that the Pledge shall be registered as soon as possible after filing.

3.2 During the Term of Pledge, in the event the Pledgors and/or Party C fail to fulfill the Contractual Obligations or pay the Secured Indebtedness, the Pledgee shall be entitled to, but not be obliged to, exercise the Pledge in accordance with this Agreement.

Article 4 Custody for Certificates of the Pledge

4.1 During the Term of Pledge, the Pledgors shall deliver to the Pledgee for custody within one (1) week following the execution of this Agreement the certificate of capital contributions to Party C and the register of shareholders which records the Pledge. The Pledgee will place such documents in custody throughout the entire Term of Pledge specified in this Agreement.

Article 5 Representations and Warranties of the Pledgors and Party C

The Pledgors and Party C hereby severally but not jointly represent and warrant to Party A on the execution date of this Agreement that:

5.1 The Pledgors are the sole legal owners of the Pledged Equity Interest;

5.2 The Pledgee is entitled to dispose of and transfer the Pledged Equity Interest in accordance with this Agreement;

5.3 Except for the Pledge, the Pledgors have not created any other pledge or other security interest on the Pledged Equity Interest;

5.4 The Pledgors and Party C have obtained all necessary approvals and consents from governmental authorities and third parties (if required) in connection with the execution, delivery and performance of this Agreement;

5.5 The execution, delivery and performance of this Agreement shall not: (i) cause any violation of any applicable PRC laws; (ii) conflict with the articles of association or other organizational documents of Party C; (iii) cause the breach of or constitute any default under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them.

Article 6 Undertakings by the Pledgors and Party C

6.1 During the Term of Pledge, the Pledgors and Party C severally but not jointly undertake to the Pledgee that:

6.1.1 Without the prior written consent of the Pledgee, the Pledgors shall not transfer the Pledged Equity Interest or any portion thereof, create or permit the creation of any security interest or other encumbrances on the Pledged Equity Interest, except for the performance of the Transaction Documents;

6.1.2 The Pledgors and Party C shall comply with the provisions of all the laws and regulations

relating to the pledge of rights, and shall, within five (5) days upon receipt of any notice, order or recommendation issued or promulgated by the relevant competent authorities regarding the Pledge, present it to the Pledgee and concurrently comply with such notice, order or recommendation, or object thereto upon the reasonable request or consent of the Pledgee;

6.1.3 The Pledgors and Party C shall promptly notify the Pledgee of any event or notice received by the Pledgors that may have an impact on the Pledged Equity Interest or any portion thereof, and that may change any warranties and obligations of the Pledgors hereunder or may have an impact on the fulfillment of any obligations by the Pledgors hereunder;

6.2 The Pledgors agree that the rights granted to the Pledgee in respect of the Pledge hereunder shall not be interrupted or impaired by any legal procedure initiated by the Pledgors, any successors of the Pledgors or their entrusting party or any other persons.

6.3 The Pledgors undertake to the Pledgee that in order to protect or perfect the security for the Contractual Obligations and the Secured Indebtedness under this Agreement, the Pledgors shall execute in good faith and cause other parties who have interests in the Pledge to execute all the certificates of rights, deeds, and/or perform and procure other parties who have interests in the Pledge to perform the acts as required by the Pledgee, facilitate the exercise of the Pledgee's rights and authorizations granted hereunder and enter into all relevant documents regarding ownership of the Pledged Equity Interest with the Pledgee or any person (individuals or legal persons) designated by the Pledgee, as well as provide the Pledgee with all notices, orders and decisions regarding the Pledge as required by the Pledgee within a reasonable period of time.

6.4 The Pledgors hereby undertake to the Pledgee that they will comply with and perform all the undertakings, representations and warranties and terms and conditions hereunder. In the event that the Pledgors fail to perform or fail to fully perform such undertakings, representations and warranties and terms and conditions hereunder, the Pledgors shall indemnify the Pledgee against all the losses resulting therefrom.

Article 7 Event of Default

7.1 Each of the following circumstances shall constitute an Event of Default:

7.1.1 The Pledgors breach any of their obligations under the Transaction Documents and/or this Agreement;

7.1.2 Party C breaches any of its obligations under the Transaction Documents and/or this Agreement.

7.2 Should the Pledgors and Party C know or identify the occurrence of any event set forth in Article 7.1 or any circumstance that may result in the foregoing events, they shall immediately notify the Pledgee in writing.

7.3 Unless an Event of Default set forth in this Article 7.1 has been remedied at the request of the Pledgee within twenty (20) days upon receipt of the notice from the Pledgee to the Pledgors and/or Party C requesting the rectification of such Event of Default, the Pledgee may issue a Notice of Default to the Pledgors in writing at any time thereafter, requesting the exercise of the Pledge in accordance with Article 8 hereof.

Article 8 Exercise of the Pledge

8.1 The Pledgee shall issue a written Notice of Default to the Pledgors for the exercise of the Pledge.

8.2 Subject to the provisions of Article 7.3, the Pledgee may exercise its right to dispose of the Pledge at any time after the issuance of the Notice of Default in accordance with Article 8.1. Upon the Pledgee's decision to exercise its right to dispose of the Pledge, the Pledgors shall no longer own any right and interest in respect of the Pledged Equity Interest.

8.3 Upon the issuance of the Notice of Default in accordance with Article 8.1, the Pledgee is entitled to exercise all the remedies, rights and powers available to it under the PRC laws, the

Transaction Documents and this Agreement, including without limitation to monetize, auction or sell the Pledged Equity Interests for preferential compensation. The Pledgee shall not be held liable for any losses arising from its reasonable exercise of such rights and powers.

8.4 The proceeds received by the Pledgee as a result of the exercise of the Pledge shall be first applied towards payment of the taxes and administrative charges; payable in connection with the disposal of the Pledged Equity Interest and the performance of the Contractual Obligations and the repayment of the Secured Indebtedness to the Pledgee. Any balance after the deduction of the foregoing payments shall be returned to the Pledgors or any other person who is entitled to such balance under applicable laws and regulations, or be deposited with the notary public at the place where the Pledgors are located, at the cost of the Pledgors; and to the extent permitted by the PRC laws, the Pledgors shall unconditionally gift such balance to the Pledgee or any person designated by the Pledgee.

8.5 The Pledgee shall be entitled to elect to exercise, simultaneously or successively, any of its remedies for breach of contract; and the Pledgee shall not be required to first exercise other remedies for breach of contract prior to exercising its right to monetize, auction or sell the Pledged Equity Interest hereunder.

8.6 The Pledgee shall be entitled to designate in writing its legal counsel or other agents to exercise on its behalf the Pledge, and neither the Pledgors nor Party C shall object thereto.

8.7 When the Pledgee disposes of the Pledge in accordance with this Agreement, the Pledgors and Party C shall provide necessary assistance to the Pledgee for its exercise of the Pledge.

Article 9 Liabilities for Breach of Agreement

9.1 If the Pledgors or Party C commits any material breach of any term of this Agreement, the Pledgee shall have right to terminate this Agreement and/or require the Pledgors or Party C to indemnify all damages. This Article 9 shall not prejudice any other rights of the Pledgee hereunder.

Article 10 Assignment

10.1 The Pledgors and Party C shall not gift or assign their rights and obligations hereunder without the prior written consent of the Pledgee.

10.2 This Agreement shall be binding upon the Pledgors and their successors and permitted assignees, and effective upon the Pledgee and each of its successors and assignees.

10.3 The Pledgee may assign any or all of its rights and obligations under the Transaction Documents and this Agreement to any person designated by it at any time. In this case, the assignee shall enjoy and assume the rights and obligations of the Pledgee under the Transaction Documents and this Agreement as if the assignee were a party hereto or thereto, as applicable.

10.4 In the event of a change of Pledgee due to assignment, the Pledgors and/or Party C shall, at the request of the Pledgee, enter into a new pledge agreement with the new pledgee with the same terms and conditions as this Agreement, and register such new pledge with the relevant administration for market regulation.

10.5 The Pledgors and Party C shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among the Parties, including the Transaction Documents, perform the obligations under the Transaction Documents, and refrain from any action/omission that may affect the validity and enforceability thereof. Unless with the written instructions of the Pledgee, the Pledgors shall not exercise their retained rights in respect of the Pledged Equity Interest.

Article 11 Termination

11.1 Upon the full and complete performance of all of the Contractual Obligations and full satisfaction of the Secured Indebtedness by the Pledgors and Party C, the Pledgee shall, upon the Pledgors' request, release the Pledge of the Pledged Equity Interest hereunder and cooperate with the Pledgors in relation to both the deregistration of the Pledge of the Pledged Equity Interest in the

shareholders' register of Party C and the deregistration of the Pledge of the Pledged Equity Interest with the relevant administration for market regulation, as soon as practicably possible.

11.2 Articles 9, 13, 14 and 11.2 hereof shall survive the termination of this Agreement.

11.3 The Parties agree that as of the effective date of this Agreement, the Original EIPA shall fully terminate and be superseded by this Agreement in entirety.

Article 12 Costs and Other Expenses

All costs and actual expenses arising in connection with this Agreement, including without limitation the legal fees, processing fees, stamp duty, any other taxes and expenses, shall be borne by Party C.

Article 13 Confidentiality

The Parties acknowledge and confirm that any oral or written information related to this Agreement, the content hereof and exchanged for the purpose of preparation or performance of this Agreement shall be regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without prior written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is subject to disclosure required under the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 14 Applicable Law and Dispute Resolution

14.1 The conclusion, validity, interpretation, performance, revision and termination and dispute resolution of this Agreement shall be governed by the PRC laws.

14.2 In case of any dispute arising out of the performance of this Agreement or in connection with this Agreement, either Party may submit such dispute to Beijing Arbitration Commission ("BAC") for arbitration in Beijing in accordance with the arbitration rules of BAC then in force. The arbitral tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant appointing one arbitrator, the respondent appointing one arbitrator, and the third arbitrator appointed by the first two arbitrators or appointed by BAC. The arbitration shall be conducted in confidentiality and the language used in the arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties. Where appropriate, the arbitration tribunal or the arbitrator may award compensation in respect of the equity, assets, property interests or land assets of Party C and its subsidiaries, award compulsory remedies (including but not limited to those necessary for conducting business or mandating transfer of assets), or direct liquidation of Party C and its subsidiaries, in accordance with the dispute resolution provisions and/or applicable PRC laws. Moreover, pending the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies to facilitate the arbitration from a court with competent jurisdiction, including the PRC courts, which shall also include the courts of Hong Kong, Cayman Islands and the place where the main assets of Party C and/or its subsidiaries are located.

14.3 Pending arbitration of any dispute, except for the disputed matters under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Article 15 Notice

15.1 All notices and other communications required or permitted to be given hereunder shall

be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

15.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

15.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th day after the date on the registered letter receipt;

15.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o'clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

15.2 For the purpose of notice, the addresses of the Parties are as follows:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn:*****

Phone: *****

Email: *****

Party B: Party C's shareholders listed in Appendix 1 hereto

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone:*****

Email:*****

Party C: Beijing Beijia Commercial Consultancy Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

15.3 Either Party may change its address for notice at any time by delivering a notice to the other Party in accordance with this Article.

Article 16 Severability

In the event that any or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by laws the intentions of the Parties, and are of an economic effect as close as possible to that of such invalid, illegal or unenforceable provisions.

Article 17 Appendices

The appendices attached to this Agreement shall be integral parts of this Agreement.

Article 18 Effectiveness

18.1 This Agreement shall become effective upon the date of execution (which will be signing by hand, in case of natural person; or affixation of seal, in case of non-natural person) by the Parties.

18.2 Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon signing or affixation of seal by the Parties and completion of the governmental registration procedures (if applicable) in accordance with the regulations.

Article 19 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall have the same legal effect.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Jinbei (Tianjin) Technology Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

LIN Junquan

Signed by: /s/ LIN Junquan
Name: LIN Junquan

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

XU Tao

Signed by: /s/ XU Tao
Name: XU Tao

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

PENG Yongdong

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

WANG Yongqun

Signed by: /s/ WANG Yongqun
Name: WANG Yongqun

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Beijia Commercial Consultancy Co., Ltd. (seal)

Signed by: /s/ LIN Junquan
Name: LIN Junquan
Title: Legal Representative

Equity Interest Pledge Agreement
Signature Page

Appendix 1: Shareholding Structure of Party C

Shareholders		Subscribed Registered Capital (RMB)	Contribution Percentage	
LIN Junquan		100,000	25%	
XU Tao		100,000	25%	
PENG Yongdong		100,000	25%	
WANG Yongqun		100,000	25%	
Total		400,000	100.0000%	

Equity Interest Pledge Agreement
Appendix 1

Appendix 2

1. Party C's Register of Shareholders which shall specify the equity pledge information under this Agreement;
2. Party C's Certificate of Capital Contribution;
3. Exclusive Business Cooperation Agreement;
4. Exclusive Option Agreement;
5. Power of Attorney.

Equity Interest Pledge Agreement
Appendix 2

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this “Agreement”) is made and entered into on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) by and between:

Party A: Beike (Tianjin) Investment Co., Ltd.

Legal Representative: PENG Yongdong

Party B: Beijing Lianjia Real Estate Brokerage Co., Ltd.

Legal Representative: PENG Yongdong

(Party A and Party B shall be hereinafter referred to collectively as the “Parties” and individually as a “Party”.)

WHEREAS,

- (1) The Parties entered into an Exclusive Business Cooperation Agreement dated December 28, 2018 (“Original EBCA”);
- (2) Party A is a wholly foreign-owned enterprise established in China, which has necessary resources to provide technology and consulting services;
- (3) Party B is a domestic company established in China, which may engage in real estate brokerage activities with due approval from competent PRC government departments. The businesses conducted and developed by Party B currently and any time during the term of this Agreement are collectively referred to as the “Main Business”;
- (4) Party A agrees to provide Party B with exclusive technology support, consulting services and other services in relation to the Main Business during the term of this Agreement, utilizing its advantages in technology, human resources and information. Party B agrees to accept such services provided by Party A or Party A’s designee(s), each on the terms set forth herein.

NOW, THEREFORE, Party A and Party B agree as follows upon negotiation:

Article 1 Services Provided

1.1 Party B hereby appoints Party A as its exclusive services provider to provide Party B with comprehensive technology support, consulting services and other services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, including but not limited to:

- (1) Licensing Party B to use relevant software legally owned by or licensed to Party A;
- (2) Providing application software development, maintenance and update required by Party B’s business;
- (3) Design, installation, daily management, maintenance and update of computer network system, hardware devices and database;

- (4) Technical support and training for employees of Party B;
- (5) Assisting Party B on consultancy, collection and research of relevant technical and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under the PRC laws);
- (6) Providing enterprise management consultation for Party B;
- (7) Providing marketing and promotion services for Party B;
- (8) Providing customer order management and customer services for Party B;
- (9) Transfer, leasing and disposal of equipment or properties; and
- (10) Other services requested by Party B from time to time to the extent permitted under the PRC laws.

1.2 Party B agrees to accept such services provided by Party A. Party B further agrees that without Party A's prior written consent, during the term of this Agreement, with respect to the services or other matters agreed herein, Party B shall not directly or indirectly accept the same or any similar services provided by any third party, nor enter into similar corporation relationship with any third party regarding the matters contemplated hereunder. The Parties agree that Party A may designate other parties, who may enter into certain agreements described in Article 1.5 hereof with Party B, to provide the services agreed herein to Party B.

1.3 Party A has the right to check Party B's accounts regularly and at any time. Party B shall keep accounts in a timely and accurately manner and provide its accounts to Party A upon demand. During the term of this Agreement and subject to applicable laws, Party B agrees to cooperate with Party A and Party A's (direct or indirect) shareholders on audit (including but not limited to related party transaction audit and all other audits), and provide Party A, Party A's shareholders and/or the auditor(s) engaged with information and data regarding the operation, business, customers, finance, and employees of Party B and its subsidiaries, and that Party A's shareholders may disclose such information and data in order to meet the regulatory requirements for their listed securities. The Parties agree that during the term of this Agreement, Party A has the right to consolidate the financial results of Party B as if Party B were a wholly-owned subsidiary of Party A in accordance with the applicable accounting principles, provided that, Party A shall not bear any legal liability for any liabilities or other obligations and risks of Party B.

1.4 Ways of Service Provision

1.4.1 Party A and Party B agree that during the term of this Agreement, as applicable, Party B may enter into further service agreements with Party A or any other party designated by Party A, which shall provide for the specific contents, manner, personnel, and fees for the specific services.

1.4.2 In order to better fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, as applicable, Party B may, at any time, enter into equipment or asset lease agreement with Party A or any other party designated by Party A based on the needs of the business, whereby Party B shall be permitted to use Party A's relevant equipment or asset.

1.4.3 Party B hereby grants to Party A an irrevocable and exclusive option to purchase from Party B, to the extent permitted by the PRC laws and at Party A's sole discretion, any or all of the assets and business of Party B, at the minimum purchase price permitted by the PRC laws. The Parties shall then enter into a separate assets or business transfer agreement, specifying the terms and conditions of the transfer of the assets.

1.5 In order to ensure that Party B meets the cash flow requirements in daily operation and/or offsets any losses incurred in the course of its operation, regardless of whether Party B actually incurs any such operational losses, Party A may provide financial support to Party B (but only to the extent and in the manner permitted by the PRC laws). Party A may provide financial support to Party B by bank entrusted loan or borrowing, and enter into requisite agreements separately.

Article 2 Service Fees and Payment Terms

2.1 The service fee hereunder shall be 100% total consolidated profit of Party B in any fiscal year, after making up any accumulated loss (if any) of Party B and its subsidiaries in previous fiscal years and netting of the working capital, operational costs, taxes and other statutory contributions required in any fiscal year. Notwithstanding the foregoing, Party A may adjust the scope and amount of the service fee according to the PRC tax regulations and tax practices and with reference to the needs of Party B's working capital, and Party B shall accept such adjustment.

2.2 Party A shall calculate the service fee on an annual basis and issue the corresponding invoice to Party B. Party B shall pay the service fee to the bank account designated by Party A within 10 working days after receiving the invoice, and send a copy of the payment voucher to Party A by fax or email within 10 working days after payment. Party A shall issue a receipt within 10 working days after receipt of the service fee. Notwithstanding the foregoing, Party A may adjust the payment time and payment method of the service fee at its own discretion. Party B shall accept such adjustment.

Article 3 Intellectual Property Rights and Confidentiality

3.1 To the extent not prohibited by the PRC laws, Party A shall have sole and exclusive ownership, rights and interests in and to any and all intellectual property rights or intangible assets arising out of or created or developed during the performance of this Agreement by the Parties, including but not limited to copyrights, patents, patent applications, software, know-how, trade secrets and others. Unless expressly authorized by Party A, Party B shall not have any rights or interests in or to the intellectual property rights of Party A used by Party A to provide the services hereunder. Party B shall execute all appropriate documents, take all appropriate actions, submit all filings and/or applications, provide all appropriate assistance and otherwise conduct whatever is necessary as deemed by Party A at its sole discretion for the purposes of vesting any ownership, right or interest of any such intellectual property rights and intangible assets into Party A, and/or perfecting the protections for any such intellectual property rights and intangible assets of Party A, including but not limited to registering such intellectual property rights and intangible assets under the name of Party A.

3.2 The Parties acknowledge and confirm that any oral or written information related to this Agreement, the content hereof and exchanged for the purpose of preparation or performance of this Agreement shall be regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without prior written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is subject to disclosure required under the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 4 Representations and Warranties

4.1 Party A hereby represents, warrants and covenants as follows:

4.1.1 Party A is a wholly foreign-owned enterprise duly established and validly existing in accordance with the PRC laws. Party A or the service providers designated by Party A will obtain all government permits and licenses for providing the services hereunder before providing such services.

4.1.2 Party A has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government authorities (if required) for the execution, delivery and performance of this Agreement. Party A's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, and shall be enforceable against it in accordance with its terms.

4.2 Party B hereby represents, warrants and covenants as follows:

4.2.1 Party B is a company duly established and validly existing in accordance with the PRC laws.

4.2.2 Party B has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government authorities (if required) for the execution, delivery and performance of this Agreement. Party B's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

4.2.3 This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it in accordance with its terms.

Article 5 Term of Agreement

5.1 This Agreement shall become effective upon the date of execution by the Parties and fully terminate and supersede the Original EBCA. Unless expressly agreed herein or terminated in writing by Party A, this Agreement shall remain effective.

5.2 During the term of this Agreement, each Party shall renew its operation term in a timely manner prior to the expiration thereof so as to enable this Agreement to remain effective and enforceable. This Agreement shall be terminated upon the expiration of the operation term of a Party if the application for renewal of its operation term is not approved or consented by relevant government authorities.

5.3 The rights and obligations of the Parties under Articles 3, 6, 7 and this Article 5.3 shall survive the termination of this Agreement.

Article 6 Applicable Law and Dispute Resolution

6.1 The formation, validity, interpretation, performance and dispute resolution of this Agreement shall be governed by and construed according to the PRC laws.

6.2 In case of any dispute arising out of the performance of this Agreement or in connection with this Agreement, either Party may submit such dispute to Beijing Arbitration Commission ("BAC") for arbitration in Beijing in accordance with the arbitration rules of BAC then in force. The arbitral tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant appointing one arbitrator, the respondent appointing one arbitrator, and the third arbitrator

appointed by the first two arbitrators or appointed by BAC. The arbitration shall be conducted in confidentiality and the language used in the arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties. Where appropriate, the arbitration tribunal or the arbitrator may award compensation in respect of the equity, assets, property interests or land assets of Party B and its subsidiaries, award compulsory remedies (including but not limited to those necessary for conducting business or mandating transfer of assets), or direct liquidation of Party B and its subsidiaries, in accordance with the dispute resolution provisions and/or applicable PRC laws. Moreover, pending the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies to facilitate the arbitration from a court with competent jurisdiction, including the PRC courts, which shall also include the courts of Hong Kong, Cayman Islands and the place where the main assets of Party B and/or its subsidiaries are located.

6.3 Pending arbitration of any dispute, except for the disputed matters under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Article 7 Liabilities for Breach and Indemnification

7.1 If Party B commits any material breach of any term of this Agreement, Party A shall have right to (1) terminate this Agreement and require Party B to indemnify all damages; or (2) mandate specific performance of Party B's obligations hereunder and require Party B to indemnify all damages. This Article 7.1 shall not prejudice any other rights of Party A herein.

7.2 Unless otherwise provided for by laws, Party B shall in no case be entitled to terminate or cancel this Agreement.

7.3 Party B shall indemnify and hold Party A harmless against any loss, damage, liability or costs caused by any litigation, claim or other demand against Party A arising out of or in connection with the services provided by Party A to Party B hereunder, unless such loss, damage, liability or cost arises from the gross negligence or willful misconduct of Party A.

Article 8 Force Majeure

8.1 In the case of any force majeure event ("Force Majeure") such as earthquake, typhoon, flood, fire, epidemic, war, strike or any other event that is unpredictable, unpreventable and inevitable by the affected Party, which directly causes the failure of either Party to perform or fully perform this Agreement, then the Party affected by such Force Majeure shall not be liable for such failure, provided that it shall give the other Party a written notice thereof without delay, and shall furnish the other Party with details of such event within 15 days after giving such notice, explaining the reasons for such failure of, partial or delay of performance.

8.2 If such Party claiming Force Majeure fails to notify the other Party and furnish it with proof as stated above, such Party shall not be excused from the non-performance of its obligations hereunder. The affected Party shall make reasonable efforts to minimize the consequences of such Force Majeure and to promptly resume performance hereunder whenever such Force Majeure is eliminated. Should the affected Party fail to resume performance hereunder when the causes of such excuse are cured, such Party shall be liable to the other Party.

8.3 In the event of Force Majeure, the Parties shall immediately consult with each other to find an equitable solution and shall make all reasonable efforts to reduce the consequences of such Force Majeure.

Article 9 Notice

9.1 All notices and other communications required or permitted to be given hereunder shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

9.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

9.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th date after the date on the registered letter receipt;

9.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o'clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

9.2 For the purpose of notice, the addresses of the Parties are as follows:

Party A: Beike (Tianjin) Investment Co., Ltd.

Correspondence Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Phone: ****

Email: ****

Designated Contact Person: ****

Party B: Beijing Lianjia Real Estate Brokerage Co., Ltd.

Correspondence Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Phone: ****

Email: ****

Designated Contact Person: ****

9.3 Either Party may change its address for notice at any time by delivering a notice to the other Party in accordance with this Article.

Article 10 Assignment of Agreement

10.1 Party B shall not assign its rights and obligations hereunder to any third party, unless with Party A's prior written consent.

10.2 Party B hereby agrees that Party A may assign its rights and obligations hereunder to any third party and in case of such assignment, Party A is only required to give a written notice thereof to Party B, without obtaining any consent from Party B for such assignment.

Article 11 Miscellaneous

11.1 In the event that any or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by laws the intentions of the Parties, and are of an economic effect as close as possible to that of such invalid, illegal or unenforceable provisions.

11.2 This Agreement may be amended and supplemented by the Parties in writing. The amendment agreements and supplementary agreements that have been signed by the Parties and relate to this Agreement shall be an integral part of this Agreement and shall have the same legal effect as this Agreement.

11.3 This Agreement shall be made in duplicate, with Party A and Party B each holding one copy.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beike (Tianjin) Investment Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Exclusive Business Cooperation Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Lianjia Real Estate Brokerage Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong _____
Name: PENG Yongdong
Title: Legal Representative

Exclusive Business Cooperation Agreement
Signature Page

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this “Agreement”) is made and entered into by and between the following parties on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, for the purpose of this agreement, excluding Hong Kong, Macau and Taiwan).

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Address: Unit 28, Room 212, 2/F, Office Building C, Integrated Service Area, Nangang Industrial Zone, Tianjin Economic-Technological Development Area

Party B: Tianjin Xiaowu Information & Technology Co., Ltd.

Address: Room 708, Building A3, No. 12, Nanhai Road, Tianjin Development Area

Each of Party A and Party B shall be hereinafter referred to as a “Party” individually, and as the “Parties” collectively.

Whereas,

1. The Parties entered into an Exclusive Business Cooperation Agreement dated December 28, 2018 (“Original EBCA”);
2. Party A is a wholly foreign owned enterprise established in China, and has the necessary resources to provide technical and consulting services;
3. Party B is a company established in China with exclusively domestic capital and is permitted to engage in real estate related Internet information services. The businesses conducted by Party B currently and any time during the term of this Agreement are collectively referred to as the “Principal Business”;
4. Party A is willing to provide Party B with technical support, consulting services and other services on exclusive basis in relation to the Principal Business during the term of this Agreement, utilizing its advantages in technology, human resources, and information, and Party B is willing to accept such services provided by Party A or Party A's designee(s), each on the terms set forth herein.

Now, therefore, through mutual discussion, the Parties have reached the following agreements:

1. **Services Provided by Party A**

- 1.1 Party B hereby appoints Party A as Party B's exclusive services provider to provide Party B with comprehensive technical support, consulting services and other services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, including but not limited to the follows:
- (1) Licensing Party B to use any software legally owned by Party A;
 - (2) Development, maintenance and update of software involved in Party B's business;
 - (3) Design, installation, daily management, maintenance and updating of network system, hardware and database design;
 - (4) Technical support and training for employees of Party B;
 - (5) Assisting Party B in consultancy, collection and research of technology and market information (excluding market research business that foreign-invested enterprises are prohibited from conducting under PRC law);
 - (6) Providing business management consultation for Party B;
 - (7) Providing marketing and promotion services for Party B;
 - (8) Providing customer order management and customer services for Party B;
 - (9) Leasing, assignment or disposal of equipments or properties; and
 - (10) Other services requested by Party B from time to time to the extent permitted under PRC law.
- 1.2 Party B agrees to accept all the services provided by Party A. Party B further agrees that unless with Party A's prior written consent, during the term of this Agreement, Party B shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationship with any third party regarding the matters contemplated by this Agreement. Party A may

appoint other parties, who may enter into certain agreements described in Section 1.3 with Party B, to provide Party B with the services under this Agreement.

1.3 Service Providing Methodology

- 1.3.1 Party A and Party B agree that during the term of this Agreement, where necessary, Party B may enter into further service agreements with Party A or any other party designated by Party A, which shall provide the specific contents, manner, personnel, and fees for the specific services.
 - 1.3.2 To fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, where necessary, Party B may enter into equipment or property leases with Party A or any other party designated by Party A which shall permit Party B to use Party A's relevant equipment or property based on the needs of the business of Party B.
 - 1.3.3 Party B hereby grants to Party A an irrevocable and exclusive option to purchase from Party B, at Party A's sole discretion, any or all of the assets and business of Party B, to the extent permitted under PRC law, at the lowest purchase price permitted by PRC law. The Parties shall then enter into a separate assets or business transfer agreement, specifying the terms and conditions of the transfer of the assets. To the extent permitted under applicable PRC laws, Party B shall donate the balance of the purchase price received from Party A, after deducting/ withholding the relevant taxes (if any) pursuant to applicable laws, to Party A or the designee(s) of Party A for free within ten (10) days after Party B receives the purchase price and pays/ withholds the relevant taxes (if any).
- 1.4 To ensure that Party B meets the requirement of cash flow in daily operation and/or to offset any losses incurred in the process of its operation, whether or not Party B actually suffers any such operational losses, Party A can provide Party B with financial support (only to the extent and in a manner permitted by PRC laws). Party A may provide Party B with financial support by way of bank entrusted loans or loans, and enter into separate agreements where necessary.
 - 1.5 Party A shall have the right to examine the accounts of Party B periodically and from time to time. Party B shall keep its accounts accurately in due course, and provide them to Party B upon its request. To the extent permitted by applicable laws, Party B agrees to cooperate Party A and Party A's (direct and indirect) shareholder(s) to conduct

audit (including auditing the related party transactions and other audit), deliver the information and materials in relation to the operations, business, clients, finance, staff and others of Party B and Party B's subsidiaries to Party A, its shareholder(s) and/or auditors, and allow Party A's shareholder(s) to disclose such information and materials to comply with the regulatory requirements for public listing of Party A's shareholder(s). The Parties agree that, within the term of this Agreement, Party A is entitled to consolidate the financial results of Party A as a wholly owned affiliate of Party B in accordance with the applicable accounting principles. However, Party A shall not be held legally responsible for Party B's debt or other obligations and risks.

- 1.6 Party A has the right to conduct business activities related to provision of services on behalf of Party B, and Party B shall offer all necessary support and convenience for Party A to conduct such business activities smoothly, including without limitation, issuing power of attorney to Party A necessary for the provision of services.
- 1.7 Upon the request of Party A, Party B shall deliver the licenses and company seals related to Party B' daily operation, including the business license, common seal, contract seal, financial seal and the chop of legal representative, to the financial department of Party A for custody. Party B covenants that it will use such licenses and company seals only when obtaining Party A's consent and complying with Party A's internal authorized guidance.
- 1.8 The Parties agree that the services provided to Party B by Party A are also applicable to the subsidiaries controlled by Party B, and Party B shall procure the subsidiaries controlled by it to exercise the rights and perform the obligations in accordance with this Agreement.

2. The Calculation and Payment of the Service Fees

- 2.1 The service fee hereunder shall be 100% total consolidated profit of Party B in any fiscal year, after making up any accumulated loss (if any) of Party B and its subsidiaries in previous fiscal years and netting of the working capital, operational costs, taxes and other statutory contributions required in any fiscal year. Notwithstanding the foregoing, Party A may adjust the scope and amount of the service fee according to the PRC tax regulations and tax practices and with reference to the needs of Party B's working capital, and Party B shall accept such adjustment.
- 2.2 Party A shall calculate the service fee on an annual basis and issue the corresponding invoice to Party B. Party B shall pay the service fee to the bank account designated by Party A within 10 working days after

receiving the invoice, and send a copy of the payment voucher to Party A by fax or email within 10 working days after payment. Party A shall issue a receipt within 10 working days after receipt of the service fee. Notwithstanding the foregoing, Party A may adjust the payment time and payment method of the service fee at its own discretion. Party B shall accept such adjustment.

3. Intellectual Property Rights and Confidentiality Clauses

- 3.1 Party A shall have exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, software, technical secrets, trade secrets and others, and shall be entitled to make use of such rights for free.
- 3.2 To fulfill Party B's business needs, upon the consent of Party A, part of intellectual properties designated by Party A may be registered by Party B under the name of Party B. However, upon request of Party A, Party B shall transfer the aforementioned intellectual properties registered under the name of Party B to Party A for free or at the lowest price permitted by the law, and Party B shall execute all appropriate documents, take all appropriate actions, submit all filings and/or applications, render all appropriate assistance and otherwise conduct whatever is necessary as deemed by Party A at its sole discretion for the purposes of vesting any ownership, right or interest of any such intellectual property rights in Party A, and/or perfecting the protections for any such intellectual property rights in Party A. Party A is entitled to make use of any intellectual properties registered under the name of Party B for free.
- 3.3 The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations

similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

4. **Representations, Warranties and Covenants**

4.1 Party A hereby represents, warrants and covenants as follows:

4.1.1 Party A is a limited liability company legally established and validly existing in accordance with PRC laws; Party A or the service providers designated by Party A will obtain all government permits and licenses for providing the service under this Agreement before providing such services.

4.1.2 Party A has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government authorities (if required) for the execution, delivery and performance of this Agreement. Party A's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, enforceable against it in accordance with its terms.

4.2 Party B hereby represents, warrants and covenants as follows:

4.2.1 Party B is a company legally established and validly existing in accordance with PRC laws and has obtained and will maintain all permits and licenses for engaging in the Principal Business in a timely manner.

4.2.2 Party B has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government authorities (if required) for the execution, delivery and performance of this Agreement. Party B's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

- 4.2.3 This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it in accordance with its terms.
- 4.2.4 There is no pending or, to the knowledge of Party B, threatened litigation, arbitration or other judicial or administrative proceeding that would affect Party B's performance of its obligations under this Agreement.
- 4.2.5 Party B shall pay the full amount of the service fees to Party A timely in accordance with this Agreement.

5. Effectiveness and Term of Agreement

- 5.1 This Agreement shall become effective upon execution by the Parties and fully terminate and supersede the Original EBCA. Unless terminated in accordance with the provisions of this Agreement or terminated in writing by Party A, this Agreement shall remain effective.
- 5.2 During the term of this Agreement, each Party shall renew its operation term prior to the expiration thereof and exercise best endeavors to obtain the approval of relevant competent authorities so as to enable this Agreement to remain effective. This Agreement shall be terminated upon the expiration of the operation term of a Party if the application for renewal of its operation term is not approved or consented by relevant government authorities.
- 5.3 The rights and obligations of the Parties under Sections 3, 6, 7 and this Section 5.3 shall survive the termination of this Agreement.

6. Governing Law and Resolution of Disputes

- 6.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of the PRC.
- 6.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute through negotiations, either Party may submit the relevant dispute to the Beijing Arbitration Commission for arbitration, in accordance with its arbitration rules and procedures in effect at the time. The arbitration tribunal shall be consisted three (3) arbitrators according to the arbitration rules and procedures, among

whom one of them shall be designated by the applicant, one of them shall be designated by respondent and one of them shall be designated upon the negotiation by aforesaid two arbitrators or by the Beijing Arbitration Commission. The arbitration shall be conducted confidentially and the language of the arbitration shall be Chinese. The arbitration shall be conducted in Beijing. The arbitration award shall be final and binding on both Parties.

- 6.3 To the extent permitted by PRC laws and where appropriate, the arbitration tribunal may grant any remedies in accordance with the provisions of this Agreement and applicable PRC laws, including preliminary and permanent injunctive relief (such as injunction against carrying out business activities, or mandating the transfer of assets), specific performance of contractual obligations, remedies concerning the equity interest or assets of Party B and awards directing Party B to conduct liquidation. To the extent permitted by PRC laws, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies from a court with competent jurisdiction to facilitate the arbitration. Without violating the applicable governing laws, the Parties agree that the courts of Hong Kong, Cayman Islands, China and the place where the principal assets of Party B are located shall all be deemed to have competent jurisdiction.
- 6.4 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

7. Breach of Agreement and Indemnification

- 7.1 If Party B conducts any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and/or require Party B to indemnify all damages; this Section 7.1 shall not prejudice any other rights of Party A herein.
- 7.2 Unless otherwise required by applicable laws, Party B shall not have any right to terminate this Agreement unilaterally in any event.
- 7.3 Party B shall indemnify and hold Party A harmless from any losses, damages, obligations or expenses caused by any lawsuit, claims or other demands against Party A arising from or caused by the services provided by Party A to Party B pursuant this Agreement, except where

such losses, damages, obligations or expenses arise from the gross negligence or willful misconduct of Party A.

8. **Force Majeure**

- 8.1 In the case of any force majeure events ("Force Majeure") such as earthquake, typhoon, flood, fire, flu, war, strikes or any other events that cannot be predicted and are unpreventable and unavoidable by the affected Party, which directly or indirectly causes the failure of either Party to perform or completely perform this Agreement, then the Party affected by such Force Majeure shall give the other Party written notices without any delay, and shall provide details of such event within 15 days after sending out such notice, explaining the reasons for such failure of, partial or delay of performance.
- 8.2 If such Party claiming Force Majeure fails to notify the other Party and furnish it with proof pursuant to the above provision, such Party shall not be excused from the non-performance of its obligations hereunder. The Party so affected by the event of Force Majeure shall use reasonable efforts to minimize the consequences of such Force Majeure and to promptly resume performance hereunder whenever the causes of such excuse are cured. Should the Party so affected by the event of Force Majeure fail to resume performance hereunder when the causes of such excuse are cured, such Party shall be liable to the other Party.
- 8.3 In the event of Force Majeure, the Parties shall immediately consult with each other to find an equitable solution and shall use all reasonable endeavours to minimize the consequences of such Force Majeure.

9. **Notices**

- 9.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 9.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices.

9.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

9.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Party B: Tianjin Xiaowu & Information Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

9.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

10. Assignment

10.1 Without Party A's prior written consent, Party B shall not assign its rights and obligations under this Agreement to any third party.

10.2 Party B agrees that Party A may assign its obligations and rights under this Agreement to any third party and in case of such assignment, Party A is only required to give written notice to Party B and does not need any consent from Party B for such assignment.

11. Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

12. **Amendments and Supplements**

Any amendments and supplements to this Agreement shall be in writing. The amendment agreements and supplementary agreements that have been signed by the Parties and relate to this Agreement shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

13. **Entire Agreement**

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement, including but not limited to the Original EBCA.

14. **Waivers**

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

15. **Language and Counterparts**

This Agreement is written in Chinese language in two copies, each Party having one copy.

[The remainder of this page is intentionally left blank; Signature page to follow.]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first above written.

Party A: Jinbei (Tianjin) Technology Co., Ltd. (Seal)

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Party B: Tianjin Xiaowu Information & Technology Co., Ltd. (Seal)

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Signature Page to Exclusive Business Cooperation Agreement

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this “Agreement”) is made and entered into on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) by and between:

Party A: Beike Jinke (Tianjin) Technology Co., Ltd.

Legal Representative: FAN Zhuopeng

Party B: Beijing Yiju Taihe Technology Co., Ltd.

Legal Representative: WEI Yong

(Party A and Party B shall be hereinafter referred to collectively as the “Parties” and individually as a “Party”).

WHEREAS,

- (1) The Parties entered into an Exclusive Business Cooperation Agreement dated December 28, 2018 (“Original EBCA”);
- (2) Party A is a wholly foreign-owned enterprise established in China, which has necessary resources to provide technology and consulting services;
- (3) Party B is a domestic company established in China, which may engage in financial service activities with due approval from competent PRC government departments. The businesses conducted and developed by Party B currently and any time during the term of this Agreement are collectively referred to as the “Main Business”;
- (4) Party A agrees to provide Party B with exclusive technology support, consulting services and other services in relation to the Main Business during the term of this Agreement, utilizing its advantages in technology, human resources and information. Party B agrees to accept such services provided by Party A or Party A’s designee(s), each on the terms set forth herein.

NOW, THEREFORE, Party A and Party B agree as follows upon negotiation:

Article 1 Services Provided

1.1 Party B hereby appoints Party A as its exclusive services provider to provide Party B with comprehensive technology support, consulting services and other services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, including but not limited to:

- (1) Licensing Party B to use relevant software legally owned by or licensed to Party A;
- (2) Providing application software development, maintenance and update required by Party B’s business;
- (3) Design, installation, daily management, maintenance and update of computer network system, hardware devices and database;

- (4) Technical support and training for employees of Party B;
- (5) Assisting Party B on consultancy, collection and research of relevant technical and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under the PRC laws);
- (6) Providing enterprise management consultation for Party B;
- (7) Providing marketing and promotion services for Party B;
- (8) Providing customer order management and customer services for Party B;
- (9) Transfer, leasing and disposal of equipment or properties; and
- (10) Other services requested by Party B from time to time to the extent permitted under the PRC laws.

1.2 Party B agrees to accept such services provided by Party A. Party B further agrees that without Party A's prior written consent, during the term of this Agreement, with respect to the services or other matters agreed herein, Party B shall not directly or indirectly accept the same or any similar services provided by any third party, nor enter into similar corporation relationship with any third party regarding the matters contemplated hereunder. The Parties agree that Party A may designate other parties, who may enter into certain agreements described in Article 1.5 hereof with Party B, to provide the services agreed herein to Party B.

1.3 Party A has the right to check Party B's accounts regularly and at any time. Party B shall keep accounts in a timely and accurately manner and provide its accounts to Party A upon demand. During the term of this Agreement and subject to applicable laws, Party B agrees to cooperate with Party A and Party A's (direct or indirect) shareholders on audit (including but not limited to related party transaction audit and all other audits), and provide Party A, Party A's shareholders and/or the auditor(s) engaged with information and data regarding the operation, business, customers, finance, and employees of Party B and its subsidiaries, and that Party A's shareholders may disclose such information and data in order to meet the regulatory requirements for their listed securities. The Parties agree that during the term of this Agreement, Party A has the right to consolidate the financial results of Party B as if Party B were a wholly-owned subsidiary of Party A in accordance with the applicable accounting principles, provided that, Party A shall not bear any legal liability for any liabilities or other obligations and risks of Party B.

1.4 Ways of Service Provision

1.4.1 Party A and Party B agree that during the term of this Agreement, as applicable, Party B may enter into further service agreements with Party A or any other party designated by Party A, which shall provide for the specific contents, manner, personnel, and fees for the specific services.

1.4.2 In order to better fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, as applicable, Party B may, at any time, enter into equipment or asset lease agreement with Party A or any other party designated by Party A based on the needs of the business, whereby Party B shall be permitted to use Party A's relevant equipment or asset.

1.4.3 Party B hereby grants to Party A an irrevocable and exclusive option to purchase from Party B, to the extent permitted by the PRC laws and at Party A's sole discretion, any or all of the assets and business of Party B, at the minimum purchase price permitted by the PRC laws. The Parties shall then enter into a separate assets or business transfer agreement, specifying the terms and conditions of the transfer of the assets.

1.5 In order to ensure that Party B meets the cash flow requirements in daily operation and/or offsets any losses incurred in the course of its operation, regardless of whether Party B actually incurs any such operational losses, Party A may provide financial support to Party B (but only to the extent and in the manner permitted by the PRC laws). Party A may provide financial support to Party B by bank entrusted loan or borrowing, and enter into requisite agreements separately.

Article 2 Service Fees and Payment Terms

2.1 The service fee hereunder shall be 100% total consolidated profit of Party B in any fiscal year, after making up any accumulated loss (if any) of Party B and its subsidiaries in previous fiscal years and netting of the working capital, operational costs, taxes and other statutory contributions required in any fiscal year. Notwithstanding the foregoing, Party A may adjust the scope and amount of the service fee according to the PRC tax regulations and tax practices and with reference to the needs of Party B's working capital, and Party B shall accept such adjustment.

2.2 Party A shall calculate the service fee on an annual basis and issue the corresponding invoice to Party B. Party B shall pay the service fee to the bank account designated by Party A within 10 working days after receiving the invoice, and send a copy of the payment voucher to Party A by fax or email within 10 working days after payment. Party A shall issue a receipt within 10 working days after receipt of the service fee. Notwithstanding the foregoing, Party A may adjust the payment time and payment method of the service fee at its own discretion. Party B shall accept such adjustment.

Article 3 Intellectual Property Rights and Confidentiality

3.1 To the extent not prohibited by the PRC laws, Party A shall have sole and exclusive ownership, rights and interests in and to any and all intellectual property rights or intangible assets arising out of or created or developed during the performance of this Agreement by the Parties, including but not limited to copyrights, patents, patent applications, software, know-how, trade secrets and others. Unless expressly authorized by Party A, Party B shall not have any rights or interests in or to the intellectual property rights of Party A used by Party A to provide the services hereunder. Party B shall execute all appropriate documents, take all appropriate actions, submit all filings and/or applications, provide all appropriate assistance and otherwise conduct whatever is necessary as deemed by Party A at its sole discretion for the purposes of vesting any ownership, right or interest of any such intellectual property rights and intangible assets into Party A, and/or perfecting the protections for any such intellectual property rights and intangible assets of Party A, including but not limited to registering such intellectual property rights and intangible assets under the name of Party A.

3.2 The Parties acknowledge and confirm that any oral or written information related to this Agreement, the content hereof and exchanged for the purpose of preparation or performance of this Agreement shall be regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without prior written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is subject to disclosure required under the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 4 Representations and Warranties

4.1 Party A hereby represents, warrants and covenants as follows:

4.1.1 Party A is a wholly foreign-owned enterprise duly established and validly existing in accordance with the PRC laws. Party A or the service providers designated by Party A will obtain all government permits and licenses for providing the services hereunder before providing such services.

4.1.2 Party A has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government authorities (if required) for the execution, delivery and performance of this Agreement. Party A's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, and shall be enforceable against it in accordance with its terms.

4.2 Party B hereby represents, warrants and covenants as follows:

4.2.1 Party B is a company duly established and validly existing in accordance with the PRC laws.

4.2.2 Party B has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government authorities (if required) for the execution, delivery and performance of this Agreement. Party B's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

4.2.3 This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it in accordance with its terms.

Article 5 Term of Agreement

5.1 This Agreement shall become effective upon the date of affixation of seal by the Parties and fully terminate and supersede the Original EBCA. Unless expressly agreed herein or terminated in writing by Party A, this Agreement shall remain effective.

5.2 During the term of this Agreement, each Party shall renew its operation term in a timely manner prior to the expiration thereof so as to enable this Agreement to remain effective and enforceable. This Agreement shall be terminated upon the expiration of the operation term of a Party if the application for renewal of its operation term is not approved or consented by relevant government authorities.

5.3 The rights and obligations of the Parties under Articles 3, 6, 7 and this Article 5.3 shall survive the termination of this Agreement.

Article 6 Applicable Law and Dispute Resolution

6.1 The formation, validity, interpretation, performance and dispute resolution of this Agreement shall be governed by and construed according to the PRC laws.

6.2 In case of any dispute arising out of the performance of this Agreement or in connection with this Agreement, either Party may submit such dispute to Beijing Arbitration Commission ("BAC") for arbitration in Beijing in accordance with the arbitration rules of BAC then in force. The arbitral tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant appointing one arbitrator, the respondent appointing one arbitrator, and the third arbitrator

appointed by the first two arbitrators or appointed by BAC. The arbitration shall be conducted in confidentiality and the language used in the arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties. Where appropriate, the arbitration tribunal or the arbitrator may award compensation in respect of the equity, assets, property interests or land assets of Party B and its subsidiaries, award compulsory remedies (including but not limited to those necessary for conducting business or mandating transfer of assets), or direct liquidation of Party B and its subsidiaries, in accordance with the dispute resolution provisions and/or applicable PRC laws. Moreover, pending the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies to facilitate the arbitration from a court with competent jurisdiction, including the PRC courts, which shall also include the courts of Hong Kong, Cayman Islands and the place where the main assets of Party B and/or its subsidiaries are located.

6.3 Pending arbitration of any dispute, except for the disputed matters under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Article 7 Liabilities for Breach and Indemnification

7.1 If Party B commits any material breach of any term of this Agreement, Party A shall have right to (1) terminate this Agreement and require Party B to indemnify all damages; or (2) mandate specific performance of Party B's obligations hereunder and require Party B to indemnify all damages. This Article 7.1 shall not prejudice any other rights of Party A herein.

7.2 Unless otherwise provided for by laws, Party B shall in no case be entitled to terminate or cancel this Agreement.

7.3 Party B shall indemnify and hold Party A harmless against any loss, damage, liability or costs caused by any litigation, claim or other demand against Party A arising out of or in connection with the services provided by Party A to Party B hereunder, unless such loss, damage, liability or cost arises from the gross negligence or willful misconduct of Party A.

Article 8 Force Majeure

8.1 In the case of any force majeure event ("Force Majeure") such as earthquake, typhoon, flood, fire, epidemic, war, strike or any other event that is unpredictable, unpreventable and inevitable by the affected Party, which directly causes the failure of either Party to perform or fully perform this Agreement, then the Party affected by such Force Majeure shall not be liable for such failure, provided that it shall give the other Party a written notice thereof without delay, and shall furnish the other Party with details of such event within 15 days after giving such notice, explaining the reasons for such failure of, partial or delay of performance.

8.2 If such Party claiming Force Majeure fails to notify the other Party and furnish it with proof as stated above, such Party shall not be excused from the non-performance of its obligations hereunder. The affected Party shall make reasonable efforts to minimize the consequences of such Force Majeure and to promptly resume performance hereunder whenever such Force Majeure is eliminated. Should the affected Party fail to resume performance hereunder when the causes of such excuse are cured, such Party shall be liable to the other Party.

8.3 In the event of Force Majeure, the Parties shall immediately consult with each other to find an equitable solution and shall make all reasonable efforts to reduce the consequences of such Force Majeure.

Article 9 Notice

9.1 All notices and other communications required or permitted to be given hereunder shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

9.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

9.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th date after the date on the registered letter receipt;

9.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o'clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

9.2 For the purpose of notice, the addresses of the Parties are as follows:

Party A: Beike Jinke (Tianjin) Technology Co., Ltd.

Correspondence Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Phone: *****

Email: *****

Designated Contact Person: *****

Party B: Beijing Yiju Taihe Technology Co., Ltd.

Correspondence Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Phone: *****

Email: *****

Designated Contact Person: *****

9.3 Either Party may change its address for notice at any time by delivering a notice to the other Party in accordance with this Article.

Article 10 Assignment of Agreement

10.1 Party B shall not assign its rights and obligations hereunder to any third party, unless with Party A's prior written consent.

10.2 Party B hereby agrees that Party A may assign its rights and obligations hereunder to any third party and in case of such assignment, Party A is only required to give a written notice thereof to Party B, without obtaining any consent from Party B for such assignment.

Article 11 Miscellaneous

11.1 In the event that any or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by laws the intentions of the Parties, and are of an economic effect as close as possible to that of such invalid, illegal or unenforceable provisions.

11.2 This Agreement may be amended and supplemented by the Parties in writing. The amendment agreements and supplementary agreements that have been signed by the Parties and relate to this Agreement shall be an integral part of this Agreement and shall have the same legal effect as this Agreement.

11.3 This Agreement shall be made in duplicate, with Party A and Party B each holding one copy.

[The remainder of this page is intentionally left blank; Signature page to follow.]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beike Jinke (Tianjin) Technology Co., Ltd. (seal)

Signed by: /s/ FAN Zhuopeng
Name: FAN Zhuopeng
Title: Legal Representative

Exclusive Business Cooperation Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Yiju Taihe Technology Co., Ltd. (seal)

Signed by: /s/ WEI Yong
Name: WEI Yong
Title: Legal Representative

Exclusive Business Cooperation Agreement
Signature Page

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this “Agreement”) is made and entered into on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) by and between:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Legal Representative: PENG Yongdong

Party B: Beijing Beihao Commercial Consultancy Co., Ltd.

Legal Representative: GAO Jun

(Party A and Party B shall be hereinafter referred to collectively as the “Parties” and individually as a “Party”.)

WHEREAS,

- (1) The Parties entered into an Exclusive Business Cooperation Agreement dated December 28, 2018 (“Original EBCA”);
- (2) Party A is a wholly foreign-owned enterprise established in China, which has necessary resources to provide technology and consulting services;
- (3) Party B is a domestic company established in China, with a business scope of economic and trade consulting; business management; business management consulting; conference services; business planning with due approval from competent PRC government departments. (The businesses conducted and developed by Party B currently and any time during the term of this Agreement are collectively referred to as the “Main Business”);
- (4) Party A agrees to provide Party B with exclusive technology support, consulting services and other services in relation to the Main Business during the term of this Agreement, utilizing its advantages in technology, human resources and information. Party B agrees to accept such services provided by Party A or Party A’s designee(s), each on the terms set forth herein.

NOW, THEREFORE, Party A and Party B agree as follows upon negotiation:

Article 1 Services Provided

1.1 Party B hereby appoints Party A as its exclusive services provider to provide Party B with comprehensive technology support, consulting services and other services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, including but not limited to:

- (1) Licensing Party B to use relevant software legally owned by or licensed to Party A;
 - (2) Providing application software development, maintenance and update required by Party B’s business;
 - (3) Design, installation, daily management, maintenance and update of computer network system,
-

hardware devices and database;

- (4) Technical support and training for employees of Party B;
- (5) Assisting Party B on consultancy, collection and research of relevant technical and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under the PRC laws);
- (6) Providing enterprise management consultation for Party B;
- (7) Providing marketing and promotion services for Party B;
- (8) Providing customer order management and customer services for Party B;
- (9) Transfer, leasing and disposal of equipment or properties; and
- (10) Other services requested by Party B from time to time to the extent permitted under the PRC laws.

1.2 Party B agrees to accept such services provided by Party A. Party B further agrees that without Party A's prior written consent, during the term of this Agreement, with respect to the services or other matters agreed herein, Party B shall not directly or indirectly accept the same or any similar services provided by any third party, nor enter into similar corporation relationship with any third party regarding the matters contemplated hereunder. The Parties agree that Party A may designate other parties, who may enter into certain agreements described in Article 1.5 hereof with Party B, to provide the services agreed herein to Party B.

1.3 Party A has the right to check Party B's accounts regularly and at any time. Party B shall keep accounts in a timely and accurately manner and provide its accounts to Party A upon demand. During the term of this Agreement and subject to applicable laws, Party B agrees to cooperate with Party A and Party A's (direct or indirect) shareholders on audit (including but not limited to related party transaction audit and all other audits), and provide Party A, Party A's shareholders and/or the auditor(s) engaged with information and data regarding the operation, business, customers, finance, and employees of Party B and its subsidiaries, and that Party A's shareholders may disclose such information and data in order to meet the regulatory requirements for their listed securities. The Parties agree that during the term of this Agreement, Party A has the right to consolidate the financial results of Party B as if Party B were a wholly-owned subsidiary of Party A in accordance with the applicable accounting principles, provided that, Party A shall not bear any legal liability for any liabilities or other obligations and risks of Party B.

1.4 Ways of Service Provision

1.4.1 Party A and Party B agree that during the term of this Agreement, as applicable, Party B may enter into further service agreements with Party A or any other party designated by Party A, which shall provide for the specific contents, manner, personnel, and fees for the specific services.

1.4.2 In order to better fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, as applicable, Party B may, at any time, enter into equipment or asset lease agreement with Party A or any other party designated by Party A based on the needs of the business, whereby Party B shall be permitted to use Party A's relevant equipment or asset.

1.4.3 Party B hereby grants to Party A an irrevocable and exclusive option to purchase from Party B, to the extent permitted by the PRC laws and at Party A's sole discretion, any or all of the assets and business of Party B, at the minimum purchase price permitted by the PRC laws. The

Parties shall then enter into a separate assets or business transfer agreement, specifying the terms and conditions of the transfer of the assets.

1.5 In order to ensure that Party B meets the cash flow requirements in daily operation and/or offsets any losses incurred in the course of its operation, regardless of whether Party B actually incurs any such operational losses, Party A may provide financial support to Party B (but only to the extent and in the manner permitted by the PRC laws). Party A may provide financial support to Party B by bank entrusted loan or borrowing, and enter into requisite agreements separately.

Article 2 Service Fees and Payment Terms

2.1 The service fee hereunder shall be 100% total consolidated profit of Party B in any fiscal year, after making up any accumulated loss (if any) of Party B and its subsidiaries in previous fiscal years and netting of the working capital, operational costs, taxes and other statutory contributions required in any fiscal year. Notwithstanding the foregoing, Party A may adjust the scope and amount of the service fee according to the PRC tax regulations and tax practices and with reference to the needs of Party B's working capital, and Party B shall accept such adjustment.

2.2 Party A shall calculate the service fee on an annual basis and issue the corresponding invoice to Party B. Party B shall pay the service fee to the bank account designated by Party A within 10 working days after receiving the invoice, and send a copy of the payment voucher to Party A by fax or email within 10 working days after payment. Party A shall issue a receipt within 10 working days after receipt of the service fee. Notwithstanding the foregoing, Party A may adjust the payment time and payment method of the service fee at its own discretion. Party B shall accept such adjustment.

Article 3 Intellectual Property Rights and Confidentiality

3.1 To the extent not prohibited by the PRC laws, Party A shall have sole and exclusive ownership, rights and interests in and to any and all intellectual property rights or intangible assets arising out of or created or developed during the performance of this Agreement by the Parties, including but not limited to copyrights, patents, patent applications, software, know-how, trade secrets and others. Unless expressly authorized by Party A, Party B shall not have any rights or interests in or to the intellectual property rights of Party A used by Party A to provide the services hereunder. Party B shall execute all appropriate documents, take all appropriate actions, submit all filings and/or applications, provide all appropriate assistance and otherwise conduct whatever is necessary as deemed by Party A at its sole discretion for the purposes of vesting any ownership, right or interest of any such intellectual property rights and intangible assets into Party A, and/or perfecting the protections for any such intellectual property rights and intangible assets of Party A, including but not limited to registering such intellectual property rights and intangible assets under the name of Party A.

3.2 The Parties acknowledge and confirm that any oral or written information related to this Agreement, the content hereof and exchanged for the purpose of preparation or performance of this Agreement shall be regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without prior written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is subject to disclosure required under the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 4 Representations and Warranties

4.1 Party A hereby represents, warrants and covenants as follows:

4.1.1 Party A is a wholly foreign-owned enterprise duly established and validly existing in accordance with the PRC laws. Party A or the service providers designated by Party A will obtain all government permits and licenses for providing the services hereunder before providing such services.

4.1.2 Party A has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government authorities (if required) for the execution, delivery and performance of this Agreement. Party A's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, and shall be enforceable against it in accordance with its terms.

4.2 Party B hereby represents, warrants and covenants as follows:

4.2.1 Party B is a company duly established and validly existing in accordance with the PRC laws.

4.2.2 Party B has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government authorities (if required) for the execution, delivery and performance of this Agreement. Party B's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

4.2.3 This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it in accordance with its terms.

Article 5 Term of Agreement

5.1 This Agreement shall become effective upon the date of execution by the Parties and fully terminate and supersede the Original EBCA. Unless expressly agreed herein or terminated in writing by Party A, this Agreement shall remain effective.

5.2 During the term of this Agreement, each Party shall renew its operation term in a timely manner prior to the expiration thereof so as to enable this Agreement to remain effective and enforceable. This Agreement shall be terminated upon the expiration of the operation term of a Party if the application for renewal of its operation term is not approved or consented by relevant government authorities.

5.3 The rights and obligations of the Parties under Articles 3, 6, 7 and this Article 5.3 shall survive the termination of this Agreement.

Article 6 Applicable Law and Dispute Resolution

6.1 The formation, validity, interpretation, performance and dispute resolution of this Agreement shall be governed by and construed according to the PRC laws.

6.2 In case of any dispute arising out of the performance of this Agreement or in connection with this Agreement, either Party may submit such dispute to Beijing Arbitration Commission ("BAC") for arbitration in Beijing in accordance with the arbitration rules of BAC then in force. The arbitral

tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant appointing one arbitrator, the respondent appointing one arbitrator, and the third arbitrator appointed by the first two arbitrators or appointed by BAC. The arbitration shall be conducted in confidentiality and the language used in the arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties. Where appropriate, the arbitration tribunal or the arbitrator may award compensation in respect of the equity, assets, property interests or land assets of Party B and its subsidiaries, award compulsory remedies (including but not limited to those necessary for conducting business or mandating transfer of assets), or direct liquidation of Party B and its subsidiaries, in accordance with the dispute resolution provisions and/or applicable PRC laws. Moreover, pending the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies to facilitate the arbitration from a court with competent jurisdiction, including the PRC courts, which shall also include the courts of Hong Kong, Cayman Islands and the place where the main assets of Party B and/or its subsidiaries are located.

6.3 Pending arbitration of any dispute, except for the disputed matters under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Article 7 Liabilities for Breach and Indemnification

7.1 If Party B commits any material breach of any term of this Agreement, Party A shall have right to (1) terminate this Agreement and require Party B to indemnify all damages; or (2) mandate specific performance of Party B's obligations hereunder and require Party B to indemnify all damages. This Article 7.1 shall not prejudice any other rights of Party A herein.

7.2 Unless otherwise provided for by laws, Party B shall in no case be entitled to terminate or cancel this Agreement.

7.3 Party B shall indemnify and hold Party A harmless against any loss, damage, liability or costs caused by any litigation, claim or other demand against Party A arising out of or in connection with the services provided by Party A to Party B hereunder, unless such loss, damage, liability or cost arises from the gross negligence or willful misconduct of Party A.

Article 8 Force Majeure

8.1 In the case of any force majeure event ("Force Majeure") such as earthquake, typhoon, flood, fire, epidemic, war, strike or any other event that is unpredictable, unpreventable and inevitable by the affected Party, which directly causes the failure of either Party to perform or fully perform this Agreement, then the Party affected by such Force Majeure shall not be liable for such failure, provided that it shall give the other Party a written notice thereof without delay, and shall furnish the other Party with details of such event within 15 days after giving such notice, explaining the reasons for such failure of, partial or delay of performance.

8.2 If such Party claiming Force Majeure fails to notify the other Party and furnish it with proof as stated above, such Party shall not be excused from the non-performance of its obligations hereunder. The affected Party shall make reasonable efforts to minimize the consequences of such Force Majeure and to promptly resume performance hereunder whenever such Force Majeure is eliminated. Should the affected Party fail to resume performance hereunder when the causes of such excuse are cured, such Party shall be liable to the other Party.

8.3 In the event of Force Majeure, the Parties shall immediately consult with each other to find an equitable solution and shall make all reasonable efforts to reduce the consequences of such Force Majeure.

Article 9 Notice

9.1 All notices and other communications required or permitted to be given hereunder shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

9.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

9.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th date after the date on the registered letter receipt;

9.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o'clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

9.2 For the purpose of notice, the addresses of the Parties are as follows:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

Party B: Beijing Beihao Commercial Consultancy Co., Ltd.

Correspondence Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

9.3 Either Party may change its address for notice at any time by delivering a notice to the other Party in accordance with this Article.

Article 10 Assignment of Agreement

10.1 Party B shall not assign its rights and obligations hereunder to any third party, unless with Party A's prior written consent.

10.2 Party B hereby agrees that Party A may assign its rights and obligations hereunder to any third party and in case of such assignment, Party A is only required to give a written notice thereof to Party B, without obtaining any consent from Party B for such assignment.

Article 11 Miscellaneous

11.1 In the event that any or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or

unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by laws the intentions of the Parties, and are of an economic effect as close as possible to that of such invalid, illegal or unenforceable provisions.

11.2 This Agreement may be amended and supplemented by the Parties in writing. The amendment agreements and supplementary agreements that have been signed by the Parties and relate to this Agreement shall be an integral part of this Agreement and shall have the same legal effect as this Agreement.

11.3 This Agreement shall be made in duplicate, with Party A and Party B each holding one copy.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first written above.

Jinbei (Tianjin) Technology Co., Ltd.(seal)

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Exclusive Business Cooperation Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first written above.

Beijing Beihao Commercial Consultancy Co., Ltd. (seal)

Signed by: /s/ GAO JUN
Name: GAO Jun
Title: Legal Representative

Exclusive Business Cooperation Agreement
Signature Page

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this “Agreement”) is made and entered into on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) by and between:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Legal Representative: PENG Yongdong

Party B: Beijing Beijia Commercial Consultancy Co., Ltd.

Legal Representative: LIN Junquan

(Party A and Party B shall be hereinafter referred to collectively as the “Parties” and individually as a “Party”.)

WHEREAS,

- (1) The Parties entered into an Exclusive Business Cooperation Agreement dated December 28, 2018 (“Original EBCA”);
- (2) Party A is a wholly foreign-owned enterprise established in China, which has necessary resources to provide technology and consulting services;
- (3) Party B is a domestic company established in China, whose business scope is economic and trade consulting; enterprise management; enterprise management consulting; conference services and enterprise planning, with due approval from competent PRC government departments. The businesses conducted and developed by Party B currently and any time during the term of this Agreement are collectively referred to as the “Main Business”;
- (4) Party A agrees to provide Party B with exclusive technology support, consulting services and other services in relation to the Main Business during the term of this Agreement, utilizing its advantages in technology, human resources and information. Party B agrees to accept such services provided by Party A or Party A’s designee(s), each on the terms set forth herein.

NOW, THEREFORE, Party A and Party B agree as follows upon negotiation:

Article 1 Services Provided

1.1 Party B hereby appoints Party A as its exclusive services provider to provide Party B with comprehensive technology support, consulting services and other services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, including but not limited to:

- (1) Licensing Party B to use relevant software legally owned by or licensed to Party A;
- (2) Providing application software development, maintenance and update required by Party B’s business;
- (3) Design, installation, daily management, maintenance and update of computer network system, hardware devices and database;

- (4) Technical support and training for employees of Party B;
- (5) Assisting Party B on consultancy, collection and research of relevant technical and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under the PRC laws);
- (6) Providing enterprise management consultation for Party B;
- (7) Providing marketing and promotion services for Party B;
- (8) Providing customer order management and customer services for Party B;
- (9) Transfer, leasing and disposal of equipment or properties; and
- (10) Other services requested by Party B from time to time to the extent permitted under the PRC laws.

1.2 Party B agrees to accept such services provided by Party A. Party B further agrees that without Party A's prior written consent, during the term of this Agreement, with respect to the services or other matters agreed herein, Party B shall not directly or indirectly accept the same or any similar services provided by any third party, nor enter into similar corporation relationship with any third party regarding the matters contemplated hereunder. The Parties agree that Party A may designate other parties, who may enter into certain agreements described in Article 1.5 hereof with Party B, to provide the services agreed herein to Party B.

1.3 Party A has the right to check Party B's accounts regularly and at any time. Party B shall keep accounts in a timely and accurately manner and provide its accounts to Party A upon demand. During the term of this Agreement and subject to applicable laws, Party B agrees to cooperate with Party A and Party A's (direct or indirect) shareholders on audit (including but not limited to related party transaction audit and all other audits), and provide Party A, Party A's shareholders and/or the auditor(s) engaged with information and data regarding the operation, business, customers, finance, and employees of Party B and its subsidiaries, and that Party A's shareholders may disclose such information and data in order to meet the regulatory requirements for their listed securities. The Parties agree that during the term of this Agreement, Party A has the right to consolidate the financial results of Party B as if Party B were a wholly-owned subsidiary of Party A in accordance with the applicable accounting principles, provided that, Party A shall not bear any legal liability for any liabilities or other obligations and risks of Party B.

1.4 Ways of Service Provision

1.4.1 Party A and Party B agree that during the term of this Agreement, as applicable, Party B may enter into further service agreements with Party A or any other party designated by Party A, which shall provide for the specific contents, manner, personnel, and fees for the specific services.

1.4.2 In order to better fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, as applicable, Party B may, at any time, enter into equipment or asset lease agreement with Party A or any other party designated by Party A based on the needs of the business, whereby Party B shall be permitted to use Party A's relevant equipment or asset.

1.4.3 Party B hereby grants to Party A an irrevocable and exclusive option to purchase from Party B, to the extent permitted by the PRC laws and at Party A's sole discretion, any or all of the assets and business of Party B, at the minimum purchase price permitted by the PRC laws. The Parties shall then enter into a separate assets or business transfer agreement, specifying the terms and conditions of the transfer of the assets.

1.5 In order to ensure that Party B meets the cash flow requirements in daily operation and/or offsets any losses incurred in the course of its operation, regardless of whether Party B actually incurs any such operational losses, Party A may provide financial support to Party B (but only to the extent and in the manner permitted by the PRC laws). Party A may provide financial support to Party B by bank entrusted loan or borrowing, and enter into requisite agreements separately.

Article 2 Service Fees and Payment Terms

2.1 The service fee hereunder shall be 100% total consolidated profit of Party B in any fiscal year, after making up any accumulated loss (if any) of Party B and its subsidiaries in previous fiscal years and netting of the working capital, operational costs, taxes and other statutory contributions required in any fiscal year. Notwithstanding the foregoing, Party A may adjust the scope and amount of the service fee according to the PRC tax regulations and tax practices and with reference to the needs of Party B's working capital, and Party B shall accept such adjustment.

2.2 Party A shall calculate the service fee on an annual basis and issue the corresponding invoice to Party B. Party B shall pay the service fee to the bank account designated by Party A within 10 working days after receiving the invoice, and send a copy of the payment voucher to Party A by fax or email within 10 working days after payment. Party A shall issue a receipt within 10 working days after receipt of the service fee. Notwithstanding the foregoing, Party A may adjust the payment time and payment method of the service fee at its own discretion. Party B shall accept such adjustment.

Article 3 Intellectual Property Rights and Confidentiality

3.1 To the extent not prohibited by the PRC laws, Party A shall have sole and exclusive ownership, rights and interests in and to any and all intellectual property rights or intangible assets arising out of or created or developed during the performance of this Agreement by the Parties, including but not limited to copyrights, patents, patent applications, software, know-how, trade secrets and others. Unless expressly authorized by Party A, Party B shall not have any rights or interests in or to the intellectual property rights of Party A used by Party A to provide the services hereunder. Party B shall execute all appropriate documents, take all appropriate actions, submit all filings and/or applications, provide all appropriate assistance and otherwise conduct whatever is necessary as deemed by Party A at its sole discretion for the purposes of vesting any ownership, right or interest of any such intellectual property rights and intangible assets into Party A, and/or perfecting the protections for any such intellectual property rights and intangible assets of Party A, including but not limited to registering such intellectual property rights and intangible assets under the name of Party A.

3.2 The Parties acknowledge and confirm that any oral or written information related to this Agreement, the content hereof and exchanged for the purpose of preparation or performance of this Agreement shall be regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without prior written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is subject to disclosure required under the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 4 Representations and Warranties

4.1 Party A hereby represents, warrants and covenants as follows:

4.1.1 Party A is a wholly foreign-owned enterprise duly established and validly existing in accordance with the PRC laws. Party A or the service providers designated by Party A will obtain all government permits and licenses for providing the services hereunder before providing such services.

4.1.2 Party A has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government authorities (if required) for the execution, delivery and performance of this Agreement. Party A's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, and shall be enforceable against it in accordance with its terms.

4.2 Party B hereby represents, warrants and covenants as follows:

4.2.1 Party B is a company duly established and validly existing in accordance with the PRC laws.

4.2.2 Party B has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government authorities (if required) for the execution, delivery and performance of this Agreement. Party B's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

4.2.3 This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it in accordance with its terms.

Article 5 Term of Agreement

5.1 This Agreement shall become effective upon the date of execution by the Parties and fully terminate and supersede the Original EBCA. Unless expressly agreed herein or terminated in writing by Party A, this Agreement shall remain effective.

5.2 During the term of this Agreement, each Party shall renew its operation term in a timely manner prior to the expiration thereof so as to enable this Agreement to remain effective and enforceable. This Agreement shall be terminated upon the expiration of the operation term of a Party if the application for renewal of its operation term is not approved or consented by relevant government authorities.

5.3 The rights and obligations of the Parties under Articles 3, 6, 7 and this Article 5.3 shall survive the termination of this Agreement.

Article 6 Applicable Law and Dispute Resolution

6.1 The formation, validity, interpretation, performance and dispute resolution of this Agreement shall be governed by and construed according to the PRC laws.

In case of any dispute arising out of the performance of this Agreement or in connection with this Agreement, either Party may submit such dispute to Beijing Arbitration Commission ("BAC") for arbitration in Beijing in accordance with the arbitration rules of BAC then in force. The arbitral tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant appointing one arbitrator, the respondent appointing one arbitrator, and the third arbitrator

appointed by the first two arbitrators or appointed by BAC. The arbitration shall be conducted in confidentiality and the language used in the arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties. Where appropriate, the arbitration tribunal or the arbitrator may award compensation in respect of the equity, assets, property interests or land assets of Party B and its subsidiaries, award compulsory remedies (including but not limited to those necessary for conducting business or mandating transfer of assets), or direct liquidation of Party B and its subsidiaries, in accordance with the dispute resolution provisions and/or applicable PRC laws. Moreover, pending the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies to facilitate the arbitration from a court with competent jurisdiction, including the PRC courts, which shall also include the courts of Hong Kong, Cayman Islands and the place where the main assets of Party B and/or its subsidiaries are located.

6.3 Pending arbitration of any dispute, except for the disputed matters under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Article 7 Liabilities for Breach and Indemnification

7.1 If Party B commits any material breach of any term of this Agreement, Party A shall have right to (1) terminate this Agreement and require Party B to indemnify all damages; or (2) mandate specific performance of Party B's obligations hereunder and require Party B to indemnify all damages. This Article 7.1 shall not prejudice any other rights of Party A herein.

7.2 Unless otherwise provided for by laws, Party B shall in no case be entitled to terminate or cancel this Agreement.

7.3 Party B shall indemnify and hold Party A harmless against any loss, damage, liability or costs caused by any litigation, claim or other demand against Party A arising out of or in connection with the services provided by Party A to Party B hereunder, unless such loss, damage, liability or cost arises from the gross negligence or willful misconduct of Party A.

Article 8 Force Majeure

8.1 In the case of any force majeure event ("Force Majeure") such as earthquake, typhoon, flood, fire, epidemic, war, strike or any other event that is unpredictable, unpreventable and inevitable by the affected Party, which directly causes the failure of either Party to perform or fully perform this Agreement, then the Party affected by such Force Majeure shall not be liable for such failure, provided that it shall give the other Party a written notice thereof without delay, and shall furnish the other Party with details of such event within 15 days after giving such notice, explaining the reasons for such failure of, partial or delay of performance.

8.2 If such Party claiming Force Majeure fails to notify the other Party and furnish it with proof as stated above, such Party shall not be excused from the non-performance of its obligations hereunder. The affected Party shall make reasonable efforts to minimize the consequences of such Force Majeure and to promptly resume performance hereunder whenever such Force Majeure is eliminated. Should the affected Party fail to resume performance hereunder when the causes of such excuse are cured, such Party shall be liable to the other Party.

8.3 In the event of Force Majeure, the Parties shall immediately consult with each other to find an equitable solution and shall make all reasonable efforts to reduce the consequences of such Force Majeure.

Article 9 Notice

9.1 All notices and other communications required or permitted to be given hereunder shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

9.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

9.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th date after the date on the registered letter receipt;

9.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o'clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

9.2 For the purpose of notice, the addresses of the Parties are as follows:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

Party B: Beijing Beijia Commercial Consultancy Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

9.3 Either Party may change its address for notice at any time by delivering a notice to the other Party in accordance with this Article.

Article 10 Assignment of Agreement

10.1 Party B shall not assign its rights and obligations hereunder to any third party, unless with Party A's prior written consent.

10.2 Party B hereby agrees that Party A may assign its rights and obligations hereunder to any third party and in case of such assignment, Party A is only required to give a written notice thereof to Party B, without obtaining any consent from Party B for such assignment.

Article 11 Miscellaneous

11.1 In the event that any or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by laws the intentions of the Parties, and are of an economic effect as close as possible to that of such invalid, illegal or unenforceable provisions.

11.2 This Agreement may be amended and supplemented by the Parties in writing. The amendment

agreements and supplementary agreements that have been signed by the Parties and relate to this Agreement shall be an integral part of this Agreement and shall have the same legal effect as this Agreement.

11.3 This Agreement shall be made in duplicate, with Party A and Party B each holding one copy.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first written above.

Jinbei (Tianjin) Technology Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Exclusive Business Cooperation Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first written above.

Beijing Beijia Commercial Consultancy Co., Ltd. (seal)

Signed by: /s/ LIN Junquan
Name: LIN Junquan
Title: Legal Representative

Exclusive Business Cooperation Agreement
Signature Page

Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is made and entered into on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) by and among:

Party A: Beike (Tianjin) Investment Co., Ltd.

Legal Representative: PENG Yongdong

Party B: Party C’s shareholders listed in Appendix 1 hereto (hereinafter referred to collectively as “Party B” or the “Existing Shareholders” and individually as an “Existing Shareholder” or “Party B”)

Party C: Beijing Lianjia Real Estate Brokerage Co., Ltd.

Legal Representative: PENG Yongdong

(Party A, Party B and Party C shall be hereinafter collectively referred to as the “Parties” and individually as a “Party”.)

WHEREAS,

- (1) The Parties entered into an Exclusive Option Agreement dated September 6, 2021 (“Original EOA”);
- (2) Party B is the shareholder of Party C, and Party C’s shareholding structure on the Effective Date of this Agreement is set forth in Appendix 1 hereto;
- (3) Party B agrees to hereby grant Party A and Party A agrees to accept an option to purchase the equity interest in Party C held by Party B in whole or in part.

NOW, THEREFORE, the Parties agree as follows upon negotiation:

Article 1 Purchase and Sale of Equity Interest

1.1 Option Granted

The Existing Shareholders hereby irrevocably grant Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the equity interests in Party C then held by the Existing Shareholders in one transaction or a series of transactions at any time in part or in whole at Party A’s sole and absolute discretion to the extent permitted by the PRC laws and at the price described in Article 1.3 herein (“Equity Interest Purchase Option”). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of the Existing Shareholders. Party C hereby agrees to the grant by the Existing Shareholders of the Equity Interest Purchase Option to Party A. The term “person” as used in this paragraph and this Agreement shall refer to an individual, corporation, partnership, partner, enterprise, trust, or non-corporate organization.

1.2 Steps for Exercise

Party A shall exercise its Equity Interest Purchase Option subject to the PRC laws and regulations. When Party A exercises the Equity Interest Purchase Option, a written notice shall be issued to the Existing Shareholders (the "Equity Interest Purchase Option Notice"), specifying: (a) Party A's or the Designee's decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased by Party A or the Designee from the Existing Shareholders (the "Optioned Interests"); and (c) the date for purchasing the Optioned Interests or the date for the transfer of the Optioned Interests. Upon receipt of the Equity Interest Purchase Option Notice, the Existing Shareholders shall transfer all the Optioned Interests to Party A and/or the Designee as set forth in Article 1.4 hereof.

1.3 Purchase Price of Equity Interest

The total price of Party A's exercise of the Equity Interest Purchase Option to purchase all the Optioned Interests held by Party B in Party C shall be the then paid-in capital of the Optioned Interests or the lowest price permitted by the PRC laws; and in case that Party A exercises the Equity Interest Purchase Option to purchase part of the Optioned Interests held by Party B in Party C, the purchase price shall be calculated pro rata. If the PRC laws require valuation of the equity interest at the time of Party A's exercise, the Parties shall negotiate separately in good faith and make necessary adjustments to such purchase price on the basis of valuation to comply with the then applicable PRC laws (collectively referred to as the "Equity Interest Purchase Price"). Party B shall, within ten (10) days after receiving the Equity Interest Purchase Price and legally paying/withholding the relevant taxes (if any) in full, give the balance thereof gratuitously to Party A or the person designated by Party A.

1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option by Party A:

1.4.1 The Existing Shareholders shall cause Party C to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving the Existing Shareholders' transfer of the Optioned Interests to Party A and/or the Designee(s);

1.4.2 The Existing Shareholders shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the Optioned Interests to Party A and/or the Designee(s) and waiving any right of first refusal related thereto;

1.4.3 The Existing Shareholders shall execute an equity interest transfer contract with respect to each transfer with Party A and/or the Designee(s) (as the case may be), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice, in form and substance satisfactory to Party A and/or the Designee(s);

1.4.4 The Existing Shareholders shall, within thirty (30) days after the receipt of the Equity Interest Purchase Option Notice, sign all other requisite contracts, agreements or documents with relevant parties, obtain all requisite governmental approvals and consents, and take all necessary actions, to transfer the valid ownership of the Optioned Interests to Party A and/or the Designee(s) free of any security interest and cause Party A and/or the Designee(s) to become the registered owner of the Optioned Interests. For the purpose of this paragraph and this Agreement, "security interest" shall include security, pledge, third party's right or interest, any stock option, acquisition right, right of first refusal, right to offset, retention of title, or other security arrangements, but shall, for the sake of clarity, exclude any security interest created by this Agreement, the Equity Interest Pledge Agreement of the Existing Shareholders, and the Power of Attorney of the Existing Shareholders. "Equity Interest Pledge Agreement of the Existing Shareholders" as used in this Agreement shall refer to the Equity Interest Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modifications, amendments, or restatements thereto. "Power of Attorney of the Existing Shareholders" as used in this Agreement shall refer to the Power of

Attorney executed by Party B on the date hereof and granted to Party A and any modifications, amendments, or restatements thereto.

Article 2 Covenants

2.1 Covenants regarding Party C

Party B (as shareholder of Party C) and Party C hereby covenant severally but not jointly that:

2.1.1 Without the prior written consent of Party A, they will not make any addition, modification or amendment to the articles of association of Party C in any form, or increase or decrease Party C's registered capital, or otherwise change Party C's registered capital;

2.1.2 They will maintain Party C's corporate existence in accordance with good financial and commercial standards and practices, obtain and maintain all necessary governmental licenses and permits required for the business conducted by Party C, and procure Party C to prudently and effectively operate its business and handle its affairs;

2.1.3 Without the prior written consent of Party A, they will not sell, transfer, pledge or otherwise dispose any legal or beneficial interests in and to any material assets, business or revenue of Party C of a value over RMB10,000,000, or allow the creation of any other security interests thereon, at any time from the effective date of this Agreement;

2.1.4 Without the prior written consent of Party A, they will not incur, succeed, guarantee, or suffer the existence of any debt, except for payables incurred in the ordinary or normal course of business other than through loans;

2.1.5 They will always operate all (of Party C's) businesses within the normal business scope to maintain the asset value of Party C and refrain from any action/omission that may affect Party C's operating status and asset value;

2.1.6 Without the prior written consent of Party A, they will not allow Party C to enter into any material contract, except the contracts in the ordinary course of business (for the purpose of this paragraph, a contract with a total amount over RMB10,000,000 shall be deemed a material contract);

2.1.7 Without the prior written consent of Party A, Party C will not provide any loan or credit to any person;

2.1.8 At the request of Party A, they will provide Party A with all information on the operational and financial condition of Party C;

2.1.9 If requested by Party A, Party C shall procure and maintain insurance in respect of its assets and business from an insurance carrier acceptable to Party A, of an amount and type of coverage typical for companies that operate similar businesses;

2.1.10 Without the prior written consent of Party A, Party C shall not merge, combine with, acquire, or invest in any person;

2.1.11 They shall immediately notify Party A of any actual or threatened litigation, arbitration, or administrative proceedings relating to Party C's assets, business, or revenue;

- 2.1.12 To maintain Party C's ownership of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and make necessary or appropriate defenses against all claims;
- 2.1.13 Without the prior written consent of Party A, Party C shall not distribute dividends in any form to its shareholders, provided that at the request of Party A, Party C shall immediately distribute all of its distributable profits to its shareholders;
- 2.1.14 At the request of Party A, they shall appoint any person designated by Party A as director and officer of Party C;
- 2.1.15 Without the prior written consent of Party A, Party C shall not engage in any business in competition with Party A or its affiliates;
- 2.1.16 Unless otherwise required by the PRC laws, Party C shall not be dissolved or liquidated without the prior written consent of Party A;
- 2.1.17 Once the PRC laws permit a foreign investor to hold and/or invest through WFOE in the main business of Party C in China, and the relevant PRC competent authorities begin to approve such business, then after Party A exercises the Equity Interest Purchase Option, the Existing Shareholders shall immediately transfer their equity interests in Party C to Party A or the Designee(s), and Party C shall cooperate with the equity transfer procedures; and
- 2.1.18 With respect to the covenants applicable to Party C under this Article 2.1, the Existing Shareholders and Party C shall cause Party C's subsidiaries to abide by such covenants where applicable, as if such subsidiaries were Party C under the corresponding paragraphs.

2.2 Covenants of Existing Shareholders

The Existing Shareholders hereby covenant that:

- 2.2.1 Without the prior written consent of Party A, they shall not sell, transfer, pledge or otherwise dispose any of their legal or beneficial interest in any equity interests in Party C, or allow the creation of any other security interests thereon, except for those created under the Equity Interest Pledge Agreement of the Existing Shareholders and the Power of Attorney of the Existing Shareholders as set forth in the Appendix 1 Shareholding Structure of Party C to the Equity Interest Pledge Agreement;
- 2.2.2 They shall cause the shareholders' meeting and/or directors (or the executive director) of Party C not to approve, without the prior written consent of Party A, to sell, transfer, pledge or otherwise dispose any of the legal or beneficial interest in any equity interests in Party C held by the Existing Shareholders, or allow the creation of any other security interests thereon, except for those created under the Equity Interest Pledge Agreement of the Existing Shareholders and the Power of Attorney of the Existing Shareholders as set forth in the Appendix 1 Shareholding Structure of Party C to the Equity Interest Pledge Agreement;
- 2.2.3 Without the prior written consent of Party A, the Existing Shareholders shall cause the shareholders' meeting and/or directors (or the executive director) of Party C not to approve Party C to merge or combine with, or acquire or invest in any person;
- 2.2.4 They shall immediately notify Party A of any actual or threatened litigation, arbitration, or administrative proceedings relating to the equity interests in Party C held by them;
- 2.2.5 They shall cause the shareholders' meeting or the directors (or the executive director) of

Party C to vote for the transfer of the Optioned Interests as set forth in this Agreement and to take any other actions that may be requested by Party A;

2.2.6 To the extent necessary to maintain their ownership of the equity interests in Party C, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and make necessary or appropriate defenses against all claims;

2.2.7 At the request of Party A, they shall appoint any person designated by Party A as the director and officer of Party C;

2.2.8 Each of the Existing Shareholders hereby waives its right of first refusal (if any) with respect to the transfer of equity interest by any other shareholder of Party C to Party A, and gives consent to the execution by each other shareholder of Party C with Party A and Party C the exclusive option agreement, the equity interest pledge agreement and the power of attorney similar to this Agreement, the Equity Interest Pledge Agreement of the Existing Shareholders and the Power of Attorney of the Existing Shareholders, and accepts not to take any actions in conflict with such documents executed by the other shareholders, if any;

2.2.9 The Existing Shareholders shall promptly gift any profits, interests, dividends, or proceeds of liquidation from Party C to Party A or any other person designated by Party A to the extent permitted under the applicable PRC laws; and

2.2.10 They shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among the Existing Shareholders, Party C, and Party A, fully perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the validity and enforceability thereof. To the extent that the Existing Shareholders have any retained rights with respect to the equity interests hereunder or under the Equity Interest Pledge Agreement of the Existing Shareholders or under the Power of Attorney of the Existing Shareholders, the Existing Shareholders shall not exercise such rights unless with the written instructions of Party A.

Article 3 Representations and Warranties

3.1 Representations and Warranties of the Existing Shareholders and Party C

The Existing Shareholders and Party C hereby severally but not jointly represent and warrant to Party A on the effective date of this Agreement and on each date of transfer that:

3.1.1 They have the power, capacity, and authority to execute and deliver this Agreement and any equity interest transfer contracts to which they are a party concerning each transfer of the Optioned Interests as described hereunder (each, a "Transfer Contract"), and to perform their obligations under this Agreement and any Transfer Contract. The Existing Shareholders and Party C agree to enter into Transfer Contracts substantially consistent with the terms of this Agreement at Party A's exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are a party, once executed and effective, constitute or will constitute their legal, valid, and binding obligations, and shall be enforceable against them in accordance with the provisions thereof;

3.1.2 The Existing Shareholders and Party C have obtained approvals and consents (if required) from the relevant governmental authorities and third parties for the execution, delivery, and performance of this Agreement;

3.1.3 The execution and delivery of this Agreement or any Transfer Contract and the performance of their obligations under this Agreement or any Transfer Contract shall not: (i) cause

any violations of any applicable PRC laws; (ii) conflict with the articles of association or other organizational documents of Party C; (iii) cause the breach of or constitute any default under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;

3.1.4 The Existing Shareholders have good and marketable title to the equity interests held by them in Party C. Except for the Equity Interest Pledge Agreement of the Existing Shareholders and the Power of Attorney of the Existing Shareholders as set forth in the Appendix 1 Shareholding Structure of Party C to the Equity Interest Pledge Agreement, the Existing Shareholders have not created any security interest on such equity interests;

3.1.5 Party C has good and marketable title to all of its assets, and has not created any security interest thereon;

3.1.6 Party C has no outstanding debt, except for (i) debts arising in the normal course of business; and (ii) debts that have been disclosed to Party A and consented by Party A in writing;

3.1.7 Party C will comply with all laws and regulations applicable to asset acquisition;

3.1.8 There is no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C, or Party C itself;

3.1.9 Only with respect to an Existing Shareholders who is a natural person, in case of death, incapacity, marriage, divorce, bankruptcy or other circumstances that may affect Party B's exercise of his equity interest in Party C, the successor of Party B (including his spouse, children, parents, siblings, grandparents and grandparents-in-law) or the then shareholder of or assignee of equity interest in Party C will be regarded as a party hereto, to inherit and assume all the rights and obligations of Party B hereunder, and transfer the Optioned Interests to Party A or the person designated by Party A in accordance with the then applicable laws and this Agreement; and

3.1.10 Only with respect to an Existing Shareholders who is a natural person, the equity interests in Party C held by Party B is not the common property between Party B and his spouse, and Party B's spouse does not own or control the equity interests in Party C; Party B's operation and management over and other voting matters of Party C due to his holding of the equity interests in Party C shall not be affected by his spouse.

Article 4 Term

This Agreement shall become effective upon the date of execution (which will be signing by hand, in case of natural person; or affixation of seal, in case of non-natural person) by the Parties and fully terminate and supersede the Original EOA. This Agreement will remain in effect until all equity interests held by Party B in Party C have been duly transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement, or otherwise agreed by the Parties upon negotiation.

Article 5 Applicable Law and Dispute Resolution

5.1 Applicable Law

The conclusion, validity, interpretation, performance, amendment and termination and dispute resolution of this Agreement shall be governed by the PRC laws.

5.2 Dispute Resolution

In case of any dispute arising out of the performance of this Agreement or in connection with this Agreement, either Party may submit such dispute to Beijing Arbitration Commission (“BAC”) for arbitration in Beijing in accordance with the arbitration rules of BAC then in force. The arbitral tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant appointing one arbitrator, the respondent appointing one arbitrator, and the third arbitrator appointed by the first two arbitrators or appointed by BAC. The arbitration shall be conducted in confidentiality and the language used in the arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties. Where appropriate, the arbitration tribunal or the arbitrator may award compensation in respect of the equity, assets, property interests or land assets of Party C and its subsidiaries, award compulsory remedies (including but not limited to those necessary for conducting business or mandating transfer of assets), or direct liquidation of Party C and its subsidiaries, in accordance with the dispute resolution provisions and/or applicable PRC laws. Moreover, pending the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies to facilitate the arbitration from a court with competent jurisdiction, including the PRC courts, which shall also include the courts of Hong Kong, Cayman Islands and the place where the main assets of Party C and/or its subsidiaries are located. Pending arbitration of any dispute, except for the disputed matters under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Article 6 Taxes and Fees

Each Party shall pay the taxes incurred by or levied on it in accordance with the PRC laws in connection with the preparation and execution of this Agreement.

Article 7 Notice

7.1 All notices and other communications required or permitted to be given hereunder shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

7.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

7.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th day after the date on the registered letter receipt;

7.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o'clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

7.2 For the purpose of notice, the addresses of the Parties shall be set forth in Appendix 2 hereto.

7.3 Either Party may change its address for notice at any time by delivering a notice to the other Party in accordance with this Article.

Article 8 Confidentiality

The Parties acknowledge and confirm that any oral or written information related to this Agreement,

the content hereof and exchanged for the purpose of preparation or performance of this Agreement shall be regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without the prior written consent of the other Parties, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is subject to disclosure required under the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 9 Further Assurance

The Parties agree to promptly execute documents and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purpose of this Agreement.

Article 10 Liabilities for Breach of Agreement

10.1 If the Existing Shareholders or Party C commits any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and/or require the Existing Shareholders or Party C to indemnify all damages. This Article 10.1 shall not prejudice any other rights of Party A hereunder.

10.2 Unless otherwise provided for by laws, the Existing Shareholders and Party C shall in no case be entitled to terminate or cancel this Agreement.

Article 11 Miscellaneous

11.1 Amendment, Change and Supplement

Any amendment, change or supplement to this Agreement shall be made in a written agreement signed by each Party.

11.2 Entire Agreement

Except for the written amendments, supplements or changes made after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement. The Parties agree that as of the effective date of this Agreement, the Original EOA shall fully terminate and be superseded by this Agreement in entirety.

11.3 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

11.4 Severability

In the event that any or more provisions of this Agreement are held to be invalid, illegal or

unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by laws the intentions of the Parties, and are of an economic effect as close as possible to that of such invalid, illegal or unenforceable provisions.

11.5 Successor

This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties.

11.6 Survival

Any obligation that is due or accrued as a result of this Agreement prior to the expiration or early termination of this Agreement shall survive such expiration or early termination. Articles 5, 8, 10 and 11.6 hereof shall survive the termination of this Agreement.

11.7 Waiver

Any Party may waive the terms and conditions of this Agreement, provided that such waiver must be made in writing and signed by the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall be deemed as a waiver by such Party with respect to any similar breach of other Parties in other circumstances.

11.8 Language and Counterpart

This Agreement shall be written in Chinese and may be executed in any number of counterparts, each of which shall have the same legal effect.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beike (Tianjin) Investment Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

ZHU Yan

Signed by: /s/ ZHU Yan

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

SHAN Yigang

Signed by: /s/ SHAN Yigang

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Yurui Information Consulting Partnership (Limited Partnership)(seal)

Signed by: /s/ Tianjin Yurui Information Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Yusi Business Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Yusi Business Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Yumin Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Yumin Information Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Dingcong Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Dingcong Information Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Bojun Business Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Bojun Business Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DANG Jie

Signed by: /s/ DANG Jie

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

XU Wan'gang

Signed by: /s/ XU Wan'gang

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

GAO Jun

Signed by: /s/ GAO Jun

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Shanghai Zhanben Investment Management Center (Limited Partnership) (seal)

Signed by: /s/ Shanghai Zhanben Investment Management Center (Limited Partnership) (seal)

Name: (seal)

Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership) (seal)

Signed by: /s/ Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DU Xin

Signed by: /s/ DU Xin

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

CHEN Rong

Signed by: /s/ CHEN Rong

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

RUAN Guangjie

Signed by: /s/ RUAN Guangjie

Equity Interest Pledge Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Lianjia Real Estate Brokerage Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Equity Interest Pledge Agreement
Signature Page

Appendix 1: Shareholding Structure of Party C

Shareholders	Subscribed Registered Capital (RMB)	Contribution Percentage
ZHU Yan	7,986,153	59.8090%
SHAN Yigang	475,294	3.5595%
Tianjin Yurui Information Consulting Partnership (Limited Partnership)	941,439	7.0505%
Tianjin Yusi Business Consulting Partnership (Limited Partnership)	398,833	2.9869%
Tianjin Yumin Information Consulting Partnership (Limited Partnership)	364,133	2.7270%
Tianjin Dingcong Information Consulting Partnership (Limited Partnership)	649,374	4.8632%
Tianjin Bojun Business Consulting Partnership (Limited Partnership)	162,810	1.2193%
DANG Jie	65,460	0.4902%
XU Wan'gang	220,502	1.6513%
GAO Jun	208,780	1.5636%
Shanghai Zhanben Investment Management Center (Limited Partnership)	1,479,685	11.0815%
Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership)	85,906	0.6434%
DU Xin	274,826	2.0582%
CHEN Rong	32,296	0.2419%
RUAN Guangjie	7,277	0.0545%
Total	13,352,768	100.00%

Exclusive Option Agreement
Appendix 1

Appendix 2: Notice Address

To all Parties:

Correspondence Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Phone: *****

Email: *****

Designated Contact Person: *****

Exclusive Option Agreement

Appendix 2

Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is executed by and among the following Parties as of January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, for the purpose of this agreement, excluding Hong Kong, Macau and Taiwan):

Party A: **Jinbei (Tianjin) Technology Co., Ltd.**, a limited liability company, organized and existing under the laws of the PRC, with its address at Unit 28, Room 212, 2/F, Office Building C, Integrated Service Area, Nangang Industrial Zone, Tianjin Economic-Technological Development Area;

Party B: **SHAN Yigang**, a Chinese citizen with Identification No.: *****; and

Party C: **Tianjin Xiaowu Information & Technology Co., Ltd.**, a limited liability company organized and existing under the laws of the PRC, with its address at Room 708, Building A3, No. 12, Nanhai Road, Tianjin Economic-Technological Development Area.

In this Agreement, each of Party A, Party B and Party C shall be hereinafter referred to as a “Party” individually, and as the “Parties” collectively.

Whereas:

1. The Parties entered into an Exclusive Option Agreement dated December 28, 2018 (“Original EOA”).
2. Party B is a shareholder of Party C and as of the date hereof holds 5.6172% of equity interests of Party C, representing RMB561,720 in the registered capital of Party C.
3. Party B agrees to grant Party A an exclusive option through this Agreement, and Party A agrees to accept such exclusive option to be used for the purpose of purchasing all or part of equity interest of Party C held by Party B.

Now therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

1. Sale and Purchase of Equity Interest

1.1 Option Granted

Party B hereby exclusively, irrevocably and unconditionally grants Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the equity interests in Party C then held by Party B once or at multiple times at any time in part or in whole at Party A’s sole and absolute discretion to the extent permitted by Chinese laws and at the price described in Section 1.3 herein (such right being the “Equity

Interest Purchase Option”). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of Party B. Party C hereby agrees to the grant by Party B of the Equity Interest Purchase Option to Party A. The term “person” as used herein shall refer to individuals, corporations, partnerships, partners, enterprises, trusts or non-corporate organizations.

1.2 Steps for Exercise of Equity Interest Purchase Option

Subject to the provisions of the laws and regulations of China, Party A may exercise the Equity Interest Purchase Option by issuing a written notice to Party B (the “Equity Interest Purchase Option Notice”), specifying: (a) Party A’s decision to exercise the Equity Interest Purchase Option, and the name of the Designee(s) if any; (b) the portion of equity interests to be purchased by Party A or the Designee from Party B (the “Optioned Interests”); and (c) the date for purchasing the Optioned Interests or the date for transfer of the Optioned Interests.

1.3 Equity Interest Purchase Price

The total purchase price for the purchase by Party A of all Optioned Interests held by Party B upon exercise of the Equity Interest Purchase Option by Party A shall be the then paid-in capital of the Optioned Interests or the minimum price permitted under PRC law; if Party A exercises the Equity Interest Purchase Option to purchase part of the Optioned Interests held by Party B in Party C, then the purchase price shall be calculated on a pro rata basis. If appraisal is required by the laws of China at the time when Party A exercises the Equity Interest Purchase Option, the Parties shall negotiate in good faith and based on the appraisal result make necessary adjustment to the Equity Interest Purchase Price so that it complies with any and all then applicable laws of China (collectively, the “Equity Interest Purchase Price”). Party B shall donate the balance of the Equity Interest Purchase Price received from Party A, after deducting/ withholding the relevant taxes (if any) pursuant to applicable laws of China, to Party A or the Designee(s) of Party A for free within ten (10) days after Party B receives the Equity Interest Purchase Price and pays/ withholds the relevant taxes (if any).

1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option:

- 1.4.1 Party B shall cause Party C to promptly convene a shareholders’ meeting, at which a resolution shall be adopted approving Party B’s transfer of the Optioned Interests to Party A and/or the Designee(s);
 - 1.4.2 Party B shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the Optioned Interests to Party A and/or the Designee(s) and waiving any right of first refusal with respect thereto;
-

- 1.4.3 Within thirty (30) days after receipt of the Equity Interest Purchase Option Notice by Party B from Party A and/or any Designee (whichever is applicable), Party B and Party A and/or such Designee (whichever is applicable) shall complete all procedures for Party A's and/or such Designee's (whichever is applicable) acquisition of such Optioned Interests and for Party A and/or such Designee (whichever is applicable) becoming a shareholder of Party C, including without limitation execution of an equity interest transfer contract and any other necessary documents or agreements, adoption of any necessary resolutions, issuance of any necessary documents by Party C and performance of all relevant procedures;
- 1.4.4 The relevant Parties shall execute all other necessary contracts, agreements or documents, obtain all necessary government licenses and permits and take all necessary actions to transfer valid ownership of the Optioned Interests to Party A and/or the Designee(s), unencumbered by any security interests, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Optioned Interests. For the purpose of this Section and this Agreement, "security interests" shall include securities, mortgages, third party's rights or interests, any stock options, acquisition right, right of first refusal, right to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney. "Party B's Equity Interest Pledge Agreement" as used in this Agreement shall refer to the Equity Interest Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modification, amendment and restatement thereto. "Party B's Power of Attorney" as used in this Agreement shall refer to the Power of Attorney executed by Party B on the date hereof granting Party A with power of attorney and any modification, amendment and restatement thereto.

2. Covenants

2.1 Covenants regarding Party C

Party B (as a shareholder of Party C) and Party C hereby covenant as follows:

- 2.1.1 Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the articles of association of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;
- 2.1.2 They shall maintain Party C's corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating its business and handling its affairs;
-

- 2.1.3 Without the prior written consent of Party A, Party C shall not, and shall procure its subsidiaries not to sell, transfer, mortgage or dispose of in any manner any assets (except for the assets of less than RMB200,000 needed in the ordinary course of business), business, operation rights, legitimate interest in the income of Party C, or set any liens, claims, charges and encumbrances on such assets, business, operation rights, legitimate interest in the income of Party C;
 - 2.1.4 Without the prior written consent of Party A, they shall not incur, inherit, guarantee or suffer the existence of any debt, except for payables incurred in the ordinary course of business other than through loans;
 - 2.1.5 They shall always operate all of Party C's businesses in the ordinary course of business to maintain the asset value of Party C and refrain from any action/omission that may adversely affect Party C's operating status and asset value;
 - 2.1.6 Without the prior written consent of Party A, they shall not cause Party C to execute any major contract, except the contracts in the ordinary course of business (for purpose of this subsection, a contract with a price exceeding RMB200,000 shall be deemed a major contract);
 - 2.1.7 Without the prior written consent of Party A, they shall not cause Party C to provide any person with any loan or credit, or provide securities or guarantee for indebtedness of any third party;
 - 2.1.8 They shall provide Party A with information on Party C's business operations and financial condition at Party A's request;
 - 2.1.9 If requested by Party A, they shall procure and maintain insurance in respect of Party C's assets and business from an insurance carrier acceptable to Party A, at an amount and type of coverage typical for companies that operate similar businesses;
 - 2.1.10 Without the prior written consent of Party A, they shall not cause or permit Party C to merge, consolidate with, acquire or invest in any person;
 - 2.1.11 They shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C's assets, business or revenue;
 - 2.1.12 To maintain the ownership by Party C of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;
-

- 2.1.13 Without the prior written consent of Party A, Party C shall ensure that Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A's written request, Party C shall immediately distribute all distributable profits to its shareholders;
- 2.1.14 At the request of Party A, they shall appoint any person designated by Party A as the director, supervisor and senior management of Party C, and/or remove any incumbent director, supervisor and senior management of Party C, and perform all relevant resolutions and filing procedures; Party A has the right to demand Party B and Party C to make such replacement.
- 2.1.15 Without Party A's prior written consent, Party C shall not engage in any business in competition with Party A or its affiliates;
- 2.1.16 Unless otherwise required by PRC law, Party C shall not be dissolved or liquidated without prior written consent by Party A;
- 2.1.17 In the event that any shareholder of Party C or Party C fails to comply with its tax obligations under the applicable laws that hinders the exercise of the Equity Interest Purchase Option by Party A, Party A is entitled to demand Party C or its shareholders to comply with the tax obligations; and
- 2.1.18 Party B and Party C shall procure the subsidiaries of Party C to comply with the covenants applicable to Party C as prescribed in this Section 2.1 where applicable, as such subsidiaries are the Party C under the relevant provisions.

2.2 Covenants of Party B

Party B hereby covenants as follows:

- 2.2.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon, except for the interest placed in accordance with this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
 - 2.2.2 Without the prior written consent of Party A, Party B shall cause the shareholders' meeting and/or the directors (or the executive director) of Party C not to approve any sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, except for the interest placed in accordance with this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
-

- 2.2.3 Without the prior written consent of Party A, Party B shall cause the shareholders' meeting or the directors (or the executive director) of Party C not to approve the merger or consolidation with any person, or the acquisition of or investment in any person;
 - 2.2.4 Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B;
 - 2.2.5 Party B shall cause the shareholders' meeting or the directors (or the executive director) of Party C to vote in favor of the transfer of the Optioned Interests as set forth in this Agreement and to take any and all other actions that may be requested by Party A;
 - 2.2.6 To the extent necessary to maintain Party B's ownership in Party C, Party B shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;
 - 2.2.7 Party B shall appoint any designee of Party A as the director and senior management of Party C, at the request of Party A;
 - 2.2.8 Party B gives consent to execution by each other shareholder of Party C with Party A and Party C the exclusive option agreement, the equity interest pledge agreement and the power of attorney similar to this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney and undertakes not to take any action in conflict with such documents executed by the other shareholders; with respect to the transfer of equity interest of Party C by any of the other shareholders of Party C to Party A and/or the Designee(s) pursuant to such shareholder's exclusive option agreement, Party B hereby waives all of its right of first refusal (if any).
 - 2.2.9 Party B shall promptly donate any profit, interest, dividend or proceeds of liquidation to Party A or any other person designated by Party A to the extent permitted under applicable PRC laws; and
 - 2.2.10 Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that Party B has any remaining rights with respect to the equity interests subject to this Agreement hereunder or under the Party B's Equity Interest Pledge Agreement or under the Party B's Power of Attorney, Party B shall not exercise such rights except in accordance with the written instructions of Party A.
-

3. Representations and Warranties

Party B and Party C hereby represent and warrant to Party A severally, as of the date of this Agreement and each date of transfer of the Optioned Interests, that:

- 3.1 They have the power, capacity and authority to execute and deliver this Agreement and any equity interest transfer contracts to which they are parties concerning the Optioned Interests to be transferred thereunder (each, a "Transfer Contract"), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts substantially consistent with the terms of this Agreement upon Party A's exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are parties constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;
 - 3.2 Party B and Party C have obtained any and all approvals and consents from government authorities and third parties (if required) for execution, delivery and performance of this Agreement.
 - 3.3 The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable laws of China; (ii) be inconsistent with the articles of association, bylaws or other organizational documents of Party C; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;
 - 3.4 Party B has a good and merchantable title to the equity interests held by Party B in Party C. Except for Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney, Party B has not placed any security interest on such equity interests;
 - 3.5 Party C is a limited liability company duly organized and validly existing under the laws of the PRC. Party C has a good and merchantable title to all of its assets, and has not placed any security interest on the aforementioned assets;
 - 3.6 Party C does not have any outstanding debts, except for (i) debt incurred in the ordinary course of business; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained.
-

- 3.7 Party C has complied with all PRC laws and regulations in material aspects;
- 3.8 There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C;
- 3.9 In case of Party B's death, incapability, divorce, bankruptcy or other circumstances which may affect his exercise of equity interests in Party C, Party B's successor (including its spouse, children, parents, siblings and grandparents) or the holder or transferee of the equity interests in Party C at the time will be deemed as one of the Parties to this Agreement, undertaking all the rights and obligations of Party B under this Agreement, and will transfer the Optioned Interests to Party A or the Designee(s) of Party A in accordance with the applicable laws at the time and this Agreement; and
- 3.10 The equity interests in Party C held by Party B shall not be the community property of his spouse. Party C's spouse is not entitled to own or dispose of the equity interests in Party C; operating and management of Party C by Party B on the basis of his ownership interests in Party C and other voting matters shall not be affected by his spouse.

4. Effective Date and Term

- 4.1 This Agreement shall become effective upon execution by the Parties and fully terminate and supersede the Original EOA, and remain effective until all equity interests held by Party B in Party C have been transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement.
- 4.2 Within the term of this Agreement, Party A may at its sole discretion decide to unconditionally terminate this Agreement by issuing a written notice to Party B in advance and bears no liability. Unless otherwise provided for by any mandatory provision of PRC laws, neither Party B nor Party C is entitled to terminate this Agreement unilaterally.

5. Governing Law and Resolution of Disputes

5.1 Governing Law

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of the PRC.

5.2 Methods of Resolution of Disputes

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute through negotiations, either Party may submit the relevant dispute to

the Beijing Arbitration Commission for arbitration, in accordance with its arbitration rules and procedures in effect at the time. The arbitration tribunal shall be consisted three (3) arbitrators according to the arbitration rules and procedures, among whom one of them shall be designated by the applicant, one of them shall be designated by respondent and one of them shall be designated upon the negotiation by aforesaid two arbitrators or by the Beijing Arbitration Commission. The arbitration shall be conducted confidentially and the language of the arbitration shall be Chinese. The arbitration shall be conducted in Beijing. The arbitration award shall be final and binding on all Parties.

- 5.3 To the extent permitted by PRC laws and where appropriate, the arbitration tribunal may grant any remedies in accordance with the provisions of this Agreement and applicable PRC laws, including preliminary and permanent injunctive relief (such as injunction against carrying out business activities, or mandating the transfer of assets), specific performance of contractual obligations, remedies concerning the equity interest or assets of Party C and awards directing Party C to conduct liquidation. To the extent permitted by PRC laws, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies from a court with competent jurisdiction to facilitate the arbitration. Without violating the applicable governing laws, the Parties agree that the courts of Hong Kong, Cayman Islands, China and the place where the principal assets of Party C are located shall all be deemed to have competent jurisdiction.
- 5.4 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

6. Taxes and Fees

Unless as otherwise agreed in this Agreement, each Party shall pay any and all transfer and registration tax, expenses and fees incurred thereby or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts.

7. Notices

- 7.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
-

7.1.1 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices;

7.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

7.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Party B: SHAN Yigang

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Party C: Tianjin Xiaowu Information & Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

7.3 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

8. Confidentiality

The Parties acknowledge that the existence and the terms of this Agreement, and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of other Parties, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

9. Further Warranties

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

10. Breach of Agreement

If Party B or Party C conducts any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and/or require the Party B or Party C to compensate all damages; this Section 10 shall not prejudice any other rights of Party A herein.

11. Miscellaneous

11.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

11.2 Entire Agreement

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement, including but not limited to the Original EOA.

11.3 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

11.4 Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

11.5 Assignment

Without Party A's prior written consent, Party B and Party C shall not assign their respective rights and obligations under this Agreement to any third party. Party B and Party C agree that Party A may assign its rights and obligations under this Agreement to any third party and in case of such assignment, Party A is only required to give written notice to Party B and Party C and does not need any consent from Party B or Party C for such assignment. Party B hereby agrees and confirms that, in the event that Party B is dead or becomes person with limited capacity or no capacity, all the equity interest in Party C held by Party B shall automatically and unconditionally be transferred to Party A or the Designee(s) of Party A at the Equity Interest Purchase Price as prescribed in Section 1.3. The Equity Interest Purchase Price payable to Party B shall be handled in accordance with the provision of Section 1.3.

11.6 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors and the permitted assigns of the Parties.

11.7 Survival

Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof. The provisions of Sections 5, 8, 10 and this Section 11.7 shall survive the termination of this Agreement.

11.8 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

11.9 Language and Counterparts

This Agreement is written in Chinese language in three copies, each Party having one copy.

[The remainder of this page is intentionally left blank; Signature page to follow.]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party A: Jinbei (Tianjin) Technology Co., Ltd. (Seal)

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Signature Page to Exclusive Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party B: SHAN Yigang

By: /s/ SHAN Yigang

Signature Page to Exclusive Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party C: Tianjin Xiaowu Information & Technology Co., Ltd. (Seal)

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Signature Page to Exclusive Option Agreement

Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is executed by and among the following Parties as of January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, for the purpose of this agreement, excluding Hong Kong, Macau and Taiwan):

Party A: **Jinbei (Tianjin) Technology Co., Ltd.**, a limited liability company, organized and existing under the laws of the PRC, with its address at Unit 28, Room 212, 2/F, Office Building C, Integrated Service Area, Nangang Industrial Zone, Tianjin Economic-Technological Development Area;

Party B: **ZHU Yan**, a Chinese citizen with Identification No.: *****; and

Party C: **Tianjin Xiaowu Information & Technology Co., Ltd.**, a limited liability company organized and existing under the laws of the PRC, with its address at Room 708, Building A3, No. 12, Nanhai Road, Tianjin Economic-Technological Development Area.

In this Agreement, each of Party A, Party B and Party C shall be hereinafter referred to as a “Party” individually, and as the “Parties” collectively.

Whereas:

4. The Parties entered into an Exclusive Option Agreement dated September 6, 2021 (“Original EOA”).
5. Party B is a shareholder of Party C and as of the date hereof holds 94.3828% of equity interests of Party C, representing RMB9,438,280 in the registered capital of Party C.
6. Party B agrees to grant Party A an exclusive option through this Agreement, and Party A agrees to accept such exclusive option to be used for the purpose of purchasing all or part of equity interest of Party C held by Party B.

Now therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

12. Sale and Purchase of Equity Interest

1.5 Option Granted

Party B hereby exclusively, irrevocably and unconditionally grants Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the equity interests in Party C then held by Party B once or at multiple times at any time in part or in whole at Party A’s sole and absolute discretion to the extent permitted by Chinese laws and at the price described in Section 1.3 herein (such right being the “Equity Interest Purchase Option”). Except for Party A and the Designee(s), no

other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of Party B. Party C hereby agrees to the grant by Party B of the Equity Interest Purchase Option to Party A. The term “person” as used herein shall refer to individuals, corporations, partnerships, partners, enterprises, trusts or non-corporate organizations.

1.6 Steps for Exercise of Equity Interest Purchase Option

Subject to the provisions of the laws and regulations of China, Party A may exercise the Equity Interest Purchase Option by issuing a written notice to Party B (the “Equity Interest Purchase Option Notice”), specifying: (a) Party A’s decision to exercise the Equity Interest Purchase Option, and the name of the Designee(s) if any; (b) the portion of equity interests to be purchased by Party A or the Designee from Party B (the “Optioned Interests”); and (c) the date for purchasing the Optioned Interests or the date for transfer of the Optioned Interests.

1.7 Equity Interest Purchase Price

The total purchase price for the purchase by Party A of all Optioned Interests held by Party B upon exercise of the Equity Interest Purchase Option by Party A shall be the then paid-in capital of the Optioned Interests or the minimum price permitted under PRC law; if Party A exercises the Equity Interest Purchase Option to purchase part of the Optioned Interests held by Party B in Party C, then the purchase price shall be calculated on a pro rata basis. If appraisal is required by the laws of China at the time when Party A exercises the Equity Interest Purchase Option, the Parties shall negotiate in good faith and based on the appraisal result make necessary adjustment to the Equity Interest Purchase Price so that it complies with any and all then applicable laws of China (collectively, the “Equity Interest Purchase Price”). Party B shall donate the balance of the Equity Interest Purchase Price received from Party A, after deducting/ withholding the relevant taxes (if any) pursuant to applicable laws of China, to Party A or the Designee(s) of Party A for free within ten (10) days after Party B receives the Equity Interest Purchase Price and pays/ withholds the relevant taxes (if any).

1.8 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option:

- 1.8.1 Party B shall cause Party C to promptly convene a shareholders’ meeting, at which a resolution shall be adopted approving Party B’s transfer of the Optioned Interests to Party A and/or the Designee(s);
 - 1.8.2 Party B shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the Optioned Interests to Party A and/or the Designee(s) and waiving any right of first refusal with respect thereto;
-

- 1.8.3 Within thirty (30) days after receipt of the Equity Interest Purchase Option Notice by Party B from Party A and/or any Designee (whichever is applicable), Party B and Party A and/or such Designee (whichever is applicable) shall complete all procedures for Party A's and/or such Designee's (whichever is applicable) acquisition of such Optioned Interests and for Party A and/or such Designee (whichever is applicable) becoming a shareholder of Party C, including without limitation execution of an equity interest transfer contract and any other necessary documents or agreements, adoption of any necessary resolutions, issuance of any necessary documents by Party C and performance of all relevant procedures;
- 1.8.4 The relevant Parties shall execute all other necessary contracts, agreements or documents, obtain all necessary government licenses and permits and take all necessary actions to transfer valid ownership of the Optioned Interests to Party A and/or the Designee(s), unencumbered by any security interests, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Optioned Interests. For the purpose of this Section and this Agreement, "security interests" shall include securities, mortgages, third party's rights or interests, any stock options, acquisition right, right of first refusal, right to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney. "Party B's Equity Interest Pledge Agreement" as used in this Agreement shall refer to the Equity Interest Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modification, amendment and restatement thereto. "Party B's Power of Attorney" as used in this Agreement shall refer to the Power of Attorney executed by Party B on the date hereof granting Party A with power of attorney and any modification, amendment and restatement thereto.

13. Covenants

2.2 Covenants regarding Party C

Party B (as a shareholder of Party C) and Party C hereby covenant as follows:

- 2.2.1 Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the articles of association of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;
- 2.2.2 They shall maintain Party C's corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating its business and handling its affairs;
-

- 2.2.3 Without the prior written consent of Party A, Party C shall not, and shall procure its subsidiaries not to sell, transfer, mortgage or dispose of in any manner any assets (except for the assets of less than RMB200,000 needed in the ordinary course of business), business, operation rights, legitimate interest in the income of Party C, or set any liens, claims, charges and encumbrances on such assets, business, operation rights, legitimate interest in the income of Party C;
- 2.2.4 Without the prior written consent of Party A, they shall not incur, inherit, guarantee or suffer the existence of any debt, except for payables incurred in the ordinary course of business other than through loans;
- 2.2.5 They shall always operate all of Party C's businesses in the ordinary course of business to maintain the asset value of Party C and refrain from any action/omission that may adversely affect Party C's operating status and asset value;
- 2.2.6 Without the prior written consent of Party A, they shall not cause Party C to execute any major contract, except the contracts in the ordinary course of business (for purpose of this subsection, a contract with a price exceeding RMB200,000 shall be deemed a major contract);
- 2.2.7 Without the prior written consent of Party A, they shall not cause Party C to provide any person with any loan or credit, or provide securities or guarantee for indebtedness of any third party;
- 2.2.8 They shall provide Party A with information on Party C's business operations and financial condition at Party A's request;
- 2.2.9 If requested by Party A, they shall procure and maintain insurance in respect of Party C's assets and business from an insurance carrier acceptable to Party A, at an amount and type of coverage typical for companies that operate similar businesses;
- 2.2.10 Without the prior written consent of Party A, they shall not cause or permit Party C to merge, consolidate with, acquire or invest in any person;
- 2.2.11 They shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C's assets, business or revenue;
- 2.2.12 To maintain the ownership by Party C of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;
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- 2.2.13 Without the prior written consent of Party A, Party C shall ensure that Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A's written request, Party C shall immediately distribute all distributable profits to its shareholders;
- 2.2.14 At the request of Party A, they shall appoint any person designated by Party A as the director, supervisor and senior management of Party C, and/or remove any incumbent director, supervisor and senior management of Party C, and perform all relevant resolutions and filing procedures; Party A has the right to demand Party B and Party C to make such replacement.
- 2.2.15 Without Party A's prior written consent, Party C shall not engage in any business in competition with Party A or its affiliates;
- 2.2.16 Unless otherwise required by PRC law, Party C shall not be dissolved or liquidated without prior written consent by Party A;
- 2.2.17 In the event that any shareholder of Party C or Party C fails to comply with its tax obligations under the applicable laws that hinders the exercise of the Equity Interest Purchase Option by Party A, Party A is entitled to demand Party C or its shareholders to comply with the tax obligations; and
- 2.2.18 Party B and Party C shall procure the subsidiaries of Party C to comply with the covenants applicable to Party C as prescribed in this Section 2.1 where applicable, as such subsidiaries are the Party C under the relevant provisions.

2.3 Covenants of Party B

Party B hereby covenants as follows:

- 2.3.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon, except for the interest placed in accordance with this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
 - 2.3.2 Without the prior written consent of Party A, Party B shall cause the shareholders' meeting and/or the directors (or the executive director) of Party C not to approve any sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, except for the interest placed in accordance with this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney;
-

- 2.3.3 Without the prior written consent of Party A, Party B shall cause the shareholders' meeting or the directors (or the executive director) of Party C not to approve the merger or consolidation with any person, or the acquisition of or investment in any person;
- 2.3.4 Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B;
- 2.3.5 Party B shall cause the shareholders' meeting or the directors (or the executive director) of Party C to vote in favor of the transfer of the Optioned Interests as set forth in this Agreement and to take any and all other actions that may be requested by Party A;
- 2.3.6 To the extent necessary to maintain Party B's ownership in Party C, Party B shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;
- 2.3.7 Party B shall appoint any designee of Party A as the director and senior management of Party C, at the request of Party A;
- 2.3.8 Party B gives consent to execution by each other shareholder of Party C with Party A and Party C the exclusive option agreement, the equity interest pledge agreement and the power of attorney similar to this Agreement, Party B's Equity Interest Pledge Agreement and Party B's Power of Attorney and undertakes not to take any action in conflict with such documents executed by the other shareholders; with respect to the transfer of equity interest of Party C by any of the other shareholders of Party C to Party A and/or the Designee(s) pursuant to such shareholder's exclusive option agreement, Party B hereby waives all of its right of first refusal (if any).
- 2.3.9 Party B shall promptly donate any profit, interest, dividend or proceeds of liquidation to Party A or any other person designated by Party A to the extent permitted under applicable PRC laws; and
- 2.3.10 Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that Party B has any remaining rights with respect to the equity interests subject to this Agreement hereunder or under the Party B's Equity Interest Pledge Agreement or under the Party B's Power of Attorney, Party B shall not exercise such rights except in accordance with the written instructions of Party A.
-

14. Representations and Warranties

Party B and Party C hereby represent and warrant to Party A severally, as of the date of this Agreement and each date of transfer of the Optioned Interests, that:

- 3.11 They have the power, capacity and authority to execute and deliver this Agreement and any equity interest transfer contracts to which they are parties concerning the Optioned Interests to be transferred thereunder (each, a “Transfer Contract”), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts substantially consistent with the terms of this Agreement upon Party A’s exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are parties constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;
 - 3.12 Party B and Party C have obtained any and all approvals and consents from government authorities and third parties (if required) for execution, delivery and performance of this Agreement.
 - 3.13 The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable laws of China; (ii) be inconsistent with the articles of association, bylaws or other organizational documents of Party C; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;
 - 3.14 Party B has a good and merchantable title to the equity interests held by Party B in Party C. Except for Party B’s Equity Interest Pledge Agreement and Party B’s Power of Attorney, Party B has not placed any security interest on such equity interests;
 - 3.15 Party C is a limited liability company duly organized and validly existing under the laws of the PRC. Party C has a good and merchantable title to all of its assets, and has not placed any security interest on the aforementioned assets;
 - 3.16 Party C does not have any outstanding debts, except for (i) debt incurred in the ordinary course of business; and (ii) debts disclosed to Party A for which Party A’s written consent has been obtained.
-

- 3.17 Party C has complied with all PRC laws and regulations in material aspects;
- 3.18 There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C;
- 3.19 In case of Party B's death, incapability, divorce, bankruptcy or other circumstances which may affect his exercise of equity interests in Party C, Party B's successor (including its spouse, children, parents, siblings and grandparents) or the holder or transferee of the equity interests in Party C at the time will be deemed as one of the Parties to this Agreement, undertaking all the rights and obligations of Party B under this Agreement, and will transfer the Optioned Interests to Party A or the Designee(s) of Party A in accordance with the applicable laws at the time and this Agreement; and
- 3.20 The equity interests in Party C held by Party B shall not be the community property of his spouse. Party C's spouse is not entitled to own or dispose of the equity interests in Party C; operating and management of Party C by Party B on the basis of his ownership interests in Party C and other voting matters shall not be affected by his spouse.

15. Effective Date and Term

- 4.3 This Agreement shall become effective upon execution by the Parties and fully terminate and supersede the Original EOA, and remain effective until all equity interests held by Party B in Party C have been transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement.
- 4.4 Within the term of this Agreement, Party A may at its sole discretion decide to unconditionally terminate this Agreement by issuing a written notice to Party B in advance and bears no liability. Unless otherwise provided for by any mandatory provision of PRC laws, neither Party B nor Party C is entitled to terminate this Agreement unilaterally.

16. Governing Law and Resolution of Disputes

5.5 Governing Law

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of the PRC.

5.6 Methods of Resolution of Disputes

In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute through negotiations, either Party may submit the relevant dispute to

the Beijing Arbitration Commission for arbitration, in accordance with its arbitration rules and procedures in effect at the time. The arbitration tribunal shall be consisted three (3) arbitrators according to the arbitration rules and procedures, among whom one of them shall be designated by the applicant, one of them shall be designated by respondent and one of them shall be designated upon the negotiation by aforesaid two arbitrators or by the Beijing Arbitration Commission. The arbitration shall be conducted confidentially and the language of the arbitration shall be Chinese. The arbitration shall be conducted in Beijing. The arbitration award shall be final and binding on all Parties.

- 5.7 To the extent permitted by PRC laws and where appropriate, the arbitration tribunal may grant any remedies in accordance with the provisions of this Agreement and applicable PRC laws, including preliminary and permanent injunctive relief (such as injunction against carrying out business activities, or mandating the transfer of assets), specific performance of contractual obligations, remedies concerning the equity interest or assets of Party C and awards directing Party C to conduct liquidation. To the extent permitted by PRC laws, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies from a court with competent jurisdiction to facilitate the arbitration. Without violating the applicable governing laws, the Parties agree that the courts of Hong Kong, Cayman Islands, China and the place where the principal assets of Party C are located shall all be deemed to have competent jurisdiction.
- 5.8 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

17. Taxes and Fees

Unless as otherwise agreed in this Agreement, each Party shall pay any and all transfer and registration tax, expenses and fees incurred thereby or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts.

18. Notices

- 8.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
-

7.1.3 Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices;

7.1.4 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

8.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Party B: ZHU Yan

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Party C: Tianjin Xiaowu Information & Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

8.3 Any Party may at any time change its address for notices by a notice delivered to the other Parties in accordance with the terms hereof.

19. Confidentiality

The Parties acknowledge that the existence and the terms of this Agreement, and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of other Parties, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

20. Further Warranties

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

21. Breach of Agreement

If Party B or Party C conducts any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and/or require the Party B or Party C to compensate all damages; this Section 10 shall not prejudice any other rights of Party A herein.

22. Miscellaneous

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Any amendment, change and supplement to this Agreement shall require the execution of a written agreement by all of the Parties.

11.11 Entire Agreement

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11.12 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

11.13 Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

11.14 Assignment

Without Party A's prior written consent, Party B and Party C shall not assign their respective rights and obligations under this Agreement to any third party. Party B and Party C agree that Party A may assign its rights and obligations under this Agreement to any third party and in case of such assignment, Party A is only required to give written notice to Party B and Party C and does not need any consent from Party B or Party C for such assignment. Party B hereby agrees and confirms that, in the event that Party B is dead or becomes person with limited capacity or no capacity, all the equity interest in Party C held by Party B shall automatically and unconditionally be transferred to Party A or the Designee(s) of Party A at the Equity Interest Purchase Price as prescribed in Section 1.3. The Equity Interest Purchase Price payable to Party B shall be handled in accordance with the provision of Section 1.3.

11.15 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors and the permitted assigns of the Parties.

11.16 Survival

Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof. The provisions of Sections 5, 8, 10 and this Section 11.7 shall survive the termination of this Agreement.

11.17 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

11.18 Language and Counterparts

This Agreement is written in Chinese language in three copies, each Party having one copy.

[The remainder of this page is intentionally left blank; Signature page to follow.]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party A: Jinbei (Tianjin) Technology Co., Ltd. (Seal)

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Signature Page to Exclusive Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party B: ZHU Yan

By: /s/ ZHU Yan

Signature Page to Exclusive Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first above written.

Party C: Tianjin Xiaowu Information & Technology Co., Ltd. (Seal)

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Signature Page to Exclusive Option Agreement

Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is made and entered into on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) by and among:

Party A: Beike Jinke (Tianjin) Technology Co., Ltd.

Legal Representative: FAN Zhuopeng

Party B: Party C’s shareholders listed in Appendix 1 hereto (hereinafter referred to collectively as “Party B” or the “Existing Shareholders” and individually as an “Existing Shareholder” or “Party B”)

Party C: Beijing Yiju Taihe Technology Co., Ltd.

Legal Representative: Wei Yong

(Party A, Party B and Party C shall be hereinafter collectively referred to as the “Parties” and individually as a “Party”.)

WHEREAS,

- (1) The Parties entered into an Exclusive Option Agreement dated September 6, 2021 (“Original EOA”);
- (2) Party B is the shareholder of Party C, and Party C’s shareholding structure on the Effective Date of this Agreement is set forth in Appendix 1 hereto;
- (3) Party B agrees to hereby grant Party A and Party A agrees to accept an option to purchase the equity interest in Party C held by Party B in whole or in part.

NOW, THEREFORE, the Parties agree as follows upon negotiation:

Article 1 Purchase and Sale of Equity Interest

1.1 Option Granted

The Existing Shareholders hereby irrevocably grant Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the equity interests in Party C then held by the Existing Shareholders in one transaction or a series of transactions at any time in part or in whole at Party A’s sole and absolute discretion to the extent permitted by the PRC laws and at the price described in Article 1.3 herein (“Equity Interest Purchase Option”). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of the Existing Shareholders. Party C hereby agrees to the grant by the Existing Shareholders of the Equity Interest Purchase Option to Party A. The term “person” as used in this paragraph and this Agreement shall refer to an individual, corporation, partnership, partner, enterprise, trust, or non-corporate organization.

1.2 Steps for Exercise

Party A shall exercise its Equity Interest Purchase Option subject to the PRC laws and regulations. When Party A exercises the Equity Interest Purchase Option, a written notice shall be issued to the Existing Shareholders (the "Equity Interest Purchase Option Notice"), specifying: (a) Party A's or the Designee's decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased by Party A or the Designee from the Existing Shareholders (the "Optioned Interests"); and (c) the date for purchasing the Optioned Interests or the date for the transfer of the Optioned Interests. Upon receipt of the Equity Interest Purchase Option Notice, the Existing Shareholders shall transfer all the Optioned Interests to Party A and/or the Designee as set forth in Article 1.4 hereof.

1.3 Purchase Price of Equity Interest

The total price of Party A's exercise of the Equity Interest Purchase Option to purchase all the Optioned Interests held by Party B in Party C shall be the then paid-in capital of the Optioned Interests or the lowest price permitted by the PRC laws; and in case that Party A exercises the Equity Interest Purchase Option to purchase part of the Optioned Interests held by Party B in Party C, the purchase price shall be calculated pro rata. If the PRC laws require valuation of the equity interest at the time of Party A's exercise, the Parties shall negotiate separately in good faith and make necessary adjustments to such purchase price on the basis of valuation to comply with the then applicable PRC laws (collectively referred to as the "Equity Interest Purchase Price"). Party B shall, within ten (10) days after receiving the Equity Interest Purchase Price and legally paying/withholding the relevant taxes (if any) in full, give the balance thereof gratuitously to Party A or the person designated by Party A.

1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option by Party A:

1.4.1 The Existing Shareholders shall cause Party C to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving the Existing Shareholders' transfer of the Optioned Interests to Party A and/or the Designee(s);

1.4.2 The Existing Shareholders shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the Optioned Interests to Party A and/or the Designee(s) and waiving any right of first refusal related thereto;

1.4.3 The Existing Shareholders shall execute an equity interest transfer contract with respect to each transfer with Party A and/or the Designee(s) (as the case may be), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice, in form and substance satisfactory to Party A and/or the Designee(s);

1.4.4 The Existing Shareholders shall, within thirty (30) days after the receipt of the Equity Interest Purchase Option Notice, sign all other requisite contracts, agreements or documents with relevant parties, obtain all requisite governmental approvals and consents, and take all necessary actions, to transfer the valid ownership of the Optioned Interests to Party A and/or the Designee(s) free of any security interest and cause Party A and/or the Designee(s) to become the registered owner of the Optioned Interests. For the purpose of this paragraph and this Agreement, "security interest" shall include security, pledge, third party's right or interest, any stock option, acquisition right, right of first refusal, right to offset, retention of title, or other security arrangements, but shall, for the sake of clarity, exclude any security interest created by this Agreement, the Equity Interest Pledge Agreement of the Existing Shareholders, and the Power of Attorney of the Existing Shareholders. "Equity Interest Pledge Agreement of the Existing Shareholders" as used in this Agreement shall refer to the Equity Interest Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modifications, amendments, or restatements thereto. "Power of Attorney of the Existing Shareholders" as used in this Agreement shall refer to the Power of

Article 2 Covenants

2.1 Covenants regarding Party C

Party B (as shareholder of Party C) and Party C hereby covenant severally but not jointly that:

2.1.1 Without the prior written consent of Party A, they will not make any addition, modification or amendment to the articles of association of Party C in any form, or increase or decrease Party C's registered capital, or otherwise change Party C's registered capital;

2.1.2 They will maintain Party C's corporate existence in accordance with good financial and commercial standards and practices, obtain and maintain all necessary governmental licenses and permits required for the business conducted by Party C, and procure Party C to prudently and effectively operate its business and handle its affairs;

2.1.3 Without the prior written consent of Party A, they will not sell, transfer, pledge or otherwise dispose any legal or beneficial interests in and to any material assets, business or revenue of Party C of a value over RMB10,000,000, or allow the creation of any other security interests thereon, at any time from the effective date of this Agreement;

2.1.4 Without the prior written consent of Party A, they will not incur, succeed, guarantee, or suffer the existence of any debt, except for payables incurred in the ordinary or normal course of business other than through loans;

2.1.5 They will always operate all (of Party C's) businesses within the normal business scope to maintain the asset value of Party C and refrain from any action/omission that may affect Party C's operating status and asset value;

2.1.6 Without the prior written consent of Party A, they will not allow Party C to enter into any material contract, except the contracts in the ordinary course of business (for the purpose of this paragraph, a contract with a total amount over RMB10,000,000 shall be deemed a material contract);

2.1.7 Without the prior written consent of Party A, Party C will not provide any loan or credit to any person;

2.1.8 At the request of Party A, they will provide Party A with all information on the operational and financial condition of Party C;

2.1.9 If requested by Party A, Party C shall procure and maintain insurance in respect of its assets and business from an insurance carrier acceptable to Party A, of an amount and type of coverage typical for companies that operate similar businesses;

2.1.10 Without the prior written consent of Party A, Party C shall not merge, combine with, acquire, or invest in any person;

2.1.11 They shall immediately notify Party A of any actual or threatened litigation, arbitration, or administrative proceedings relating to Party C's assets, business, or revenue;

2.1.12 To maintain Party C's ownership of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and make necessary or appropriate defenses against all claims;

2.1.13 Without the prior written consent of Party A, Party C shall not distribute dividends in any form to its shareholders, provided that at the request of Party A, Party C shall immediately distribute all of its distributable profits to its shareholders;

2.1.14 At the request of Party A, they shall appoint any person designated by Party A as director and officer of Party C;

2.1.15 Without the prior written consent of Party A, Party C shall not engage in any business in competition with Party A or its affiliates;

2.1.16 Unless otherwise required by the PRC laws, Party C shall not be dissolved or liquidated without the prior written consent of Party A;

2.1.17 Once the PRC laws permit a foreign investor to hold and/or invest through WFOE in the main business of Party C in China, and the relevant PRC competent authorities begin to approve such business, then after Party A exercises the Equity Interest Purchase Option, the Existing Shareholders shall immediately transfer their equity interests in Party C to Party A or the Designee(s), and Party C shall cooperate with the equity transfer procedures; and

2.1.18 With respect to the covenants applicable to Party C under this Article 2.1, the Existing Shareholders and Party C shall cause Party C's subsidiaries to abide by such covenants where applicable, as if such subsidiaries were Party C under the corresponding paragraphs.

2.2 Covenants of Existing Shareholders

The Existing Shareholders hereby covenant that:

2.2.1 Without the prior written consent of Party A, they shall not sell, transfer, pledge or otherwise dispose any of their legal or beneficial interest in any equity interests in Party C, or allow the creation of any other security interests thereon, except for those created under the Equity Interest Pledge Agreement of the Existing Shareholders and the Power of Attorney of the Existing Shareholders;

2.2.2 They shall cause the shareholders' meeting and/or directors (or the executive director) of Party C not to approve, without the prior written consent of Party A, to sell, transfer, pledge or otherwise dispose any of the legal or beneficial interest in any equity interests in Party C held by the Existing Shareholders, or allow the creation of any other security interests thereon, except for those created under the Equity Interest Pledge Agreement of the Existing Shareholders and the Power of Attorney of the Existing Shareholders;

2.2.3 Without the prior written consent of Party A, the Existing Shareholders shall cause the shareholders' meeting and/or directors (or the executive director) of Party C not to approve Party C to merge or combine with, or acquire or invest in any person;

2.2.4 They shall immediately notify Party A of any actual or threatened litigation, arbitration, or administrative proceedings relating to the equity interests in Party C held by them;

2.2.5 They shall cause the shareholders' meeting or the directors (or the executive director) of Party C to vote for the transfer of the Optioned Interests as set forth in this Agreement and to take any other actions that may be requested by Party A;

2.2.6 To the extent necessary to maintain their ownership of the equity interests in Party C, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and make necessary or appropriate defenses against all claims;

2.2.7 At the request of Party A, they shall appoint any person designated by Party A as the director and officer of Party C;

2.2.8 Each of the Existing Shareholders hereby waives its right of first refusal (if any) with respect to the transfer of equity interest by any other shareholder of Party C to Party A, and gives consent to the execution by each other shareholder of Party C with Party A and Party C the exclusive option agreement, the equity interest pledge agreement and the power of attorney similar to this Agreement, the Equity Interest Pledge Agreement of the Existing Shareholders and the Power of Attorney of the Existing Shareholders, and accepts not to take any actions in conflict with such documents executed by the other shareholders, if any;

2.2.9 The Existing Shareholders shall promptly gift any profits, interests, dividends, or proceeds of liquidation from Party C to Party A or any other person designated by Party A to the extent permitted under the applicable PRC laws; and

2.2.10 They shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among the Existing Shareholders, Party C, and Party A, fully perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the validity and enforceability thereof. To the extent that the Existing Shareholders have any retained rights with respect to the equity interests hereunder or under the Equity Interest Pledge Agreement of the Existing Shareholders or under the Power of Attorney of the Existing Shareholders, the Existing Shareholders shall not exercise such rights unless with the written instructions of Party A.

Article 3 Representations and Warranties

3.1 Representations and Warranties of the Existing Shareholders and Party C

The Existing Shareholders and Party C hereby severally but not jointly represent and warrant to Party A on the effective date of this Agreement and on each date of transfer that:

3.1.1 They have the power, capacity, and authority to execute and deliver this Agreement and any equity interest transfer contracts to which they are a party concerning each transfer of the Optioned Interests as described hereunder (each, a "Transfer Contract"), and to perform their obligations under this Agreement and any Transfer Contract. The Existing Shareholders and Party C agree to enter into Transfer Contracts substantially consistent with the terms of this Agreement at Party A's exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are a party, once executed and effective, constitute or will constitute their legal, valid, and binding obligations, and shall be enforceable against them in accordance with the provisions thereof;

3.1.2 The Existing Shareholders and Party C have obtained approvals and consents (if required) from the relevant governmental authorities and third parties for the execution, delivery, and performance of this Agreement;

3.1.3 The execution and delivery of this Agreement or any Transfer Contract and the performance of their obligations under this Agreement or any Transfer Contract shall not: (i) cause any violations of any applicable PRC laws; (ii) conflict with the articles of association or other organizational documents of Party C; (iii) cause the breach of or constitute any default under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any

violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;

3.1.4 The Existing Shareholders have good and marketable title to the equity interests held by them in Party C. Except for the Equity Interest Pledge Agreement of the Existing Shareholders and the Power of Attorney of the Existing Shareholders, the Existing Shareholders have not created any security interest on such equity interests;

3.1.5 Party C has good and marketable title to all of its assets, and has not created any security interest thereon;

3.1.6 Party C has no outstanding debt, except for (i) debts arising in the normal course of business; and (ii) debts that have been disclosed to Party A and consented by Party A in writing;

3.1.7 Party C will comply with all laws and regulations applicable to asset acquisition;

3.1.8 There is no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C, or Party C itself;

3.1.9 Only with respect to an Existing Shareholders who is a natural person, in case of death, incapacity, marriage, divorce, bankruptcy or other circumstances that may affect Party B's exercise of his equity interest in Party C, the successor of Party B (including his spouse, children, parents, siblings, grandparents and grandparents-in-law) or the then shareholder of or assignee of equity interest in Party C will be regarded as a party hereto, to inherit and assume all the rights and obligations of Party B hereunder, and transfer the Optioned Interests to Party A or the person designated by Party A in accordance with the then applicable laws and this Agreement; and

3.1.10 Only with respect to an Existing Shareholders who is a natural person, the equity interests in Party C held by Party B is not the common property between Party B and his spouse, and Party B's spouse does not own or control the equity interests in Party C; Party B's operation and management over and other voting matters of Party C due to his holding of the equity interests in Party C shall not be affected by his spouse.

Article 4 Term

This Agreement shall become effective upon the date of execution (which will be signing by hand, in case of natural person; or affixation of seal, in case of non-natural person) by the Parties and fully terminate and supersede the Original EOA. This Agreement will remain in effect until all equity interests held by Party B in Party C have been duly transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement, or otherwise agreed by the Parties upon negotiation.

Article 5 Applicable Law and Dispute Resolution

5.1 Applicable Law

The conclusion, validity, interpretation, performance, amendment and termination and dispute resolution of this Agreement shall be governed by the PRC laws.

5.2 Dispute Resolution Mechanism

In case of any dispute arising out of the performance of this Agreement or in connection with this

Agreement, either Party may submit such dispute to Beijing Arbitration Commission (“BAC”) for arbitration in Beijing in accordance with the arbitration rules of BAC then in force. The arbitral tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant appointing one arbitrator, the respondent appointing one arbitrator, and the third arbitrator appointed by the first two arbitrators or appointed by BAC. The arbitration shall be conducted in confidentiality and the language used in the arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties. Where appropriate, the arbitration tribunal or the arbitrator may award compensation in respect of the equity, assets, property interests or land assets of Party C and its subsidiaries, award compulsory remedies (including but not limited to those necessary for conducting business or mandating transfer of assets), or direct liquidation of Party C and its subsidiaries, in accordance with the dispute resolution provisions and/or applicable PRC laws. Moreover, pending the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies to facilitate the arbitration from a court with competent jurisdiction, including the PRC courts, which shall also include the courts of Hong Kong, Cayman Islands and the place where the main assets of Party C and/or its subsidiaries are located. Pending arbitration of any dispute, except for the disputed matters under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Article 6 Taxes and Fees

Each Party shall pay the taxes incurred by or levied on it in accordance with the PRC laws in connection with the preparation and execution of this Agreement.

Article 7 Notice

7.1 All notices and other communications required or permitted to be given hereunder shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

7.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

7.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th day after the date on the registered letter receipt;

7.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o’clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

7.2 For the purpose of notice, the addresses of the Parties shall be set forth in Appendix 2 hereto.

7.3 Either Party may change its address for notice at any time by delivering a notice to the other Party in accordance with this Article.

Article 8 Confidentiality

The Parties acknowledge and confirm that any oral or written information related to this Agreement, the content hereof and exchanged for the purpose of preparation or performance of this Agreement shall be regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without the prior written consent of the other Parties, it shall not

disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is subject to disclosure required under the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 9 Further Assurance

The Parties agree to promptly execute documents and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purpose of this Agreement.

Article 10 Liabilities for Breach of Agreement

10.1 If the Existing Shareholders or Party C commits any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and/or require the Existing Shareholders or Party C to indemnify all damages. This Article 10.1 shall not prejudice any other rights of Party A hereunder.

10.2 Unless otherwise provided for by laws, the Existing Shareholders and Party C shall in no case be entitled to terminate or cancel this Agreement.

Article 11 Miscellaneous

11.1 Amendment, Change and Supplement

Any amendment, change or supplement to this Agreement shall be made in a written agreement signed by each Party.

11.2 Entire Agreement

Except for the written amendments, supplements or changes made after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement. The Parties agree that as of the effective date of this Agreement, the Original EOA shall fully terminate and be superseded by this Agreement in entirety.

11.3 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

11.4 Severability

In the event that any or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or

unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by laws the intentions of the Parties, and are of an economic effect as close as possible to that of such invalid, illegal or unenforceable provisions.

11.5 Successor

This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties.

11.6 Survival

Any obligation that is due or accrued as a result of this Agreement prior to the expiration or early termination of this Agreement shall survive such expiration or early termination. Articles 5, 8, 10 and 11.6 hereof shall survive the termination of this Agreement.

11.7 Waiver

Any Party may waive the terms and conditions of this Agreement, provided that such waiver must be made in writing and signed by the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall be deemed as a waiver by such Party with respect to any similar breach of other Parties in other circumstances.

11.8 Language and Counterpart

This Agreement shall be written in Chinese and may be executed in any number of counterparts, each of which shall have the same legal effect.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beike Jinke (Tianjin) Technology Co., Ltd. (seal)

Signed by: /s/ FAN Zhuopeng
Name: FAN Zhuopeng
Title: Legal Representative

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

ZHU Yan

Signed by: /s/ ZHU Yan

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

SHAN Yigang

Signed by: /s/ SHAN Yigang

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

XU Wan’gang

Signed by: /s/ XU Wan’gang

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DANG Jie

Signed by: /s/ DANG Jie

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DU Xin

Signed by: /s/ DU Xin

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

CHEN Rong

Signed by: /s/ CHEN Rong

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

RUAN Guangjie

Signed by: /s/ RUAN Guangjie

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

GAO Jun

Signed by: /s/ GAO Jun

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Gaotong Information Consulting Co., Ltd. (seal)

Signed by: /s/ SHAN Yigang
Name: SHAN Yigang
Title: Legal Representative

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Juge Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Juge Information Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Jingchuang Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Jingchuang Information Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Jingda Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Jingda Information Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Mingchen Business Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Mingchen Business Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Jurui Information Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Jurui Information Consulting Partnership (Limited Partnership) (seal)

Name: (seal)

Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Chuangtian Business Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Chuangtian Business Consulting Partnership (Limited Partnership) (seal)
Name: (seal)
Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Tianjin Fuxun Business Consulting Partnership (Limited Partnership) (seal)

Signed by: /s/ Tianjin Fuxun Business Consulting Partnership (Limited Partnership) (seal)
Name: (seal)
Title:

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Lianjia Real Estate Brokerage Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Yiju Taihe Technology Co., Ltd. (seal)

Signed by: /s/ WEI Yong
Name: WEI Yong
Title: Legal Representative

Exclusive Option Agreement
Signature Page

Appendix 1: Shareholding Structure of Party C

Shareholders	Subscribed Registered Capital (RMB)	Contribution Percentage
ZHU Yan	18,950,000	2.5365%
Tianjin Gaotong Information Consulting Co., Ltd.	69,022,335	9.2388%
Tianjin Juge Information Consulting Partnership (Limited Partnership)	5,968,681	0.7989%
Tianjin Jingchuang Information Consulting Partnership (Limited Partnership)	7,212,370	0.9654%
Tianjin Jingda Information Partnership (Limited Partnership)	7,580,000	1.0146%
Tianjin Mingchen Business Consulting Partnership (Limited Partnership)	1,793,496	0.2401%
Tianjin Jurui Information Consulting Partnership (Limited Partnership)	5,167,286	0.6917%
SHAN Yigang	5,235,696	0.7008%
DANG Jie	720,998	0.0965%
XU Wan'gang	2,428,897	0.3251%
GAO Jun	2,299,877	0.3078%
Tianjin Chuangtian Business Consulting Partnership (Limited Partnership)	16,299,662	2.1818%
Tianjin Fuxun Business Consulting Partnership (Limited Partnership)	946,298	0.1267%
DU Xin	3,027,332	0.4052%
CHEN Rong	355,776	0.0476%
RUAN Guangjie	80,159	0.0107%
Beijing Lianjia Real Estate Brokerage Co., Ltd.	600,000,000	80.3117%
Total	747,088,863	100.0000%

Exclusive Option Agreement
Appendix 1

Appendix 2: Notice Address

To all Parties:

Correspondence Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Phone: *****

Email: *****

Designated Contact Person: *****

Exclusive Option Agreement
Appendix 2

Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is made and entered into on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) by and among:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Legal Representative: PENG Yongdong

Party B: Party C’s shareholders listed in Appendix 1 hereto (hereinafter referred to collectively as “Party B” or the “Existing Shareholders” and individually as an “Existing Shareholder” or “Party B”)

Party C: Beijing Beihao Commercial Consultancy Co., Ltd.

Legal Representative: GAO Jun

(Party A, Party B and Party C shall be hereinafter collectively referred to as the “Parties” and individually as a “Party”.)

WHEREAS,

- (1) The Parties entered into an Exclusive Option Agreement dated December 28, 2018 (“Original EOA”);
- (2) Party B is the shareholder of Party C, and Party C’s shareholding structure on the date hereof is set forth in Appendix 1 hereto;
- (3) Party B agrees to hereby grant Party A and Party A agrees to accept an option to purchase the equity interest in Party C held by Party B in whole or in part.

NOW, THEREFORE, the Parties agree as follows upon negotiation:

Article 1 Purchase and Sale of Equity Interest

1.1 Option Granted

The Existing Shareholders hereby irrevocably grant Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the equity interests in Party C then held by the Existing Shareholders in one transaction or a series of transactions at any time in part or in whole at Party A’s sole and absolute discretion to the extent permitted by the PRC laws and at the price described in Article 1.3 herein (“Equity Interest Purchase Option”). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of the Existing Shareholders. Party C hereby agrees to the grant by the Existing Shareholders of the Equity Interest Purchase Option to Party A. The term “person” as used in this paragraph and this Agreement shall refer to an individual, corporation, partnership, partner, enterprise, trust, or non-corporate organization.

1.2 Steps for Exercise

Party A shall exercise its Equity Interest Purchase Option subject to the PRC laws and regulations. When Party A exercises the Equity Interest Purchase Option, a written notice shall be issued to the Existing Shareholders (the "Equity Interest Purchase Option Notice"), specifying: (a) Party A's or the Designee's decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased by Party A or the Designee from the Existing Shareholders (the "Optioned Interests"); and (c) the date for purchasing the Optioned Interests or the date for the transfer of the Optioned Interests. Upon receipt of the Equity Interest Purchase Option Notice, the Existing Shareholders shall transfer all the Optioned Interests to Party A and/or the Designee as set forth in Article 1.4 hereof.

1.3 Purchase Price of Equity Interest

The total price of Party A's exercise of the Equity Interest Purchase Option to purchase all the Optioned Interests held by Party B in Party C shall be the then paid-in capital of the Optioned Interests or the lowest price permitted by the PRC laws; and in case that Party A exercises the Equity Interest Purchase Option to purchase part of the Optioned Interests held by Party B in Party C, the purchase price shall be calculated pro rata. If the PRC laws require valuation of the equity interest at the time of Party A's exercise, the Parties shall negotiate separately in good faith and make necessary adjustments to such purchase price on the basis of valuation to comply with the then applicable PRC laws (collectively referred to as the "Equity Interest Purchase Price"). Party B shall, within ten (10) days after receiving the Equity Interest Purchase Price and legally paying/withholding the relevant taxes (if any) in full, give the balance thereof gratuitously to Party A or the person designated by Party A.

1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option by Party A:

1.4.1 The Existing Shareholders shall cause Party C to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving the Existing Shareholders' transfer of the Optioned Interests to Party A and/or the Designee(s);

1.4.2 The Existing Shareholders shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the Optioned Interests to Party A and/or the Designee(s) and waiving any right of first refusal related thereto;

1.4.3 The Existing Shareholders shall execute an equity interest transfer contract with respect to each transfer with Party A and/or the Designee(s) (as the case may be), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice, in form and substance satisfactory to Party A and/or the Designee(s);

1.4.4 The Existing Shareholders shall, within thirty (30) days after the receipt of the Equity Interest Purchase Option Notice, sign all other requisite contracts, agreements or documents with relevant parties, obtain all requisite governmental approvals and consents, and take all necessary actions, to transfer the valid ownership of the Optioned Interests to Party A and/or the Designee(s) free of any security interest and cause Party A and/or the Designee(s) to become the registered owner of the Optioned Interests. For the purpose of this paragraph and this Agreement, "security interest" shall include security, pledge, third party's right or interest, any stock option, acquisition right, right of first refusal, right to offset, retention of title, or other security arrangements, but shall, for the sake of clarity, exclude any security interest created by this Agreement, the Equity Interest Pledge Agreement of the Existing Shareholders, and the Power of Attorney of the Existing Shareholders. "Equity Interest Pledge Agreement of the Existing Shareholders" as used in this Agreement shall refer to the Equity Interest Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modifications, amendments, or restatements thereto. "Power of Attorney of the Existing Shareholders" as used in this Agreement shall refer to the Power of

Article 2 Covenants

2.1 Covenants regarding Party C

Party B (as shareholder of Party C) and Party C hereby covenant severally but not jointly that:

2.1.1 Without the prior written consent of Party A, they will not make any addition, modification or amendment to the articles of association of Party C in any form, or increase or decrease Party C's registered capital, or otherwise change Party C's registered capital;

2.1.2 They will maintain Party C's corporate existence in accordance with good financial and commercial standards and practices, obtain and maintain all necessary governmental licenses and permits required for the business conducted by Party C, and procure Party C to prudently and effectively operate its business and handle its affairs;

2.1.3 Without the prior written consent of Party A, they will not sell, transfer, pledge or otherwise dispose any legal or beneficial interests in and to any material assets, business or revenue of Party C of a value over RMB10,000,000, or allow the creation of any other security interests thereon, at any time from the execution date of this Agreement;

2.1.4 Without the prior written consent of Party A, they will not incur, succeed, guarantee, or suffer the existence of any debt, except for payables incurred in the ordinary or normal course of business other than through loans;

2.1.5 They will always operate all (of Party C's) businesses within the normal business scope to maintain the asset value of Party C and refrain from any action/omission that may affect Party C's operating status and asset value;

2.1.6 Without the prior written consent of Party A, they will not allow Party C to enter into any material contract, except the contracts in the ordinary course of business (for the purpose of this paragraph, a contract with a total amount over RMB10,000,000 shall be deemed a material contract);

2.1.7 Without the prior written consent of Party A, Party C will not provide any loan or credit to any person;

2.1.8 At the request of Party A, they will provide Party A with all information on the operational and financial condition of Party C;

2.1.9 If requested by Party A, Party C shall procure and maintain insurance in respect of its assets and business from an insurance carrier acceptable to Party A, of an amount and type of coverage typical for companies that operate similar businesses;

2.1.10 Without the prior written consent of Party A, Party C shall not merge, combine with, acquire, or invest in any person;

2.1.11 They shall immediately notify Party A of any actual or threatened litigation, arbitration, or administrative proceedings relating to Party C's assets, business, or revenue;

2.1.12 To maintain Party C's ownership of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and make necessary or appropriate defenses against all claims;

2.1.13 Without the prior written consent of Party A, Party C shall not distribute dividends in any form to its shareholders, provided that at the request of Party A, Party C shall immediately distribute all of its distributable profits to its shareholders;

2.1.14 At the request of Party A, they shall appoint any person designated by Party A as director and officer of Party C;

2.1.15 Without the prior written consent of Party A, Party C shall not engage in any business in competition with Party A or its affiliates;

2.1.16 Unless otherwise required by the PRC laws, Party C shall not be dissolved or liquidated without the prior written consent of Party A;

2.1.17 Once the PRC laws permit a foreign investor to hold and/or invest through WFOE in the main business of Party C in China, and the relevant PRC competent authorities begin to approve such business, then after Party A exercises the Equity Interest Purchase Option, the Existing Shareholders shall immediately transfer their equity interests in Party C to Party A or the Designee(s), and Party C shall cooperate with the equity transfer procedures; and

2.1.18 With respect to the covenants applicable to Party C under this Article 2.1, the Existing Shareholders and Party C shall cause Party C's subsidiaries to abide by such covenants where applicable, as if such subsidiaries were Party C under the corresponding paragraphs.

2.2 Covenants of Existing Shareholders

The Existing Shareholders hereby covenant that:

2.2.1 Without the prior written consent of Party A, they shall not sell, transfer, pledge or otherwise dispose any of their legal or beneficial interest in any equity interests in Party C, or allow the creation of any other security interests thereon, except for those created under the Equity Interest Pledge Agreement of the Existing Shareholders, the Power of Attorney of the Existing Shareholders and this Agreement;

2.2.2 They shall cause the shareholders' meeting and/or directors (or the executive director) of Party C not to approve, without the prior written consent of Party A, to sell, transfer, pledge or otherwise dispose any of the legal or beneficial interest in any equity interests in Party C held by the Existing Shareholders, or allow the creation of any other security interests thereon, except for those created under the Equity Interest Pledge Agreement of the Existing Shareholders, the Power of Attorney of the Existing Shareholders and this Agreement;

2.2.3 Without the prior written consent of Party A, the Existing Shareholders shall cause the shareholders' meeting and/or directors (or the executive director) of Party C not to approve Party C to merge or combine with, or acquire or invest in any person;

2.2.4 They shall immediately notify Party A of any actual or threatened litigation, arbitration, or administrative proceedings relating to the equity interests in Party C held by them;

2.2.5 They shall cause the shareholders' meeting or the directors (or the executive director) of Party C to vote for the transfer of the Optioned Interests as set forth in this Agreement and to take any other actions that may be requested by Party A;

2.2.6 To the extent necessary to maintain their ownership of the equity interests in Party C, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and make necessary or appropriate defenses against all claims;

2.2.7 At the request of Party A, they shall appoint any person designated by Party A as the director and officer of Party C;

2.2.8 Each of the Existing Shareholders hereby waives its right of first refusal (if any) with respect to the transfer of equity interest by any other shareholder of Party C to Party A, and gives consent to the execution by each other shareholder of Party C with Party A and Party C the exclusive option agreement, the equity interest pledge agreement and the power of attorney similar to this Agreement, the Equity Interest Pledge Agreement of the Existing Shareholders and the Power of Attorney of the Existing Shareholders, and accepts not to take any actions in conflict with such documents executed by the other shareholders, if any;

2.2.9 The Existing Shareholders shall promptly gift any profits, interests, dividends, or proceeds of liquidation from Party C to Party A or any other person designated by Party A to the extent permitted under the applicable PRC laws; and

2.2.10 They shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among the Existing Shareholders, Party C, and Party A, fully perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the validity and enforceability thereof. To the extent that the Existing Shareholders have any retained rights with respect to the equity interests hereunder or under the Equity Interest Pledge Agreement of the Existing Shareholders or under the Power of Attorney of the Existing Shareholders, the Existing Shareholders shall not exercise such rights unless with the written instructions of Party A.

Article 3 Representations and Warranties

3.1 Representations and Warranties of the Existing Shareholders and Party C

The Existing Shareholders and Party C hereby severally but not jointly represent and warrant to Party A on the execution date of this Agreement and on each date of transfer that:

3.1.1 They have the power, capacity, and authority to execute and deliver this Agreement and any equity interest transfer contracts to which they are a party concerning each transfer of the Optioned Interests as described hereunder (each, a "Transfer Contract"), and to perform their obligations under this Agreement and any Transfer Contract. The Existing Shareholders and Party C agree to enter into Transfer Contracts substantially consistent with the terms of this Agreement at Party A's exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are a party, once executed, constitute or will constitute their legal, valid, and binding obligations, and shall be enforceable against them in accordance with the provisions thereof;

3.1.2 The Existing Shareholders and Party C have obtained approvals and consents (if required) from the relevant governmental authorities and third parties for the execution, delivery, and performance of this Agreement;

3.1.3 The execution and delivery of this Agreement or any Transfer Contract and the performance of their obligations under this Agreement or any Transfer Contract shall not: (i) cause any violations of any applicable PRC laws; (ii) conflict with the articles of association or other organizational documents of Party C; (iii) cause the breach of or constitute any default under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any

violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;

3.1.4 The Existing Shareholders have good and marketable title to the equity interests held by them in Party C. Except for the Equity Interest Pledge Agreement of the Existing Shareholders and the Power of Attorney of the Existing Shareholders, the Existing Shareholders have not created any security interest or encumbrance on such equity interests;

3.1.5 Party C has good and marketable title to all of its assets, and has not created any security interest thereon;

3.1.6 Party C has no outstanding debt, except for (i) debts arising in the normal course of business; and (ii) debts that have been disclosed to Party A and consented by Party A in writing;

3.1.7 Party C will comply with all laws and regulations applicable to asset acquisition;

3.1.8 There is no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C, or Party C itself;

3.1.9 In case of death, incapacity, marriage, divorce, bankruptcy or other circumstances that may affect Party B's exercise of his equity interest in Party C, the successor of Party B (including his spouse, children, parents, siblings, grandparents and grandparents-in-law) or the then shareholder of or assignee of equity interest in Party C will be regarded as a party hereto, to inherit and assume all the rights and obligations of Party B hereunder, and transfer the Optioned Interests to Party A or the person designated by Party A in accordance with the then applicable laws and this Agreement; and

3.1.10 The equity interests in Party C held by Party B is not the common property between Party B and his spouse, and Party B's spouse does not own or control the equity interests in Party C; Party B's operation and management over and other voting matters of Party C due to his holding of the equity interests in Party C shall not be affected by his spouse.

Article 4 Term

This Agreement shall become effective upon the date of execution (which will be signing by hand, in case of natural person; or affixation of seal, in case of non-natural person) by the Parties and fully terminate and supersede the Original EOA. This Agreement will remain in effect until all equity interests held by Party B in Party C have been duly transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement, or otherwise agreed by the Parties upon negotiation.

Article 5 Applicable Law and Dispute Resolution

5.1 Applicable Law

The conclusion, validity, interpretation, performance, amendment and termination and dispute resolution of this Agreement shall be governed by the PRC laws.

5.2 Dispute Resolution Mechanism

In case of any dispute arising out of the performance of this Agreement or in connection with this Agreement, either Party may submit such dispute to Beijing Arbitration Commission ("BAC") for

arbitration in Beijing in accordance with the arbitration rules of BAC then in force. The arbitral tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant appointing one arbitrator, the respondent appointing one arbitrator, and the third arbitrator appointed by the first two arbitrators or appointed by BAC. The arbitration shall be conducted in confidentiality and the language used in the arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties. Where appropriate, the arbitration tribunal or the arbitrator may award compensation in respect of the equity, assets, property interests or land assets of Party C and its subsidiaries, award compulsory remedies (including but not limited to those necessary for conducting business or mandating transfer of assets), or direct liquidation of Party C and its subsidiaries, in accordance with the dispute resolution provisions and/or applicable PRC laws. Moreover, pending the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies to facilitate the arbitration from a court with competent jurisdiction, including the PRC courts, which shall also include the courts of Hong Kong, Cayman Islands and the place where the main assets of Party C and/or its subsidiaries are located. Pending arbitration of any dispute, except for the disputed matters under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Article 6 Taxes and Fees

Each Party shall pay the taxes incurred by or levied on it in accordance with the PRC laws in connection with the preparation and execution of this Agreement.

Article 7 Notice

7.1 All notices and other communications required or permitted to be given hereunder shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

7.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

7.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th day after the date on the registered letter receipt;

7.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o'clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

7.2 For the purpose of notice, the addresses of the Parties are as follows:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

Party B: Party C's shareholders listed in Appendix 1 hereto

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****
Phone: *****
Email: *****

Party C: Beijing Beihao Commercial Consultancy Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

7.3 Either Party may change its address for notice at any time by delivering a notice to the other Party in accordance with this Article.

Article 8 Confidentiality

The Parties acknowledge and confirm that any oral or written information related to this Agreement, the content hereof and exchanged for the purpose of preparation or performance of this Agreement shall be regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without the prior written consent of the other Parties, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is subject to disclosure required under the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 9 Further Assurance

The Parties agree to promptly execute documents and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purpose of this Agreement.

Article 10 Liabilities for Breach of Agreement

10.1 If the Existing Shareholders or Party C commits any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and/or require the Existing Shareholders or Party C to indemnify all damages. This Article 10.1 shall not prejudice any other rights of Party A hereunder.

10.2 Unless otherwise provided for by laws, the Existing Shareholders and Party C shall in no case be entitled to terminate or cancel this Agreement.

Article 11 Miscellaneous

11.1 Amendment, Change and Supplement

Any amendment, change or supplement to this Agreement shall be made in a written agreement signed by each Party.

11.2 Entire Agreement

Except for the written amendments, supplements or changes made after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement. The Parties agree that as of the effective date of this Agreement, the Original EOA shall fully terminate and be superseded by this Agreement in entirety.

11.3 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

11.4 Severability

In the event that any or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by laws the intentions of the Parties, and are of an economic effect as close as possible to that of such invalid, illegal or unenforceable provisions.

11.5 Successor

This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties.

11.6 Survival

Any obligation that is due or accrued as a result of this Agreement prior to the expiration or early termination of this Agreement shall survive such expiration or early termination. Articles 5, 8, 10 and 11.6 hereof shall survive the termination of this Agreement.

11.7 Waiver

Any Party may waive the terms and conditions of this Agreement, provided that such waiver must be made in writing and signed by the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall be deemed as a waiver by such Party with respect to any similar breach of other Parties in other circumstances.

11.8 Language and Counterpart

This Agreement shall be written in Chinese and may be executed in any number of counterparts, each of which shall have the same legal effect.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Jinbei (Tianjin) Technology Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

GU Feifan

Signed by: /s/ GU Feifan
Name: GU Feifan

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

RUAN Guangjie

Signed by: /s/ RUAN Guangjie
Name: RUAN Guangjie

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

TAO Hongbing

Signed by: /s/ TAO Hongbing
Name: TAO Hongbing

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

GAO Jun

Signed by: /s/ GAO Jun
Name: GAO Jun

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

WEI Zhenghui

Signed by: /s/ WEI Zhenghui
Name: WEI Zhenghui

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

LIU Enpeng

Signed by: /s/ LIU Enpeng
Name: LIU Enpeng

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

FENG Xia

Signed by: /s/ FENG Xia
Name: FENG Xia

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

SONG Dongfeng

Signed by: /s/ SONG Dongfeng
Name: SONG Dongfeng

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

LI Guoping

Signed by: /s/ LI Guoping
Name: LI Guoping

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DANG Jie

Signed by: /s/ DANG Jie
Name: DANG Jie

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

WANG Zhe

Signed by: /s/ WANG Zhe
Name: WANG Zhe

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

CHENG Wenlong

Signed by: /s/ CHENG Wenlong
Name: CHENG Wenlong

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DING Zongyang

Signed by: /s/ DING Zongyang
Name: DING Zongyang

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

ZHOU Xiaolong

Signed by: /s/ ZHOU Xiaolong
Name: ZHOU Xiaolong

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

CHEN Rong

Signed by: /s/ CHEN Rong
Name: CHEN Rong

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

XU Wan’gang

Signed by: /s/ XU Wan’gang
Name: XU Wan’gang

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

DU Xin

Signed by: /s/ DU Xin
Name: DU Xin

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

SHAO Fei

Signed by: /s/ SHAO Fei
Name: SHAO Fei

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

LIU Xiaoxiao

Signed by: /s/ LIU Xiaoxiao
Name: LIU Xiaoxiao

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

ZHANG Xuefei

Signed by: /s/ ZHANG Xuefei
Name: ZHANG Xuefei

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

FENG Wencui

Signed by: /s/ FENG Wencui
Name: FENG Wencui

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

ZHANG Jiandong

Signed by: /s/ ZHANG Jiandong
Name: ZHANG Jiandong

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

GE Jun

Signed by: /s/ GE Jun
Name: GE Jun

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

LIU Wuyang

Signed by: /s/ LIU Wuyang
Name: LIU Wuyang

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Beihao Commercial Consultancy Co., Ltd.

Signed by: /s/ GAO Jun
Name: GAO Jun
Title: Legal Representative

Exclusive Option Agreement
Signature Page

Appendix 1: Shareholding Structure of Party C

Shareholders	Subscribed Registered Capital (RMB)	Contribution Percentage
GU Feifan	100,000	4.17%
RUAN Guangjie	100,000	4.17%
TAO Hongbing	100,000	4.17%
GAO Jun	100,000	4.17%
WEI Zhenghui	100,000	4.17%
LIU Enpeng	100,000	4.17%
FENG Xia	100,000	4.17%
SONG Dongfeng	100,000	4.17%
LI Guoping	100,000	4.17%
DANG Jie	100,000	4.17%
WANG Zhe	100,000	4.17%
CHENG Wenlong	100,000	4.17%
DING Zongyang	100,000	4.17%
ZHOU Xiaolong	100,000	4.17%
CHEN Rong	100,000	4.17%
XU Wan'gang	100,000	4.17%
DU Xin	100,000	4.17%
SHAO Fei	100,000	4.17%
LIU Xiaoxiao	100,000	4.17%
ZHANG Xuefei	100,000	4.17%
FENG Wencui	100,000	4.17%
ZHANG Jiandong	100,000	4.17%
GE Jun	100,000	4.17%
LIU Wuyang	100,000	4.17%
Total	2,400,000	100%

Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is made and entered into on January 30, 2022 in Beijing, the People’s Republic of China (“China” or the “PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) by and among:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Legal Representative: PENG Yongdong

Party B: Party C’s shareholders listed in Appendix 1 hereto (hereinafter referred to collectively as “Party B” or the “Existing Shareholders” and individually as an “Existing Shareholder” or “Party B”)

Party C: Beijing Beijia Commercial Consultancy Co., Ltd.

Legal Representative: LIN Junquan

(Party A, Party B and Party C shall be hereinafter collectively referred to as the “Parties” and individually as a “Party”.)

WHEREAS,

- (1) The Parties entered into an Exclusive Option Agreement dated March 23, 2020 (“Original EOA”);
- (2) Party B is the shareholder of Party C, and Party C’s shareholding structure as of the date hereof is set forth in Appendix 1 hereto;
- (3) Party B agrees to hereby grant Party A and Party A agrees to accept an option to purchase the equity interest in Party C held by Party B in whole or in part.

NOW, THEREFORE, the Parties agree as follows upon negotiation:

Article 1 Purchase and Sale of Equity Interest

1.1 Option Granted

The Existing Shareholders hereby irrevocably grant Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the equity interests in Party C then held by the Existing Shareholders in one transaction or a series of transactions at any time in part or in whole at Party A’s sole and absolute discretion to the extent permitted by the PRC laws and at the price described in Article 1.3 herein (“Equity Interest Purchase Option”). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of the Existing Shareholders. Party C hereby agrees to the grant by the Existing Shareholders of the Equity Interest Purchase Option to Party A. The term “person” as used in this paragraph and this Agreement shall refer to an individual, corporation, partnership, partner, enterprise, trust, or non-corporate organization.

1.2 Steps for Exercise

Party A shall exercise its Equity Interest Purchase Option subject to the PRC laws and regulations. When Party A exercises the Equity Interest Purchase Option, a written notice shall be issued to the Existing Shareholders (the "Equity Interest Purchase Option Notice"), specifying: (a) Party A's or the Designee's decision to exercise the Equity Interest Purchase Option; (b) the portion of equity interests to be purchased by Party A or the Designee from the Existing Shareholders (the "Optioned Interests"); and (c) the date for purchasing the Optioned Interests or the date for the transfer of the Optioned Interests. Upon receipt of the Equity Interest Purchase Option Notice, the Existing Shareholders shall transfer all the Optioned Interests to Party A and/or the Designee as set forth in Article 1.4 hereof.

1.3 Purchase Price of Equity Interest

The total price of Party A's exercise of the Equity Interest Purchase Option to purchase all the Optioned Interests held by Party B in Party C shall be the then paid-in capital of the Optioned Interests or the lowest price permitted by the PRC laws; and in case that Party A exercises the Equity Interest Purchase Option to purchase part of the Optioned Interests held by Party B in Party C, the purchase price shall be calculated pro rata. If the PRC laws require valuation of the equity interest at the time of Party A's exercise, the Parties shall negotiate separately in good faith and make necessary adjustments to such purchase price on the basis of valuation to comply with the then applicable PRC laws (collectively referred to as the "Equity Interest Purchase Price"). Party B shall, within ten (10) days after receiving the Equity Interest Purchase Price and legally paying/withholding the relevant taxes (if any) in full, give the balance thereof gratuitously to Party A or the person designated by Party A.

1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option by Party A:

1.4.1 The Existing Shareholders shall cause Party C to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving the Existing Shareholders' transfer of the Optioned Interests to Party A and/or the Designee(s);

1.4.2 The Existing Shareholders shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the Optioned Interests to Party A and/or the Designee(s) and waiving any right of first refusal related thereto;

1.4.3 The Existing Shareholders shall execute an equity interest transfer contract with respect to each transfer with Party A and/or the Designee(s) (as the case may be), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice, in form and substance satisfactory to Party A and/or the Designee(s);

1.4.4 The Existing Shareholders shall, within thirty (30) days after the receipt of the Equity Interest Purchase Option Notice, sign all other requisite contracts, agreements or documents with relevant parties, obtain all requisite governmental approvals and consents, and take all necessary actions, to transfer the valid ownership of the Optioned Interests to Party A and/or the Designee(s) free of any security interest and cause Party A and/or the Designee(s) to become the registered owner of the Optioned Interests. For the purpose of this paragraph and this Agreement, "security interest" shall include security, pledge, third party's right or interest, any stock option, acquisition right, right of first refusal, right to offset, retention of title, or other security arrangements, but shall, for the sake of clarity, exclude any security interest created by this Agreement, the Equity Interest Pledge Agreement of the Existing Shareholders, and the Power of Attorney of the Existing Shareholders. "Equity Interest Pledge Agreement of the Existing Shareholders" as used in this Agreement shall refer to the Equity Interest Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modifications, amendments, or restatements thereto. "Power of Attorney of the Existing Shareholders" as used in this Agreement shall refer to the Power of

Attorney executed by Party B on the date hereof and granted to Party A and any modifications, amendments, or restatements thereto.

Article 2 Covenants

2.1 Covenants regarding Party C

Party B (as shareholder of Party C) and Party C hereby covenant severally but not jointly that:

2.1.1 Without the prior written consent of Party A, they will not make any addition, modification or amendment to the articles of association of Party C in any form, or increase or decrease Party C's registered capital, or otherwise change Party C's registered capital;

2.1.2 They will maintain Party C's corporate existence in accordance with good financial and commercial standards and practices, obtain and maintain all necessary governmental licenses and permits required for the business conducted by Party C, and procure Party C to prudently and effectively operate its business and handle its affairs;

2.1.3 Without the prior written consent of Party A, they will not sell, transfer, pledge or otherwise dispose any legal or beneficial interests in and to any material assets, business or revenue of Party C of a value over RMB10,000,000, or allow the creation of any other security interests thereon, at any time from the date hereof;

2.1.4 Without the prior written consent of Party A, they will not incur, succeed, guarantee, or suffer the existence of any debt, except for payables incurred in the ordinary or normal course of business other than through loans;

2.1.5 They will always operate all (of Party C's) businesses within the normal business scope to maintain the asset value of Party C and refrain from any action/omission that may affect Party C's operating status and asset value;

2.1.6 Without the prior written consent of Party A, they will not allow Party C to enter into any material contract, except the contracts in the ordinary course of business (for the purpose of this paragraph, a contract with a total amount over RMB10,000,000 shall be deemed a material contract);

2.1.7 Without the prior written consent of Party A, Party C will not provide any loan or credit to any person;

2.1.8 At the request of Party A, they will provide Party A with all information on the operational and financial condition of Party C;

2.1.9 If requested by Party A, Party C shall procure and maintain insurance in respect of its assets and business from an insurance carrier acceptable to Party A, of an amount and type of coverage typical for companies that operate similar businesses;

2.1.10 Without the prior written consent of Party A, Party C shall not merge, combine with, acquire, or invest in any person;

2.1.11 They shall immediately notify Party A of any actual or threatened litigation, arbitration, or administrative proceedings relating to Party C's assets, business, or revenue;

2.1.12 To maintain Party C's ownership of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and make necessary or appropriate defenses against all claims;

2.1.13 Without the prior written consent of Party A, Party C shall not distribute dividends in any form to its shareholders, provided that at the request of Party A, Party C shall immediately distribute all of its distributable profits to its shareholders;

2.1.14 At the request of Party A, they shall appoint any person designated by Party A as director and officer of Party C;

2.1.15 Without the prior written consent of Party A, Party C shall not engage in any business in competition with Party A or its affiliates;

2.1.16 Unless otherwise required by the PRC laws, Party C shall not be dissolved or liquidated without the prior written consent of Party A;

2.1.17 Once the PRC laws permit a foreign investor to hold and/or invest through WFOE in the main business of Party C in China, and the relevant PRC competent authorities begin to approve such business, then after Party A exercises the Equity Interest Purchase Option, the Existing Shareholders shall immediately transfer their equity interests in Party C to Party A or the Designee(s), and Party C shall cooperate with the equity transfer procedures; and

2.1.18 With respect to the covenants applicable to Party C under this Article 2.1, the Existing Shareholders and Party C shall cause Party C's subsidiaries to abide by such covenants where applicable, as if such subsidiaries were Party C under the corresponding paragraphs.

2.2 Covenants of Existing Shareholders

The Existing Shareholders hereby covenant that:

2.2.1 Without the prior written consent of Party A, they shall not sell, transfer, pledge or otherwise dispose any of their legal or beneficial interest in any equity interests in Party C, or allow the creation of any other security interests thereon, except for those created under the Equity Interest Pledge Agreement of the Existing Shareholders, the Power of Attorney of the Existing Shareholders and this Agreement;

2.2.2 They shall cause the shareholders' meeting and/or directors (or the executive director) of Party C not to approve, without the prior written consent of Party A, to sell, transfer, pledge or otherwise dispose any of the legal or beneficial interest in any equity interests in Party C held by the Existing Shareholders, or allow the creation of any other security interests thereon, except for those created under the Equity Interest Pledge Agreement of the Existing Shareholders, the Power of Attorney of the Existing Shareholders and this Agreement;

2.2.3 Without the prior written consent of Party A, the Existing Shareholders shall cause the shareholders' meeting and/or directors (or the executive director) of Party C not to approve Party C to merge or combine with, or acquire or invest in any person;

2.2.4 They shall immediately notify Party A of any actual or threatened litigation, arbitration, or administrative proceedings relating to the equity interests in Party C held by them;

2.2.5 They shall cause the shareholders' meeting or the directors (or the executive director) of Party C to vote for the transfer of the Optioned Interests as set forth in this Agreement and to take any other actions that may be requested by Party A;

2.2.6 To the extent necessary to maintain their ownership of the equity interests in Party C, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and make necessary or appropriate defenses against all claims;

2.2.7 At the request of Party A, they shall appoint any person designated by Party A as the director and officer of Party C;

2.2.8 Each of the Existing Shareholders hereby waives its right of first refusal (if any) with respect to the transfer of equity interest by any other shareholder of Party C to Party A, and gives consent to the execution by each other shareholder of Party C with Party A and Party C the exclusive option agreement, the equity interest pledge agreement and the power of attorney similar to this Agreement, the Equity Interest Pledge Agreement of the Existing Shareholders and the Power of Attorney of the Existing Shareholders, and accepts not to take any actions in conflict with such documents executed by the other shareholders, if any;

2.2.9 The Existing Shareholders shall promptly gift any profits, interests, dividends, or proceeds of liquidation from Party C to Party A or any other person designated by Party A to the extent permitted under the applicable PRC laws; and

2.2.10 They shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among the Existing Shareholders, Party C, and Party A, fully perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the validity and enforceability thereof. To the extent that the Existing Shareholders have any retained rights with respect to the equity interests hereunder or under the Equity Interest Pledge Agreement of the Existing Shareholders or under the Power of Attorney of the Existing Shareholders, the Existing Shareholders shall not exercise such rights unless with the written instructions of Party A.

Article 3 Representations and Warranties

3.1 Representations and Warranties of the Existing Shareholders and Party C

The Existing Shareholders and Party C hereby severally but not jointly represent and warrant to Party A on the execution date of this Agreement and on each date of transfer that:

3.1.1 They have the power, capacity, and authority to execute and deliver this Agreement and any equity interest transfer contracts to which they are a party concerning each transfer of the Optioned Interests as described hereunder (each, a "Transfer Contract"), and to perform their obligations under this Agreement and any Transfer Contract. The Existing Shareholders and Party C agree to enter into Transfer Contracts substantially consistent with the terms of this Agreement at Party A's exercise of the Equity Interest Purchase Option. This Agreement and the Transfer Contracts to which they are a party, once executed and effective, constitute or will constitute their legal, valid, and binding obligations, and shall be enforceable against them in accordance with the provisions thereof;

3.1.2 The Existing Shareholders and Party C have obtained approvals and consents (if required) from the relevant governmental authorities and third parties for the execution, delivery, and performance of this Agreement;

3.1.3 The execution and delivery of this Agreement or any Transfer Contract and the performance of their obligations under this Agreement or any Transfer Contract shall not: (i) cause any violations of any applicable PRC laws; (ii) conflict with the articles of association or other organizational documents of Party C; (iii) cause the breach of or constitute any default under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any

violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;

3.1.4 The Existing Shareholders have good and marketable title to the equity interests held by them in Party C. Except for the Equity Interest Pledge Agreement of the Existing Shareholders and the Power of Attorney of the Existing Shareholders, the Existing Shareholders have not created any security interest or encumbrance on such equity interests;

3.1.5 Party C has good and marketable title to all of its assets, and has not created any security interest thereon;

3.1.6 Party C has no outstanding debt, except for (i) debts arising in the normal course of business; and (ii) debts that have been disclosed to Party A and consented by Party A in writing;

3.1.7 Party C will comply with all laws and regulations applicable to asset acquisition;

3.1.8 There is no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C, or Party C itself;

3.1.9 In case of death, incapacity, marriage, divorce, bankruptcy or other circumstances that may affect Party B's exercise of his equity interest in Party C, the successor of Party B (including his spouse, children, parents, siblings, grandparents and grandparents-in-law) or the then shareholder of or assignee of equity interest in Party C will be regarded as a party hereto, to inherit and assume all the rights and obligations of Party B hereunder, and transfer the Optioned Interests to Party A or the person designated by Party A in accordance with the then applicable laws and this Agreement; and

3.1.10 The equity interests in Party C held by Party B is not the common property between Party B and his spouse, and Party B's spouse does not own or control the equity interests in Party C; Party B's operation and management over and other voting matters of Party C due to his holding of the equity interests in Party C shall not be affected by his spouse.

Article 4 Term

This Agreement shall become effective upon the date of execution (which will be signing by hand, in case of natural person; or affixation of seal, in case of non-natural person) by the Parties and fully terminate and supersede the Original EOA. This Agreement will remain in effect until all equity interests held by Party B in Party C have been duly transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement, or otherwise agreed by the Parties upon negotiation.

Article 5 Applicable Law and Dispute Resolution

5.1 Applicable Law

The conclusion, validity, interpretation, performance, amendment and termination and dispute resolution of this Agreement shall be governed by the PRC laws.

5.2 Dispute Resolution Mechanism

In case of any dispute arising out of the performance of this Agreement or in connection with this Agreement, either Party may submit such dispute to Beijing Arbitration Commission ("BAC") for

arbitration in Beijing in accordance with the arbitration rules of BAC then in force. The arbitral tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant appointing one arbitrator, the respondent appointing one arbitrator, and the third arbitrator appointed by the first two arbitrators or appointed by BAC. The arbitration shall be conducted in confidentiality and the language used in the arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties. Where appropriate, the arbitration tribunal or the arbitrator may award compensation in respect of the equity, assets, property interests or land assets of Party C and its subsidiaries, award compulsory remedies (including but not limited to those necessary for conducting business or mandating transfer of assets), or direct liquidation of Party C and its subsidiaries, in accordance with the dispute resolution provisions and/or applicable PRC laws. Moreover, pending the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies to facilitate the arbitration from a court with competent jurisdiction, including the PRC courts, which shall also include the courts of Hong Kong, Cayman Islands and the place where the main assets of Party C and/or its subsidiaries are located. Pending arbitration of any dispute, except for the disputed matters under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Article 6 Taxes and Fees

Each Party shall pay the taxes incurred by or levied on it in accordance with the PRC laws in connection with the preparation and execution of this Agreement.

Article 7 Notice

7.1 All notices and other communications required or permitted to be given hereunder shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

7.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

7.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th day after the date on the registered letter receipt;

7.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o'clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

7.2 For the purpose of notice, the addresses of the Parties are as follows:

Party A: Jinbei (Tianjin) Technology Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

Party B: Party C's shareholders listed in Appendix 1 hereto

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

Party C: Beijing Beijia Commercial Consultancy Co., Ltd.

Address: Oriental Electronic Technology Building, No. 2 Chuangye Road, Haidian District, Beijing

Attn: *****

Phone: *****

Email: *****

7.3 Either Party may change its address for notice at any time by delivering a notice to the other Party in accordance with this Article.

Article 8 Confidentiality

The Parties acknowledge and confirm that any oral or written information related to this Agreement, the content hereof and exchanged for the purpose of preparation or performance of this Agreement shall be regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without the prior written consent of the other Parties, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is subject to disclosure required under the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 9 Further Assurance

The Parties agree to promptly execute documents and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purpose of this Agreement.

Article 10 Liabilities for Breach of Agreement

10.1 If the Existing Shareholders or Party C commits any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and/or require the Existing Shareholders or Party C to indemnify all damages. This Article 10.1 shall not prejudice any other rights of Party A hereunder.

10.2 Unless otherwise provided for by laws, the Existing Shareholders and Party C shall in no case be entitled to terminate or cancel this Agreement.

Article 11 Miscellaneous

11.1 Amendment, Change and Supplement

Any amendment, change or supplement to this Agreement shall be made in a written agreement signed by each Party.

11.2 Entire Agreement

Except for the written amendments, supplements or changes made after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement. The Parties agree that as of the effective date of this Agreement, the Original EOA shall fully terminate and be superseded by this Agreement in entirety.

11.3 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

11.4 Severability

In the event that any or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by laws the intentions of the Parties, and are of an economic effect as close as possible to that of such invalid, illegal or unenforceable provisions.

11.5 Successor

This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties.

11.6 Survival

Any obligation that is due or accrued as a result of this Agreement prior to the expiration or early termination of this Agreement shall survive such expiration or early termination. Articles 5, 8, 10 and 11.6 hereof shall survive the termination of this Agreement.

11.7 Waiver

Any Party may waive the terms and conditions of this Agreement, provided that such waiver must be made in writing and signed by the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall be deemed as a waiver by such Party with respect to any similar breach of other Parties in other circumstances.

11.8 Language and Counterpart

This Agreement shall be written in Chinese and may be executed in any number of counterparts, each of which shall have the same legal effect.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Jinbei (Tianjin) Technology Co., Ltd. (seal)

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Legal Representative

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

LIN Junquan

Signed by: /s/ LIN Junquan
Name: LIN Junquan

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

XU Tao

Signed by: /s/ XU Tao
Name: XU Tao

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

PENG Yongdong

Signed by: /s/ PENG Yongdong
Name: PENG Yongdong

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

WANG Yongqun

Signed by: /s/ WANG Yongqun
Name: WANG Yongqun

Exclusive Option Agreement
Signature Page

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Beijing Beijia Commercial Consultancy Co., Ltd. (seal)

Signed by: /s/ LIN Junquan
Name: LIN Junquan

Exclusive Option Agreement
Signature Page

Appendix 1: Shareholding Structure of Party C

Shareholders	Subscribed Registered Capital (RMB)	Contribution Percentage
LIN Junquan	100,000	25%
XU Tao	100,000	25%
PENG Yongdong	100,000	25%
WANG Yongqun	100,000	25%
Total	400,000	100.0000%

Exclusive Option Agreement
Appendix 1

THE SYMBOL “[***]” OR “[REDACTED]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL

AMENDED AND RESTATED ACQUISITION FRAMEWORK AGREEMENT

ON

SHENGDU HOME DECORATION CO., LTD.

AMONG

KE HOLDINGS INC.

BEIKE KESTONE HOLDINGS (HONG KONG) LIMITED

AND

YAN WEIYANG, ZHEJIANG SHENGDU INVESTMENT CO., LTD. (浙江圣都投资有限公司)

NINGBO MEISHAN BONDED PORT AREA SHENGJIA INVESTMENT MANAGEMENT PARTNERSHIP (LIMITED PARTNERSHIP) (宁波梅山保税港区圣家投资管理合伙企业 (有限合伙))

NINGBO MEISHAN BONDED PORT AREA SHENGZHUANG INVESTMENT MANAGEMENT PARTNERSHIP (LIMITED PARTNERSHIP) (宁波梅山保税港区圣装投资管理合伙企业 (有限合伙))

NINGBO MEISHAN BONDED PORT AREA SHENGCAI INVESTMENT MANAGEMENT PARTNERSHIP (LIMITED PARTNERSHIP) (宁波梅山保税港区圣财投资管理合伙企业 (有限合伙))

NINGBO MEISHAN BONDED PORT AREA SHENGYI INVESTMENT MANAGEMENT PARTNERSHIP (LIMITED PARTNERSHIP) (宁波梅山保税港区圣意投资管理合伙企业 (有限合伙))

NINGBO MEISHAN BONDED PORT AREA SHENGYOU INVESTMENT MANAGEMENT PARTNERSHIP (LIMITED PARTNERSHIP) (宁波梅山保税港区圣友投资管理合伙企业 (有限合伙))

NINGBO MEISHAN BONDED PORT AREA SHENG-U INVESTMENT MANAGEMENT PARTNERSHIP (LIMITED PARTNERSHIP) (宁波梅山保税港区圣优投资管理合伙企业 (有限合伙))

AND

SHENGDU HOME DECORATION CO., LTD. (圣都家居装饰有限公司)

AND

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This Amended and Restated Acquisition Framework Agreement on Shengdu Home Decoration Co., Ltd. (hereinafter referred to as the “**Agreement**”) is made and entered into on April 11, 2022 in Hangzhou, China by and among:

- (A) **KE HOLDINGS INC.**, a limited company incorporated and validly existing in the Cayman Islands, having its registered address at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands (hereinafter referred to as the “**Beike Group’s Listed Entity**”);
- (B) **Beike Kestone Holdings (Hong Kong) Limited (formerly, Beike Fintech Holdings (Hong Kong) Limited)**, a limited liability company incorporated and validly existing in Hong Kong, having its registered address at Suite 3101 Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong (hereinafter referred to as the “**Investor**”);
- (C) **YAN Weiyang**, a PRC citizen, actual controller and shareholder of the Company, ID Card No.: 350723197708112376 (hereinafter referred to as the “**Actual Controller**”);

Zhejiang Shengdu Investment Co., Ltd. (浙江圣都投资有限公司), a shareholder of the Company and a limited liability company incorporated and validly existing in Hangzhou, Zhejiang Province, PRC, having its registered address at (Room 101, 3/F, Haiwaihai Hangzhou Mall,) 589 Shixiang Road, Gongshu District (hereinafter referred to as “**Shengdu Investment**”);

Ningbo Meishan Bonded Port Area Shengjia Investment Management Partnership (Limited Partnership) (宁波梅山保税港区圣家投资管理合伙企业 (有限合伙)), a shareholder of the Company and a limited liability company incorporated and validly existing in Ningbo, Zhejiang Province, PRC, having its registered address at H0221, Zone B, Room 401, Building No.1, 88 Meishan Qixing Road, Beilun District, Ningbo, Zhejiang Province (hereinafter referred to as the “**Shengjia Investment**”);

Ningbo Meishan Bonded Port Area Shengzhuang Investment Management Partnership (Limited Partnership) (宁波梅山保税港区圣装投资管理合伙企业 (有限合伙)), a shareholder of the Company and a limited liability company incorporated and validly existing in Ningbo, Zhejiang Province, PRC, having its registered address at H0131, Zone B, Room 401, Building No.1, 88 Meishan Qixing Road, Beilun District, Ningbo, Zhejiang Province (hereinafter referred to as the “**Shengzhuang Investment**”);

Ningbo Meishan Bonded Port Area Shengyou Investment Management Partnership (Limited Partnership) (宁波梅山保税港区圣友投资管理合伙企业 (有限合伙)), a shareholder of the Company and a limited liability company incorporated and validly existing in Ningbo, Zhejiang Province, PRC, having its registered address at H0219, Zone B, Room 401, Building No.1, 88 Meishan Qixing Road, Beilun District, Ningbo, Zhejiang Province (hereinafter referred to as the “**Shengyou Investment**”);

Ningbo Meishan Bonded Port Area Shengcai Investment Management Partnership (Limited Partnership) (宁波梅山保税港区圣财投资管理合伙企业 (有限合伙)), a shareholder of the Company and a limited liability company incorporated and validly existing in Ningbo, Zhejiang Province, PRC, having its registered address at H0109, Zone B, Room 401, Building No.1, 88 Meishan Qixing Road, Beilun District, Ningbo, Zhejiang Province (hereinafter referred to as the “**Shengcai Investment**”);

Ningbo Meishan Bonded Port Area Shengyi Investment Management Partnership (Limited Partnership) (宁波梅山保税港区圣意投资管理合伙企业 (有限合伙)), a shareholder of the Company and a limited liability company incorporated and validly existing in Ningbo, Zhejiang Province, PRC, having its registered address at H0220, Zone B, Room 401, Building No.1, 88 Meishan Qixing Road, Beilun District, Ningbo, Zhejiang Province (hereinafter referred to as the “**Shengyi Investment**”);

Ningbo Meishan Bonded Port Area Sheng-U Investment Management Partnership (Limited Partnership) (宁波梅山保税港区圣优投资管理合伙企业 (有限合伙)), a shareholder of the Company and a limited liability company incorporated and validly existing in Ningbo, Zhejiang Province, PRC, having its registered address at H0222, Zone B, Room 401, Building No.1, 88 Meishan Qixing Road, Beilun District, Ningbo, Zhejiang Province (hereinafter referred to as the “**Sheng-U Investment**”);

(Shengjia Investment, Shengzhuang Investment, Shengyou Investment, Sheng-U Investment, Shengcai Investment and Shengyi Investment are collectively referred to as the “**Holding Platforms**”);

- (D) **Shengdu Home Decoration Co., Ltd. (圣都家居装饰有限公司)**, a limited liability company incorporated and validly existing in Hangzhou, Zhejiang Province, PRC, having its registered address at (Room 801, 3/F, Haiwaihai Hangzhou Mall,) 589 Shixiang Road, Gongshu District, Hangzhou, Zhejiang Province (hereinafter referred to as “**Shengdu Home**”, “**Company**” or “**Target Company**”); AND

- (E) **SD Co., Ltd.**, a limited liability company incorporated and validly existing in the Cayman Islands, having its registered address at Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, Cayman Islands (hereinafter referred to as “**Cayman Co 1**”);
- (F) **Shengdu Co., Ltd.**, a limited liability company incorporated and validly existing in the Cayman Islands, having its registered address at Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands (hereinafter referred to as “**Cayman Co 2**”);
- (G) **Shengdu (Hong Kong) Company Limited**, a limited liability company incorporated and validly existing in Hong Kong, having its registered address at 12/F Ruttonjee House Ruttonjee CTR 11 Duddell St Central Hong Kong (hereinafter referred to as “**HK Co**”);
- (H) **Qingdao Shengjia Huazhang Enterprise Management Co., Ltd.**, a limited liability company incorporated and validly existing in Qingdao, Shandong Province, PRC, having its registered address at Room 8405-1-5(B), 4/F, Jianqing Office Building One, No. 24 Hancheng Road, Qianwan Free Trade Port Zone, Qingdao, China (Shandong) Pilot FTZ (hereinafter referred to as “**WFOE**”);
- (I) All entities stated in Appendix I-A to the Agreement (hereinafter referred to as the “**BVI Cos**”); and
- (J) All entities stated in Appendix I-B to the Agreement (hereinafter referred to as the “**Subsidiaries**”).

All parties above are hereinafter referred to individually as a “**Party**” and collectively as the “**Parties**”; the Cayman Co 2, the HK Co, the WFOE, the Target Company, the Subsidiaries and their subsidiaries, branches and other domestic and foreign affiliates under their respective control are collectively referred to as the “**Group Companies**”; YAN Weiyang and Shengdu Investment are collectively referred to as the “**Controlling Shareholders**”; the Controlling Shareholders, the Holding Platforms, the Cayman Co 1, the BVI Cos and the Group Companies are collectively referred to as the “**Company Party**”), as the context requires; and the Company Party and the Investor are collectively referred to as the “**Transaction Parties**”.

WHEREAS,

- (A) The Beike Group’s Listed Entity, the Investor, the Controlling Shareholders, the Holding Platforms, the Target Company and its Subsidiaries entered into the Acquisition Framework Agreement on Shengdu Home Decoration Co., Ltd. dated July 4, 2021 (the “**Original Framework Agreement**”). The Parties intend to amend and restate the Original Framework Agreement by entering into this Agreement;

- (B) Beike Group (as defined below) of which the Investor is a member mainly engages in real estate brokerage business, and as of the date of the Original Framework Agreement, the Company Party was not an affiliate of the Investor;
- (C) The Target Company is a company incorporated in Hangzhou, Zhejiang Province, mainly engaging in home decoration and project decoration business (hereinafter referred to as the “**Main Business**”). As of the date of the Original Framework Agreement, the registered capital of the Target Company was RMB50,000,000.00, and the actual shareholding structure and the shareholding structure registered with the competent administration for market regulation of the Target Company as of the date of the Original Framework Agreement were as follows:

No.	Name of Shareholder	Subscribed Registered Capital (RMB'0,000)	Paid-in Registered Capital (RMB'0,000)	Shareholding Percentage
1	Shengjia Investment	1,550	1,550	31%
2	Shengyou Investment	175	175	3.5%
3	Shengzhuang Investment	53	53	1.06%
4	Shengyi Investment	250	250	5%
5	Shengcai Investment	250	67.5	5%
6	Sheng-U Investment	2,722	1,222	54.44%
	Total	5,000	3,317.5	100.00%

- (D) As of the date of the Original Framework Agreement, the list of partners who actually hold equity in the Target Company indirectly through holding contribution units in the Holding Platforms and their shareholding percentages are set forth in Schedule I-A attached hereto (regardless of whether such partners have been registered as partners of the Holding Platforms with the competent administration for market regulation);
- (E) The Investor and/or its designated entity desires to accept the transfer of the registered capital of the Target Company of RMB50,000,000 (corresponding to 100% equity in the Company) jointly held by the Controlling Shareholders and the Holding Platforms (hereinafter referred to as the “**Target Equity**”) in the manner agreed herein; and the Investor is aware that the unpaid capital of the Target Company as of the execution of the Original Framework Agreement was RMB***, and agrees that the Company Party no longer needs to pay such remaining unpaid registered capital and that such unpaid capital of the Target Company will not affect the acquisition consideration to be paid by the Investor for the Target Company hereunder;

- (F) In furtherance of the foregoing and as further specified herein, the Investor and/or its designated entity will ultimately hold the registered capital of the Target Company of RMB50,000,000 (corresponding to 100% equity in the Company) by acquiring (i) part of the Company's equity directly held by the Holding Platforms, and (ii) all the shares of an overseas entity which, upon the restructuring by the Company Party agreed herein, will hold the remaining equity in the Target Company (hereinafter referred to as the “**Transaction**”).
- (G) In furtherance of the foregoing and subject to the terms and conditions agreed herein, such agreements and other documents as the Investor and the Company Party may subsequently need to enter into for the purpose of completion of the Transaction upon execution of the Original Framework Agreement and this Agreement, including but not limited to the Equity Transfer Agreement (I), the Shareholders Agreement, the Cayman Co 2 SHA, the Cayman Co 2 AOA, the Equity Transfer Agreement (II), the Cayman Co 2 STA, the Business Cooperation Agreement, the Deed of Accession to Shareholders Agreement, the Documents on WFOE's Acquisition of Equity in Target Company, and the Control Agreements, are to be drafted by the Investor and finalized and signed upon unanimous agreement by relevant parties. The Transaction Parties confirm and agree that the main terms and conditions of such documents shall be substantially consistent with the content agreed herein. Where any Party materially changes the transaction terms agreed herein without consent of the other Parties, such Party shall be liable for the adverse consequences so caused in accordance with the provisions hereof (notwithstanding the foregoing, with respect to the Investor, this undertaking is conditional upon: (i) there is no material adverse change in the Group Companies; (ii) the Investor has completed all supplementary due diligences towards the Group Companies, the results of which are to its satisfaction; and (iii) the conditions precedent under Articles 3.5.4 (12) and 3.6.4 (7) hereof have been satisfied).

THEREFORE, upon friendly negotiation, the Parties agree that:

1 Definitions and Interpretation

Definitions. Unless the context requires otherwise, the meanings of the terms used herein are defined in Schedule 2 attached hereto.

Interpretation. Where the context so permits, a “Party” and the “Parties” shall include their respective successors, representatives and permitted assigns.

Unless otherwise stated, in this Agreement:

- (a) Any express or implied reference to laws and regulations shall mean such laws and regulations as may be amended or re-enacted (before or after the date hereof) or as may be from time to time revised by other regulations in terms of applicability, and shall include the laws and regulations already existing prior to the reenactment of such laws and regulations (whether they have been amended in the course of reenactment or not);
- (b) Any reference to “Article”, “Appendix” and “Schedule” shall mean the articles, appendices and schedules herein, unless the context requires otherwise. The preamble and schedules to this Agreement shall be integral parts of this Agreement. Any reference to or definition of other agreement herein, the form of which has been attached hereto as appendix, shall mean the form of such agreement attached hereto before it is executed;
- (c) Headings are inserted for reference only and shall not be taken into consideration in interpreting this Agreement;
- (d) “This Article”, when not followed by a paragraph number, shall refer to the relevant article as a whole, (instead of an item or paragraph thereof or another paragraph);
- (e) “In writing” refers to any information transmitted by letter, e-mail, or fax;
- (f) Words importing the singular only also include the plural and vice versa;
- (g) “Including” shall mean including, without limitation;
- (h) If an event is planned to occur on a day which is not a business day, then the event shall occur on the business day immediately following such day;
- (i) Any reference to time herein is to Beijing time;
- (j) In this Agreement, “**Material Adverse Effect**” relating to the Group Companies refers to (i) the entry into bankruptcy proceedings or liquidation, or shut-down of any Group Company (other than those proposed to be liquidated or shut down as disclosed in Schedule VII attached hereto), or any material administrative penalty or investigation against, or major safety accident, material restructuring of assets or reorganization of debts of, or sale of material assets by, any Group Company, in each case, which will or could be reasonably expected to cause material adverse effect on the Group Companies; (ii) the loss of any important license, qualifications or permit necessary for the Group Companies to carry out their operation activities; or (iii) any circumstance, change or effect involving the Group Companies which individually or collectively, directly or indirectly: (a) will or could be reasonably expected to have material adverse effect on the existence, business, assets (including tangible and intangible assets), liabilities (including, without limitation, contingent liabilities), financial conditions, operating results, operation prospect or financial position of any Group Company, or (b) will or could be reasonably expected to

have material adverse effect on the qualifications, licenses or capacities of any Group Company to operate its business currently conducted, or (c) will or could be reasonably expected to have material adverse effect on the validity, binding effect or performance of the Transaction Documents; and, unless otherwise defined herein, “material agreement/contract/transaction”, “material amount”, “material undertaking”, “material loan/guarantee”, “material acquisition/merger/restructuring”, “material litigation/claim”, “major safety accident”, “material customer complaint”, “material administrative penalty or investigation”, etc., in connection with the Company, shall mean any event with such negative effect sufficient to cause the Company to have the said “Material Adverse Effect”. Any reference to “material aspects”, “material fault/negligence” or similar expressions in connection with this Agreement shall mean having such severity sufficient to impede the parties to the transaction agreement from performing their obligations thereunder and to affect the validity or legality of or impede the performance of, the transaction agreement; and

- (k) “Before/prior to”, “after”, “above”, “below”, “within” or similar expressions referred to herein shall include the number per se; and “less than”, “other than” and “more than” referred to herein shall exclude the number per se.

2 Purpose of Transaction

- 2.1 For the Investor, the purpose of the Transaction is to realize its direct or indirect holding of all equity interest of the Target Company, legal obtaining of the shareholder’s rights and interests incidental to the Target Equity in the capacity of shareholder, and holding of the equity interest in the Group Companies through the Target Company by acquiring the Target Equity; specifically, the Investor and/or its designated entity will (i) accept the transfer of part of the equity in the Target Company directly held by the Holding Platforms, free of freezing, seizure, pledge or other encumbrance, for consideration in cash in the PRC, and (ii) after the Company Party completes the restructuring as agreed herein, acquire all equity interest, free of freezing, seizure, pledge or other encumbrance, of the overseas entity (i.e. Cayman Co 2) which holds equity in the Target Company, for consideration in cash (in case of capital increase) and in share (in case of acceptance of the transfer of shares) outside the PRC, pursuant to the terms and conditions hereof.
- 2.2 For the Company Party, the purpose of the Transaction is to obtain the cash or share-based consideration for the equity transfer after the Investor and/or its designated entity has acquired all the Target Equity; specifically, the Company Party will (i) transfer part of the Target Equity directly

held by the Holding Platforms to the Investor and/or its designated entity, and (ii) procure the overseas entity (i.e. Cayman Co 2) restructured by the Company Party in the manner agreed by the Parties herein outside the PRC to issue additional shares and transfer equity interest in Cayman Co 2 (as defined below) to the Investor and/or its designated entity, pursuant to the terms and conditions hereof.

3 Transaction Arrangement

3.1 Post-signing Matters of Company Party

3.1.1 Within ten (10) business days upon signing of the Original Framework Agreement, the Company Party shall complete the following matters (hereinafter referred to as the “**Post-signing Matters of Company Party**”) and deliver the corresponding supporting documents to the Investor:

- (1) The shareholder's meeting and the board of directors (or the sole executive director) of the Target Company and the Subsidiaries adopt resolution or decision approving the execution of this Agreement and the consummation of the Transaction;
- (2) Except as disclosed to the Investor in the Schedule VII attached hereto and this Agreement, the Target Company and the Holding Platforms shall fully grant the incentive corresponding to *% shares in the Target Company which Target Company has promised to grant, to employees eligible for the incentive, and there is no promised but outstanding employee incentive arrangement of the Target Company, be it bonus or equity incentive; and
- (3) The Company Party confirms in writing to the Investor that the partners stated in Schedule I-A attached hereto are all the persons of the Group Companies who have obtained incentive equity from the Company as of the date of the Original Framework Agreement.

3.2 Internal Equity Restructuring and Anti-monopoly Declaration by Target Company

3.2.1 The Target Company has completed the following equity restructuring as of the date of the Original Framework Agreement (hereinafter referred to as the “**Internal Equity Restructuring**”): (1) the Actual Controller shall have transferred the registered capital of the Target Company of RMB***** held by him (corresponding to *% equity in the Target Company prior to the date of the Original Framework Agreement) to Sheng-U Investment, one of the Holding Platforms at the price of RMB1; (2) Shengdu Investment

shall have transferred the registered capital of the Target Company of RMB***** held by it (corresponding to ***% equity in the Target Company prior to the date of the Original Framework Agreement) to Sheng-U Investment, one of the Holding Platforms at the price of RMB1, and the Target Company has completed the change formalities with the competent administration for market regulation and the taxation authority for the transfer set forth in Items (1) and (2) above. Upon completion of the said Internal Equity Restructuring and other equity adjustment relating to the Holding Platforms, the shareholding structure of the Target Company will be as shown in the table below.

No.	Shareholder	Subscribed Registered Capital (RMB'0,000)	Paid-in Registered Capital (RMB'0,000)	Shareholding Percentage
1.	Shengjia Investment	1,550	1,550	31.00%
2.	Shengyou Investment	175	175	3.50%
3.	Shengzhuang Investment	53	53	1.06%
4.	Shengyi Investment	250	250	5.00%
5.	Shengcai Investment	250	67.5	5.00%
6.	Sheng-U Investment	2,722	1,222	54.44%
	Total	5,000	3,317.5	100.00%

- 3.2.2 The Company Party agrees and undertakes that, upon completion of the Internal Equity Restructuring of the Target Company, the Company Party shall submit a tax return and pay corresponding tax (including, without limitation, the individual income tax that shall be withheld and paid by the Holding Platforms on behalf of the Actual Controller) to the competent taxation authority with respect to the Internal Equity Restructuring of the Target Company based on the income from this equity transfer assessed by the competent taxation authority according to the net assets of the Target Company, and the Company Party shall submit to the Investor the photocopy of the certificate of tax payment relating to the transfer of his *% equity in the Target Company by the Actual Controller, as soon as possible prior to the First Closing Date. Where the Actual Controller or Shengdu Investment and its shareholders do not have sufficient funds to pay relevant taxes involved in such Internal Equity Restructuring of the Target Company, then the Actual Controller and/or Shengdu Investment may require the Target Company to provide the former with loans equivalent to the amount of such taxes and enter into corresponding loan agreement(s), provided that the Actual Controller and Shengdu Investment shall undertake to repay such loans to the Target

Company within ten (10) business days upon the Investor's payment of corresponding Domestic Transfer Consideration at the First Closing. To the extent that Shengdu Investment fails to repay such loans per the agreed undertaking above, the Actual Controller shall be jointly and severally liable for such loans.

- 3.2.3 Upon execution of the Original Framework Agreement, the Investor shall file a declaration of concentration of business operators with the competent governmental authority with respect to the Transaction (hereinafter referred to as the “**Anti-monopoly Declaration**”), the Company Party shall provide necessary support for the Anti-monopoly Declaration, including but not limited to provision of information and materials relating to the Company Party required by the competent governmental authorities and signing necessary documents.

3.3 Building Overseas Structure by Company Party

- 3.3.1 Upon execution of the Original Framework Agreement, the Company Party shall immediately carry out overseas restructuring (hereinafter referred to as the “**Overseas Restructuring**”) per the following steps, which shall be conducted concurrently with the Internal Equity Restructuring of the Target Company and the Domestic Acquisition of Target Equity. The Company Party shall provide the Investor with incorporation documents (including, without limitation, certificate of incorporation, business registration certificate (if applicable), business license (if applicable), articles of association, register of shareholders, register of directors, etc.) of the following relevant entities, upon their incorporation:

- (1) A new domestic company to be incorporated by the Actual Controller and relevant Holding Platforms in Beijing as the domestic equity company for the purpose of the Circular 37 initial foreign exchange registration for the Actual Controller and other partners of the Holding Platforms other than the Exiting Partners (i.e. ** employees set forth in the Schedule III, collectively the “**Core Employees**”);
- (2) A holding company to be incorporated by the Actual Controller in the British Virgin Islands (hereinafter referred to as the “**Actual Controller's BVI Co**”), and the Core Employees incorporate several holding companies in the British Virgin Islands (hereinafter referred to as the “**Core Employees' BVI Cos**”, together with the Actual Controller's BVI Co, collectively the “**BVI Co**”);
- (3) A holding company to be incorporated jointly by the Actual Controller's BVI Co and the Core Employees' BVI Cos in the Cayman Islands (i.e. the “**Cayman Co 1**”), in which the relative shareholding percentage of the Actual Controller and the

Core Employees (after deducting the shareholding percentage in the Cayman Co 1 held by the foreign shareholder (if any) set forth in Article 3.3.3 hereof) shall be same as their relative shareholding percentage in the Target Company. At the initial incorporation, the indirect shareholding percentage of the Actual Controller and the Core Employees in the Cayman Co 2 shall be as shown in Schedule III attached hereto;

- (4) A 100% wholly-owned holding company to be incorporated by the Cayman Co 1 in the Cayman Islands (i.e. the “**Cayman Co 2**”), as the target company for the subsequent overseas tranche of the Transaction;
- (5) A 100% wholly-owned holding company to be incorporated by the Cayman Co 2 in Hong Kong (i.e. the “**HK Co**”); and
- (6) A wholly foreign owned enterprise (i.e. the “**WFOE**”) to be incorporated by the HK Co, after the Actual Controller and the Core Employees legally complete the Circular 37 initial foreign exchange registration, in an appropriate place acceptable to the Parties other than Hangzhou, with its foreign exchange registration (including identifying the WFOE as a round-trip investment enterprise) and the opening of capital account as well as other related matters completed.

3.3.2 Prior to the incorporation of the WFOE, the Actual Controller and Core Employees shall, and the Company Party shall procure the Core Employees to apply for and complete the individual foreign exchange registration provided in the Circular 37 with respect to their shareholding in the Cayman Co 1 through the BVI Co and the round-trip investment, and provide the Investor with the Registration Form for Foreign Exchange for Overseas Investments by Individual Domestic Residents and the business registration certificates issued to them by the bank(s) as evidence of the completion of the Circular 37 foreign exchange registration by the Actual Controller and the Core Employees according to the laws.

3.3.3 [redacted]

3.3.4 Upon completion of the Overseas Restructuring under this Article 3.3, the structure of the Group Companies will be as shown in Schedule IV attached hereto.

3.4 Acquisition of 6% Equity in Target Company by Investor

3.4.1 Upon completion of domestic equity restructuring and within ten (10) business days after the date on which (i) the competent anti-monopoly governmental authority has approved

the Anti-monopoly Declaration for the Transaction unconditionally (instead of with restrictive conditions) or (ii) the competent governmental authority has approved the same with restrictive conditions and such conditions have been satisfied and the Transaction Parties unanimously agree in writing to proceed the Transaction, Shengjia Investment, Shengyou Investment, Shengzhuang Investment and Shengcai Investment shall enter into with the Investor and/or its designated entity, an Equity Transfer Agreement (hereinafter referred to as the “**Equity Transfer Agreement (I)**”) unanimously acceptable to the Parties and containing main terms and conditions substantially consistent with relevant content agreed herein, whereby Shengjia Investment, Shengyou Investment, Shengzhuang Investment and Shengcai Investment shall jointly transfer to the Investor and/or its designated entity the registered capital of the Target Company of RMB3,000,000 (corresponding to 6% of the then equity in the Target Company) (hereinafter referred to as the “**Domestic Target Equity**”) at a total consideration of RMB120,000,000 (hereinafter referred to as the “**Domestic Transfer Consideration**”) on basis of a valuation of the Target Company of RMB2,000,000,000, according to the specific transfer arrangement (hereinafter referred to as the “**Domestic Acquisition of Target Equity**”) as follows:

No.	Transferor (Holding Platform)	Registered Capital Proposed to Transfer (RMB'0,000)	Percentage of Equity Proposed to Transfer	Domestic Transfer Consideration (RMB'0,000)
1.	Shengjia Investment	101.350	2.0270%	4,054.00
2.	Shengyou Investment	11.630	0.2326%	465.20
3.	Shengzhuang Investment	7.940	0.1588%	317.60
4.	Sheng-U Investment	179.080	3.5816%	7,163.20
	Total	300	6.00%	12,000

If the Investor pays the Domestic Transfer Consideration in foreign currency, the exchange rate for translation shall be the central parity rate of RMB against such foreign currency announced by the People’s Bank of China, on the day when the Domestic Transfer Consideration is paid, or if such day is not a business day, on the business day immediately prior to such day of payment. Upon completion of the Domestic Acquisition of Target Equity, the Target Company will become a Sino-foreign joint venture, with such shareholding structure shown in the table below.

No.	Shareholder	Subscribed Registered Capital (RMB'0,000)	Paid-in Registered Capital (RMB'0,000)	Shareholding Percentage
1.	Shengjia Investment	1,448.65	1448.65	28.9730%
2.	Shengyou Investment	163.37	163.37	3.2674%
3.	Shengzhuang Investment	45.06	45.06	0.9012%
4.	Shengyi Investment	250.00	250.00	5.0000%
5.	Shengcai Investment	250.00	67.50	5.0000%
6.	Sheng-U Investment	2542.92	1042.92	50.8584%
7.	Investor	300.000	300.000	6.0000%
	Total	5,000	3,317.500	100.00%

- 3.4.2 In order to complete the transaction of Domestic Acquisition of Target Equity, the Investor and the Company Party shall also enter into a Shareholders Agreement (hereinafter referred to as the “**Shareholders Agreement**” or “**SHA**”) unanimously acceptable to the Parties and containing main terms and conditions substantially consistent with relevant content agreed herein, articles of association of the Target Company and/or other documents required for the consummation of such transaction (all such documents and the Equity Transfer Agreement (I) are collectively referred to as the “**Documents on Domestic Acquisition of Target Equity**”), provide other materials required for change of the registration filing with the administration for industry and commerce (“**AIC**”) / competent taxation authority, and complete the corresponding AIC and taxation change formalities for the Target Company, before the First Closing Date in accordance with this Agreement and the Equity Transfer Agreement (I). The Parties agree and acknowledge that, the Domestic Target Equity acquired by the Investor in the Domestic Acquisition of Target Equity shall have the preferential rights agreed in Article 5 hereof, which shall then be agreed by the Parties in the formal Shareholders Agreement and the articles of association (to the extent acceptable by the competent administration for market regulation) to reflect such preferential rights of the Investor.
- 3.4.3 Within thirty-five (35) business days or other reasonable period as the Investor and the Target Company may then agree otherwise, from the date of satisfaction of all or the Investor’s written waiver of the conditions precedent agreed in Article 3.4.4 below, the Investor shall pay the Domestic Transfer Consideration in full to the assets liquidation accounts designated by the Holding Platforms in writing in advance. The Investor’s payment of the first tranche of the Domestic Transfer Consideration shall be referred to as

the “**First Closing**” and the date of such payment shall be referred to as the “**First Closing Date**”.

- 3.4.4 The Investor’s completion of the Domestic Acquisition of Target Equity and payment of the Domestic Transfer Consideration shall be conditional upon the satisfaction of all or the Investor’s written waiver of the following conditions precedent (and for the avoidance of doubt, matters waived by the Investor shall automatically become undertakings and obligations to be completed by the Company Party after this step and conditions precedent to the Second Closing):
- (1) The Documents on Domestic Acquisition of Target Equity have been duly signed by the relevant parties and have come into effect;
 - (2) The form and content of the Cayman Co 2 SSA, the Cayman Co 2 SHA, the Cayman Co 2 AOA, the Equity Transfer Agreement (II), and the Cayman Co 2 STA as set forth in Articles 3.5 to 3.6 below have been finalized and confirmed by the Parties;
 - (3) The Investor has completed supplementary due diligence against the Group Companies (including, without limitation, legal, business, financial and technical due diligence, hereinafter referred to as “**First Supplementary DD**”), and the results of the First Supplementary DD are to the satisfaction of the Investor, and the Investor shall complete such First Supplementary DD and inform the Company Party whether it satisfies with the results of such supplementary due diligence no later than three (3) months upon completion of the domestic equity restructuring;
 - (4) The Target Company has adopted relevant resolution of shareholders’ meeting and decision of executive director approving: (1) to sign the Documents on Domestic Acquisition of Target Equity, and consent and approve the Domestic Acquisition of Target Equity; and (2) that the Target Company will have a board of directors, with one member appointed by the Investor;
 - (5) Partners of the Holding Platforms that hold equity in the Target Company have approved in writing the Documents on Domestic Acquisition of Target Equity and agreed and approved to implement the Domestic Acquisition of Target Equity;
 - (6) All then shareholders of the Target Company have waived their right of first refusal towards the transfer of Domestic Target Equity, and the Target Company has

obtained necessary approvals for the Transaction from third parties or governmental authorities;

- (7) The Internal Equity Restructuring of the Target Company has been completed according to the plan agreed in Article 3.2 above, and the corresponding AIC and taxation change registrations have been completed, and the Actual Controller has provided relevant certificate of tax payment to the Investor in accordance with Article 3.2.2;
- (8) The competent anti-monopoly governmental authority has approved the Anti-monopoly Declaration for the Transaction unconditionally (instead of with restrictive conditions) or the competent governmental authority has approved the same with restrictive conditions and such conditions have been satisfied and the Transaction Parties unanimously agree in writing to proceed the Transaction;
- (9) The Company Party has provided the Investor with the Consent and Confirmation in the form and content as set forth in Appendix II attached hereto signed by each of the Exiting Partners (as defined below), whereby (a) such Exiting Partner is the only owner of the equity in the Target Company indirectly held by him through the corresponding Holding Platform, free of nominal holding, equity pledge or third party right and interest, and there is no dispute or controversy with respect to such equity between such Exiting Partner and any third party; (b) such Exiting Partner agrees and acknowledges to participate in the domestic equity transfer and acquisition transaction voluntarily, and confirms that the consideration to be received by him is the fair and sole consideration for the indirect transfer of the equity in the Target Company and he will not claim any additional consideration against the Investor, the Group Companies or the Holding Platforms; (c) such Exiting Partner undertakes to cooperate with the performance of the legal and taxation procedures relating to the exit from the corresponding Holding Platform; and (d) if the Holding Platform transfers the agreed by the Transaction Parties consideration payable to his designated bank account, it shall be deemed that: (1) such Exiting Partner has received the consideration payable to him net of the taxes that shall be withheld and paid by the relevant Holding Platform on his behalf according to the laws, and confirms such consideration is fair and not disputed; (2) all agreements between such Exiting Partner and the Holding Platform, the Target Company and/or other relevant parties with respect to his units in the Holding

Platform and equity in the Target Company (including, without limitation, the Equity Incentive Agreement, and the Supplementary Agreement to ESOP Partnership Agreement) have terminated, and cease to have any legal binding effect on him; and (3) such Exiting Partner has no equity dispute with any Group Company, nor will claim any equity in the Group Companies;

- (10) The Target Company has completed the AIC change registration and filing for the Domestic Acquisition of Target Equity and the reshuffle of board of directors of the Target Company, and the transferring Holding Platforms have opened assets liquidation accounts pursuant to the foreign exchange administration regulations, and provided the account information to the Investor in writing;
- (11) The Investor and the Group Companies have entered into the Business Cooperation Agreement (hereinafter referred to as the “**Business Cooperation Agreement**”) with respect to the proposed business cooperation, which sets forth the arrangement acceptable to the Transaction Parties with respect to the mode of cooperation, bearing of costs between and other rights and obligations of the Parties, and the Investor has completed the investigation and survey of the “Zhuang Qi Tong (装企通)” system developed by Baozi Technology, a subsidiary of the Target Company. (The Investor will dispatch relevant teams to Baozi Technology for investigation and survey upon execution of this Agreement. Subject to the cooperation with the Investor’s investigation and survey by the Group Companies, the investigation and survey shall be completed within twenty (20) business days from the date when relevant teams of the Investor are dispatched to Baozi Technology for investigation and survey);
- (12) The Investor has appointed one (1) director, one (1) financial director, one (1) system owner and one (1) HR director to the Target Company, all of which have been approved by the resolution of the shareholders’ meeting or board of director (or executive director) of the Target Company, provided that the effectiveness of the appointment of such persons shall be no earlier than the date when (i) the competent anti-monopoly governmental authority has approved the Anti-monopoly Declaration for the Transaction unconditionally (instead of with restrictive conditions) or (ii) the competent governmental authority has approved the same with restrictive conditions and such conditions have been satisfied and the Transaction Parties unanimously agree in writing to proceed the Transaction;

- (13) Subject to the results of the First Supplementary DD, the Company Party has made representations and warranties with respect to the legal and valid existence, material operation and other matters of the Group Companies under the Documents on Domestic Acquisition of Target Equity, the content of which is substantially consistent with Schedule VI attached hereto, and such representations and warranties are authentic, valid and complete;
- (14) As of the First Closing Date, there is no event, fact, condition, change or other circumstance which has or could be reasonably expected to have Material Adverse Effect on the business, equity, assets, financial condition, liabilities, operating results, general operation status, technologies, prospect and normal operation of the Group Companies, including, without limitation, any matter stated in Article 4 hereof which cannot be carried out by the Group Companies without joint prior written consent of the Investor and the Actual Controller;
- (15) As of the First Closing Date, the Company Party has not breached any agreement relating to the Transaction entered into before the First Closing Date (including, without limitation, this Agreement and the Documents on Domestic Acquisition of Target Equity), and has fulfilled the undertakings and obligations to be completed prior to the First Closing Date;
- (16) The Group Companies have no major safety accident or material customer complaint which will have Material Adverse Effect, before the First Closing Date;
- (17) The Actual Controller has entered into a Concerted Action Agreement in the form and content acceptable to the Investor, with all direct shareholders of the Target Company upon the completion of internal restructuring;
- (18) The Company Party has completed all Post-signing Matters of Company Party stated in Article 3.1.1, and has delivered to the Investor the corresponding supporting documents or written confirmation;
- (19) The Company Party has issued a closing certificate to the Investor that the conditions precedent to the Domestic Acquisition of Target Equity which shall be completed or confirmed by the Company Party have all been satisfied (except those waived by the Investor in writing); and

- (20) Other customary closing conditions agreed by the Parties in the Documents on Domestic Acquisition of Target Equity and the closing conditions arising from the results of the First Supplementary DD and confirmed by the Parties, if any.

For the avoidance of doubt, the Company Party may not fulfill the condition precedent set forth in Item (10), until the satisfaction or the Investor's written waiver of the conditions precedent which require the Investor to take the lead in, cooperate with or independently fulfill in the first place or in a timely manner (including Items (1), (2), (3), (8), (11) and (12) above).

- 3.4.5 In the Domestic Acquisition of Target Equity, partners at the level of the Holding Platforms as stated in Schedule I-B attached hereto (hereinafter referred to as the "**Exiting Partners**") will cease to hold any equity in the Target Company indirectly through the Holding Platforms. Upon receipt of the domestic transfer price paid by the Investor, the Company Party shall procure the relevant Holding Platforms to pay to such Exiting Partners the transfer price corresponding to the equity in the Target Company held by the Exiting Partners net of the taxes that shall be withheld and paid according to the laws (hereinafter referred to as the "**Transfer Consideration of Exiting Partners**"), and complete the AIC change formalities for the exit of such Exiting Partners from the Holding Platforms.
- 3.4.6 Within three (3) business days from the date when the First Closing takes place, the Company Party shall hand over the R&D team of and the "Zhuang Qi Tong (装企通)" system developed by Zhejiang Baozi Technology Co., Ltd. (浙江刨子科技有限公司), a subsidiary of the Target Company, to the Investor, and from the date when the First Closing takes place, Shengdu Home Decoration Co., Ltd. and Zhejiang Baozi Technology Co., Ltd. shall grant to the Investor and its affiliates, a royalty-free license of all of their intellectual property rights in connection with the said "Zhuang Qi Tong" for a term up to the Third Closing Date, whereby, the Investor may use, copy, modify, create derivatives of, distribute, display, operate and transmit the "Zhuang Qi Tong" software involved by such rights, and copy, modify, edit, add, delete or create derivatives of the source codes of such software.

If this Agreement is terminated before the Third Closing Date, then from and after the date of termination of this Agreement, as long as the Investor holds any equity in the Target Company, if the Investor needs to use, modify or sublicense the "Zhuang Qi Tong" software, the Investor shall pay to the Target Company relevant reasonable fee, which shall be determined in a separate agreement by the Company Party and the Investor upon negotiation. If, prior to the date of termination of this Agreement, the Investor inputs resources

(including, without limitation, technical resources, human resources) in any way to improve and develop the “Zhuang Qi Tong” software, then the intellectual property rights generated from the improved and developed part shall be owned by the Investor if such improvement or development is made by the Investor alone, or be jointly owned by the Investor and the Target Company if such improvement or development is made by them jointly. Subject to the foregoing provisions of this Article, the Company Party hereby agrees not to claim any right in and to the intellectual property rights relating to the “Zhuang Qi Tong” software against the Investor and its affiliates, and their respective customers.

3.5 Overseas Capital Increase to Cayman Co 2 by Investor and Acquisition of 94% Equity in Target Company by WFOE

3.5.1 After completion of the Overseas Restructuring and upon expiry of one month after the First Closing Date or other period as the Parties may agree otherwise, the Investor and/or its designated entity shall enter into a Share Subscription Agreement (hereinafter referred to as the “**Cayman Co 2 SSA**”) unanimously acceptable to the Parties and containing main terms and conditions substantially consistent with relevant content agreed herein, with the Actual Controller, the BVI Cos, Cayman Co 1, Cayman Co 2 and other relevant parties, whereby the Investor and/or its designated entity shall subscribe a certain amount of preferred shares newly issued by the Cayman Co 2 (hereinafter referred to as the “**Subscription Shares**”), so as to obtain 45.74% equity in the Cayman Co 2 (on a fully diluted basis). Subject to provisions of Article 3.5.9 on valuation and consideration adjustment, the consideration for the Investor to subscribe for such preferred shares (hereinafter referred to as the “**Subscription Amount**”) shall be RMB2,820,000,000.

If the payment of such Subscription Amount involves any exchange rate of RMB against a foreign currency, such exchange rate shall be the central parity rate of RMB against such foreign currency announced by the People’s Bank of China, on the day when the Subscription Amount is paid, or if such day is not a business day, on the business day immediately prior to such day of payment. After the Investor completes the said capital increase to the Cayman Co 2, the shareholding structure of the Cayman Co 2 will be as shown in the table below:

No.	Shareholder	Type of Share	Shareholding Percentage
1.	Cayman Co 1	Common shares	54.26%
2.	Investor	Preferred shares	45.74%
	Total		100.00%

In order to consummate the transaction of capital increase to the Cayman Co 2 by the Investor, the Investor and the Actual Controller, the Cayman Co 1, the Cayman Co 2 and other relevant parties shall also enter into a Shareholders Agreement (hereinafter referred to as the “**Cayman Co 2 SHA**”) unanimously acceptable to the Parties and containing main terms and conditions substantially consistent with relevant content agreed herein, the articles of association of Cayman Co 2 (hereinafter referred to as the “**Cayman Co 2 AOA**”) and/or other documents required for the consummation of such transaction (all such documents and the Cayman Co 2 SSA are collectively referred to as the “**Capital Increase Documents of Cayman Co 2**”), and complete the formalities for issuance of shares to the Investor, in accordance with this Agreement and the Cayman Co 2 SSA. The Parties agree and acknowledge that, the preferred shares of the Cayman Co 2 subscribed for by the Investor shall have the preferential rights agreed in Article 5 hereof, which shall then be agreed by the Parties in the formal Cayman Co 2 SHA and/or the Cayman Co 2 AOA, to reflect such preferential rights of the Investor.

- 3.5.2 Concurrently with the execution of the Cayman Co 2 SSA, the WFOE shall enter into an Equity Transfer Agreement acceptable to the Parties (hereinafter referred to as the “**Equity Transfer Agreement (II)**”) with the Target Company and the Holding Platforms, whereby the WFOE will acquire the registered capital of the Target Company of RMB47,000,000 (corresponding to 94% equity in the Target Company) jointly held by the Holding Platforms, for a consideration of RMB1,880,000,000. After the WFOE completes the acquisition of the 94% equity in the Target Company, the shareholding structure of the Target Company will be as shown in the table below:

No.	Shareholder	Subscribed Registered Capital (RMB'0,000)	Paid-in Registered Capital (RMB'0,000)	Shareholding Percentage
1.	WFOE	4,700	3,192.05	94.00%
2.	Investor	300	125.45	6.00%
	Total	5,000	3,317.5	100.00%

In order to consummate the acquisition of 94% equity in the Target Company by the WFOE, the WFOE shall enter into a Deed of Accession to Shareholders Agreement to become a party to the Shareholders Agreement, and acknowledge all rights of the Investor under the Shareholders Agreement, and relevant parties shall update and enter into the articles of association of the Target Company and/or other documents necessary for the completion of such transaction (all such documents and the Equity Transfer Agreement (II) are

collectively referred to as the “**Documents on WFOE’s Acquisition of Equity in Target Company**”), and complete the corresponding AIC change formalities.

- 3.5.3 The Parties confirm that, within thirty-five (35) business days upon the satisfaction or the Investor's written waiver of the conditions precedent agreed in Article 3.5.4, the Investor shall pay the Subscription Amount in full to the bank account designated by the Cayman Co 2 in writing in advance, one of the authorized signatories of which shall be designated by the Investor. The Investor’s payment of the Subscription Amount in full shall be referred to as the “**Second Closing**” and the date of such payment shall be referred to as the “**Second Closing Date**”. Notwithstanding anything to the contrary herein, the Second Closing shall not occur earlier than September 30, 2021.
- 3.5.4 The Investor’s payment of the Subscription Amount in full to the Cayman Co 2 shall be conditional upon the satisfaction of all or the Investor’s written waiver of the following conditions precedent (and for the avoidance of doubt, matters waived by the Investor shall automatically become undertakings and obligations to be completed by the Company Party after this step and conditions precedent to the Investor's payment of the Subscription Amount Difference (as defined below) to Cayman Co 2):
- (1) The Capital Increase Documents of Cayman Co 2 have been duly signed by the relevant parties and have come into effect;
 - (2) The Documents on WFOE’s Acquisition of Equity in Target Company have been signed by the relevant parties and have come into effect;
 - (3) The Overseas Restructuring of the Company Party has been completed according to the plan agreed in Article 3.3 above, and the Company Party shall provide documents relating to the Overseas Restructuring to the Investor in accordance with Article 3.3 (including, without limitation, incorporation documents of all new companies, Circular 37 foreign exchange registration documents of the Actual Controller and the Core Employees, FDI foreign exchange business registration certificate of the WFOE);
 - (4) The shareholder (or shareholders’ meeting) and directors of the Cayman Co 1, the Cayman Co 2 and the HK Co have adopted resolutions to approve and consent to the execution of the Capital Increase Documents of Cayman Co 2, and to approve the transactions under such documents (including, without limitation, issuance of shares to the Investor by the Cayman Co 2, and appointment of the director nominated by the Investor);

- (5) The shareholder and directors of the WFOE have adopted resolutions to approve and consent to the execution of the Capital Increase Documents of Cayman Co 2 and the Documents on WFOE's Acquisition of Equity in Target Company, and to approve the transactions under such documents (including, without limitation, acquisition of 94% equity in the Target Company by the WFOE, and appointment of the directors nominated by the Investor);
- (6) The shareholders' meeting and the board of directors of the Target Company have adopted resolutions to approve the execution of the Documents on WFOE's Acquisition of Equity in Target Company, and to approve the transactions under such documents;
- (7) All then shareholders of the Cayman Co 2 have waived their right of first refusal towards the proposed Subscription Shares of the Investor, and all then shareholders of the Target Company shall have waived the right of first refusal towards the 94% equity in the Target Company proposed to acquire by the WFOE;
- (8) The board of directors of the Cayman Co 2 and the HK Co shall each consist of two (2) directors, one (1) of which shall be nominated by the Investor and appointed as director of the Cayman Co 2 and the HK Co (however, such appointment shall take effect from the Second Closing Date);
- (9) The board of directors of the WFOE shall consist of four (4) directors, two (2) of which shall be nominated by the Investor and appointed as director of the WFOE (however, such appointment shall take effect from the Second Closing Date);
- (10) The Target Company has updated the register of shareholders to show that the WFOE has become a shareholder holding 94% equity in the Target Company;
- (11) The Investor has completed the second supplementary due diligence against the Group Companies based on the First Supplementary DD (which shall, in addition to the necessary legal, business, financial and technical due diligence, focus on the post-period audit of the Group Companies after the First Closing Date, and such audit shall reflect the cumulative revenue of the Group Companies in the first two quarters of 2021, hereinafter referred to as the "**Second Supplementary DD**"), and the results of the Second Supplementary DD are to the satisfaction of the Investor. The Investor shall complete such Second Supplementary DD and inform the Company Party whether it satisfies with the results of such supplementary due

diligence no later than one (1) month after the date of satisfaction of other conditions precedent (other than Item (20)) agreed in this Article 3.5.4;

- (12) The audited cumulative revenue (and for the avoidance of doubt, when calculating such revenue, the revenue corresponding to transactions between the Group Companies and their affiliates shall be excluded) of the Group Companies in the first two quarters of 2021 shall have increased by above **% (inclusive) than that in the first two quarters of 2020 (i.e. year-on-year growth), which shall be conducted in compliance with the PRC GAAP. The Investor has completed audit over the revenue of the Group Companies in the first two quarters of 2021 and issued a formal auditor's report no later than October 31, 2021 (provided that, the Company Party shall provide the management statements of the Group Companies for the first two quarters of 2021 to the Investor no later than July 20, 2021);
- (13) The Company Party shall have made representations and warranties under the Capital Increase Documents of Cayman Co 2 and the Documents on WFOE's Acquisition of Equity in Target Company substantially consistent with those under the Documents on Domestic Acquisition of Target Equity, and such representations and warranties are authentic, valid and complete;
- (14) As of the Second Closing Date, there is no event, fact, condition, change or other circumstance which has or could be reasonably expected to have Material Adverse Effect on the business, equity, assets, financial condition, liabilities, operating results, general operation status, technologies, prospect and normal operation of the Group Companies (including, without limitation, any matter stated in Article 4 hereof which cannot be carried out by the Group Companies without prior written consent of the Investor);
- (15) As of the Second Closing Date, the Company Party has not breached any agreement relating to the Transaction entered into before the Second Closing Date (including, without limitation, this Agreement, the Documents on Domestic Acquisition of Target Equity, the Capital Increase Documents of Cayman Co 2, and the Documents on WFOE's Acquisition of Equity in Target Company), and has fulfilled the undertakings and obligations to be completed prior to the Second Closing Date;
- (16) The Cayman Co 2, the Cayman Co 1, the Actual Controller and his BVI Co, and the Group Companies have issued a closing certificate to the Investor that the

conditions precedent to the Investor's capital increase to Cayman Co 2 which shall be completed or confirmed by the Company Party have all been satisfied (except those waived by the Investor in writing);

- (17) The bank account which the Cayman Co 2 uses to receive the subscription price, the bank account of the HK Co (hereinafter referred to as the “**HK Co Escrow Account**”) and the capital account of the WFOE (hereinafter referred to as the “**WFOE Escrow Account**”) have each added one (1) authorized signatory appointed by the Investor;
- (18) The Company Party has completed the AIC registration change for the acquisition of 94% equity in the Target Company by the WFOE;
- (19) The Control Agreements (as defined below) have been confirmed by the Parties and finalized, and the Investor has confirmed the final version of the register of shareholders, the register of directors and the share certificate set out in Article 3.5.7; and
- (20) Other customary closing conditions agreed by the Parties in the Capital Increase Documents of Cayman Co 2 and the closing conditions arising from the results of the Second Supplementary DD and confirmed by the Transaction Parties, if any.

For the avoidance of doubt, the Company Party may not fulfill the condition precedent set forth in Item (18), until the satisfaction or the Investor's written waiver of the conditions precedent which require the Investor to take the lead in, cooperate with or independently fulfill in the first place or in a timely manner (including Items (1), (2), (6), (7), (8), (9), (11), (12), (17) and (19)).

- 3.5.5 Upon receipt of the Subscription Amount by the Cayman Co 2, the parties to the transaction shall cooperate with the Cayman Co 2 in the payment of the portion equivalent to RMB1,880,000,000 therein to the HK Co Escrow Account within three (3) business days or other reasonable time, and the HK Co shall remit such payment to the WFOE Escrow Account within further three (3) business days or other reasonable time, and the WFOE shall, within another three (3) business days or other reasonable time upon receipt of such payment, pay the corresponding amount to the bank accounts previously designated by the Holding Platforms in writing as agreed in the Equity Transfer Agreement (II), which, in each case, shall be cooperated by the authorized signatories of such Escrow Accounts of the parties to transaction in a timely manner. The Company Party shall provide the Investor with a plan pursuant to which the Holding Platforms distribute the Subscription Amount to

the Core Employees, and undertake to distribute such amounts to the Actual Controller and Core Employees. Taxes arising from the flow of funds above (including, without limitation, tax burden and bank charges) shall be borne by the Actual Controller, the Core Employees and the Holding Platforms, and the Holding Platforms or the Core Employees shall submit tax return for and pay such taxes respectively according to laws.

- 3.5.6 Upon receipt of the Subscription Amount by the Cayman Co 2, the parties to transaction shall cooperate with the Cayman Co 2 to adopt a resolution of shareholders' meeting within three (3) business days or reasonable time, approving that the Cayman Co 2 pay special dividends to the Cayman Co 1 only, in an amount equivalent to the full Subscription Amount net of the portion equivalent to RMB1,880,000,000, that is, RMB940,000,000 (hereinafter referred to as the "**Special Dividend Payment (I)**"). Cayman Co 2 shall pay an amount equivalent to such Special Dividend Payment (I) to an overseas bank account opened by the Cayman Co 1, within three (3) business days or reasonable time upon its receipt of the full Subscription Amount, and the authorized signatories of such Escrow Accounts of the parties to transaction shall cooperate to make such payment in a timely manner. Cayman Co 1 shall undertake to make distribution to the Actual Controller and the Core Employees level by level after receipt of such Special Dividend Payment (I), net of the taxes that shall be withheld and paid according to the laws. The Company Party shall provide the Investor with a plan pursuant to which the Cayman Co 1 and the BVI Cos distribute the Subscription Amount to the Core Employees, and undertake to distribute such amounts to the Actual Controller and the Core Employees. Taxes arising from the flow of funds above (including, without limitation, tax burden and bank charges) shall be borne by the Actual Controller, the Core Employees and the BVI Cos.
- 3.5.7 Cayman Co 2 shall, and the Company Party shall procure the Cayman Co 2 to submit the following documents to the Investor on the Second Closing Date:
- (1) The updated register of shareholders and the register of directors of the Cayman Co 2 and the share certificate issued to the Investor by the Cayman Co 2, showing that the Investor has become a shareholder of 45.74% preferred shares (on a fully diluted basis) of the Cayman Co 2, and the board of directors of the Cayman Co 2 has been reshuffled in accordance with Article 3.5.4 (8), and the person nominated by the Investor has become director of the Cayman Co 2 (provided that the Company Party has provided, before the Second Closing Date, the final version of such documents to the Investor for review and confirmation);

- (2) The updated register of directors of HK Co, showing that the board of directors of HK Co has been reshuffled in accordance with Article 3.5.4 (8), and the persons nominated by the Investor have become director of HK Co (provided that the Company Party has provided, before the Second Closing Date, the final version of such documents to the Investor for review and confirmation); and
 - (3) With respect to the 43% equity in the Target Company held by the WFOE, the Equity Pledge Agreement and the Voting Rights Proxy among the WFOE, the Investor or its designated party and the Target Company as acceptable to the Parties and with effect from the Second Closing Date (such documents are collectively referred to as the “**Control Agreements**”), whereby the WFOE shall pledge 43% equity in the Target Company held by it to the Investor and entrust the Investor to exercise the voting rights of such equity, so as to ensure the Investor to exercise control over the 49% equity in the Target Company and to guarantee the subsequent transactions of the Transaction.
- 3.5.8 The Investor shall provide the Company Party with evidence showing that the Investor and/or its designated entity has issued an irrevocable debit note to the bank instructing the latter to pay the full Subscription Amount to the escrow account set forth in Article 3.5.3 on the Second Closing Date.
- 3.5.9 Notwithstanding the provisions of Article 3.5.1, if under the PRC GAAP, the revenue of the Group Companies in 2021 shall increase by above **% (inclusive) than that in 2020 (i.e. year-on-year growth) (and for the avoidance of doubt, when calculating such revenue, the revenue corresponding to transactions between the Group Companies and their affiliates shall be excluded), and the Group Companies have realized profit (excluding the effect of share-based payment on the operating profit in compliance with the PRC GAAP), then the Parties agree to adjust the valuation and acquisition consideration applicable to the transaction of overseas capital increase to the Cayman Co 2 by the Investor, so that the adjusted Subscription Amount will be RMB3,800,000,000, that is, there will be an increase of RMB980,000,000 (hereinafter referred to as the “**Subscription Amount Difference**”).
- (1) Within thirty-five (35) business days after the satisfaction of the above conditions for triggering valuation and consideration adjustment and the matters waived under Article 3.5.4 (if any), the Investor shall pay the Subscription Amount Difference to the co-signed bank account of the Cayman Co 2 set forth in Article 3.5.3.

- (2) If the payment of the Subscription Amount Difference involves any exchange rate of RMB against a foreign currency, such exchange rate shall be the central parity rate of RMB against such foreign currency announced by the People's Bank of China, on the day when the Subscription Amount Difference is paid, or if such day is not a business day, on the business day immediately prior to such day of payment.
- (3) Upon receipt of the Subscription Amount Difference, the Cayman Co 2 shall adopt a resolution of shareholders' meeting within three (3) business days, approving that Cayman Co 2 pay special dividends to Cayman Co 1 only, in an amount equivalent to the full Subscription Amount Difference (hereinafter referred to as "**Special Dividend Payment (II)**"), together with Special Dividend Payment (I), collectively "**Special Dividend Payment**"). Cayman Co 2 shall pay such Special Dividend Payment to an overseas bank account opened by the Cayman Co 1 upon its receipt of the Subscription Amount Difference, net of taxes legally payable. Cayman Co 1 shall make distribution to the Actual Controller and the Core Employees level by level after receipt of such Special Dividend Payment (II). The Company Party shall provide the Investor with a plan pursuant to which the Cayman Co 1 and the BVI Cos distribute the Subscription Amount Difference to the Core Employees, and undertake to distribute such amounts to the Actual Controller and Core Employees. Taxes and fees arising from the flow of funds above (including, without limitation, tax burden and bank charges) shall be borne by the Actual Controller, the Core Employees and the BVI Cos.
- 3.5.10 The Company Party shall procure the Actual Controller and the Core Employees to enter into the Confirmation Letter acceptable to the Investor, confirming that if they have received the amounts agreed by the Transaction Parties, it shall be deemed that: (1) they have received the consideration and the Special Dividend Payment paid to them by relevant Holding Platform/BVI Co net of the taxes that shall be withheld and paid on their behalf according to the laws, and confirm that such consideration is fair and undisputed; and (2) they have no dispute with any Group Company or the Investor with respect to the sold equity in the Group Companies, nor will claim any equity therein. And such persons shall undertake that, prior to the completion or termination (whichever earlier) of the Transaction, such Actual Controller/Core Employees shall not purchase or sell any shares in the Beike Group's Listed Entity. Upon completion or termination of the Transaction, the Actual Controller and the Core Employees who have become employees of the Beike Group shall,

3.6 Acquisition of Remaining Equity in Cayman Co 2 by Investor

- 3.6.1 Upon completion of the transaction under Article 3.5 above, subject to the arrangement agreed by the Parties upon negotiation, the Investor and/or its designated entity and the Cayman Co 1, the Actual Controller and his BVI Co, the Cayman Co 2 and other relevant parties shall enter into a Share Transfer Agreement (hereinafter referred to the "**Cayman Co 2 STA**") unanimously acceptable to the Parties and containing main terms and conditions substantially consistent with relevant content agreed herein, whereby the Investor and/or its designated entity will acquire all remaining shares of the Cayman Co 2 held by the Cayman Co 1 (hereinafter referred to as the "**Overseas Target Equity Acquisition**"), for a consideration of an amount calculated according to Article 3.6.2 below (hereinafter referred to as the "**Overseas Acquisition Consideration**"). Upon completion of the Overseas Target Equity Acquisition, the Investor will hold 100% equity in the Cayman Co 2 (on a fully diluted basis), and the Investor will hold 100% equity in the Target Company directly and indirectly through the Cayman Co 2, the HK Co and the WFOE.
- 3.6.2 The Parties agree and acknowledge that, subject to the terms and conditions hereof, the Overseas Acquisition Consideration will be paid in the form of shares in the Beike Group's Listed Entity, that is, the Investor will pay the corresponding consideration by way of issuing 44,315,854 shares in the Beike Group's Listed Entity (or pro rata, in case of share split, consolidation or similar share capital adjustment of the Beike Group's Listed Entity prior to the Third Closing Date) (hereinafter referred to as the "**Overseas Acquisition Consideration Shares**") to the Cayman Co 1, and the Cayman Co 1 shall cooperate with the Investor to enter into necessary agreements and perform necessary procedures to complete the issuance of such shares. The value of shares in the Beike Group's Listed Entity to be paid as the Overseas Acquisition Consideration shall be calculated per the weighted average of the after-hours closing price of the shares in the Beike Group's Listed Entity for thirty (30) consecutive trading days on the relevant stock exchange as of one (1) trading day prior to the Third Closing Date (as defined below) (and such closing price shall be based on the information published on the website of New York Stock Exchange (<https://www.nyse.com/index>), hereinafter referred to as the "**Average Price before Closing**"). That is, the Overseas Acquisition Consideration payable by the Investor in the Third Closing shall be the number of the Overseas Acquisition Consideration Shares \times

Average Price before Closing. If the payment of such Overseas Acquisition Consideration involves any exchange rate of RMB against a foreign currency, such exchange rate shall be the central parity rate of RMB against such foreign currency announced by the People's Bank of China, on the day of issuance of shares, or if the day of issuance of shares is not a business day, on the business day immediately prior to the day of issuance of shares.

- 3.6.3 The Parties acknowledge that, upon satisfaction or the Investor's written waiver of the conditions precedent agreed in Article 3.6.4, the Investor shall issue the Overseas Acquisition Consideration Shares to the Cayman Co 1 (hereinafter referred to as the "**Third Closing**", and the date of the Third Closing is hereinafter referred to as the "**Third Closing Date**").
- 3.6.4 The Investor's payment of the Overseas Acquisition Consideration shall be conditional upon the satisfaction of all or the Investor's written waiver of the conditions precedent below:
- (1) The Cayman Co 2 STA has been duly signed by the relevant parties and has come into effect;
 - (2) The Investor's capital increase to the Cayman Co 2 and acquisition of 94% equity in the Target Company have been completed in accordance with the plan agreed in Article 3.5 above, and the change registration for such transaction with competent administration for market regulation and taxation authority have been completed;
 - (3) The Beike Group's Listed Entity has completed internal approval procedures for the arrangement of issuance of shares involved in the Overseas Target Equity Acquisition;
 - (4) The shareholders' meeting and the board of directors of the Cayman Co 2 have adopted resolutions to approve and consent to the execution of the Cayman Co 2 STA, and to approve the transactions under such documents (including, without limitation, the Overseas Target Equity Acquisition, resignation of directors appointed by the Actual Controller as director of Cayman Co 2 (and such resignation shall take effect from the Third Closing Date));
 - (5) The shareholder and the board of directors of the HK Co have adopted resolutions to approve and consent to the resignation of directors appointed by the Actual Controller as director of HK Co (and such resignation shall take effect from the Third Closing Date);

- (6) The shareholder and the board of directors of the WFOE have adopted resolutions to approve and consent to the resignation of directors appointed by the Actual Controller as director of WFOE (and such resignation shall take effect from the Third Closing Date);
- (7) The revenue (and for the avoidance of doubt, when calculating such revenue, the revenue corresponding to transactions between the Group Companies and their affiliates shall be excluded) of the Group Companies in 2021 shall have increased by above **% (inclusive) than that in 2020 (i.e. year-on-year growth), and the Group Companies have realized profit (excluding the effect of share-based payment on the operating profit in compliance with the PRC GAAP). The revenue of the Group Companies in Q1 2022 increases by above **% (inclusive) than that in Q1 2021 (i.e. year-on-year growth) (and for the avoidance of doubt, when calculating such revenue, the revenue corresponding to transactions between the Group Companies and their affiliates shall be excluded);
- (8) The Actual Controller and the Core Employees have entered into the agreements related to the issuance of the Overseas Acquisition Consideration Shares (and such contract or agreement shall take effect from the Third Closing Date or other date(s) agreed by the Parties);
- (9) The Company Party shall have made representations and warranties under the Cayman Co 2 STA substantially consistent with those under the Documents on Domestic Acquisition of Target Equity, and such representations and warranties are authentic, valid and complete;
- (10) As of the Third Closing Date, there is no event, fact, condition, change or other circumstance which has or could be reasonably expected to have Material Adverse Effect on the business, equity, assets, financial condition, liabilities, operating results, general operation status, technologies, prospect and normal operation of the Group Companies (including, without limitation, any matter stated in Article 4 hereof which cannot be carried out by the Group Companies without prior written consent of the Investor);
- (11) As of the Third Closing Date, the Company Party has not breached any agreement relating to the Transaction entered into before the Third Closing Date (including, without limitation, this Agreement, the Documents on Domestic Acquisition of Target Equity, the Capital Increase Documents of Cayman Co 2, the Documents

- on WFOE's Acquisition of Equity in Target Company, the Control Agreements and the Cayman Co 2 STA), and has fulfilled the undertakings and obligations to be completed prior to the Third Closing Date;
- (12) Cayman Co 1, the Actual Controller and his BVI Co have issued a closing certificate to the Investor to certify that the conditions precedent to the Overseas Target Equity Acquisition have all been satisfied (except those waived by the Investor in writing);
 - (13) The Investor has confirmed the final version of the register of shareholders, the register of directors and the share certificate set out in Article 3.6.6; and
 - (14) Other customary closing conditions agreed by the Parties in the Cayman Co 2 STA.
- 3.6.5 On the Third Closing Date, the Company Party shall hand over to the Investor all specimen and seals, licenses and certificates, e-banking keys, credentials, contracts, and all assets and properties of the Group Companies, and complete other site closing relating to such matters, and the Transaction Parties shall complete the inventory of the above data, assets, and properties after the Third Closing Date. And the Investor shall be entitled to conduct the third supplementary due diligence against the Group Companies based on the First Supplementary DD and Second Supplementary DD (which shall, in addition to the necessary legal, business, financial and technical due diligence, focus on the post-period audit of the Group Companies after the Second Closing Date, and such audit shall reflect the annual revenue of the Group Companies in 2021, hereinafter referred to as the "**Third Supplementary DD**") after the Third Closing Date. For the purpose of completing the said Third Supplementary DD, the Company Party shall then provide necessary cooperation to such supplementary DD, if required.
- 3.6.6 On the Third Closing Date, the Cayman Co 2 shall, and the Company Party shall procure the Cayman Co 2 to submit the following documents to the Investor:
- (1) The updated register of shareholders and register of directors of Cayman Co 2 and the share certificate issued to the Investor, showing that the Investor has become shareholder of 100% equity (on a fully diluted basis) in the Cayman Co 2, and the board of directors of the Cayman Co 2 has been reshuffled in accordance with the requirements of the Investor (provided that the Company Party has provided, before the Third Closing Date, the final version of such documents to the Investor for review and confirmation); and

- (2) The updated register of directors of the HK Co, showing that the board of directors of the HK Co has been reshuffled in accordance with the requirements of the Investor (provided that the Company Party has provided, before the Third Closing Date, the final version of such documents to the Investor for review and confirmation).
- 3.6.7 Upon the Third Closing Date, the Cayman Co 1 and the WFOE shall, and the Company Party shall procure the Cayman Co 1 and the WFOE, timely file tax return (including, without limitation, taxes under *****) to the competent taxation authority with respect to the Overseas Target Equity Acquisition, and provide the Investor with documents that can prove the tax return filing with respect to the overseas equity transfer in the Third Closing, including but not limited to return receipt for the tax return, certificate of tax payment and relevant instruments recognized by the competent tax authorities, etc.
- 3.6.8 Upon obtaining the Overseas Acquisition Consideration Shares issued by the Beike Group's Listed Entity, the Cayman Co 1 shall adopt resolutions of the shareholders' meeting and/or the board of directors, approving the distribution of such shares to the Actual Controller's BVI Co and the Core Employees' BVI Cos as dividends in due time. Notwithstanding the foregoing, the Overseas Acquisition Consideration Shares shall be subject to the restriction conditions over rights as recognized by the Transaction Parties within ** (**) months as of the Third Closing Date (hereinafter referred to as the "**Issuance Date**"): (i) upon the expiry of ** months from the Issuance Date, **% of the total Overseas Acquisition Consideration Shares may no longer be subject to the restriction conditions over rights; (ii) upon the expiry of ** months from the Issuance Date, **% of the total Overseas Acquisition Consideration Shares may no longer be subject to the restriction conditions over rights; and (iii) upon the expiry of ** months from the Issuance Date, **% of the total Overseas Acquisition Consideration Shares may no longer be subject to the restriction conditions over rights; provided that, the conditions precedent to such non-application of the restriction conditions over rights to the Overseas Acquisition Consideration Shares shall include but not limited to: (1) the Actual Controller continues his position and services in the Beike Group during such period; and (2) the Group Companies maintain normal operation on an on-going basis during such period.
- 3.6.9 Notwithstanding the foregoing, (A) if, during the said *** period, the Investor or its Indemnitees (as defined below) assume any tax payment obligation or tax liability arising from any tax liability or tax burden that shall be borne or withheld and paid by the Company

Party or the Core Employees due to all steps in this acquisition according to the laws or this Agreement in the course of (including, without limitation, the Internal Equity Restructuring, the Overseas Restructuring, relevant equity transfer and dividend payment of the Group Companies) or upon completion of the Transaction, and the Company Party or the Core Employees fail to fulfill the corresponding tax return filing and tax payment obligation within the time limit required by the competent taxation authority, then the period during which the relevant restriction conditions over rights continue to apply to the Overseas Acquisition Consideration Shares shall immediately be suspended until the Company Party or the Core Employees have fully fulfilled the corresponding tax return filing and tax payment obligation, or if the Investor or its Indemnitees have actually paid the tax liability or tax burden that shall be borne or withheld and paid by the Company Party or the Core Employees, until the Company Party or the Core Employees have assumed all compensation liability to the Investor or its Indemnitees with respect to such tax liability or tax burden already paid by the Investor or its Indemnitees; (B) if (i) during the said ** months period, there are more than * but not more than * Core Employees (as defined below) who terminate their labor relationship with the Group Companies (such departing Core Employees are hereinafter referred to as the “**Departing Core Employees**”), then the period during which the relevant restriction conditions over rights continue to apply to the Overseas Acquisition Consideration Shares shall immediately be suspended, and the Actual Controller shall pay to the Investor compensation in cash equivalent to ****% of the value of the Overseas Acquisition Consideration Shares issued to such Departing Core Employees but still subject to the restriction conditions over rights as of their termination of labor relationship with the Group Companies; (ii) during the said ** months period, there are more than * Core Employees who terminate their labor relationship with the Group Companies, then the period during which the relevant restriction conditions over rights continue to apply to the Overseas Acquisition Consideration Shares shall immediately be suspended, and the Actual Controller shall pay to the Investor compensation in cash equivalent to ****% of the value of the Overseas Acquisition Consideration Shares issued to such Departing Core Employees but still subject to the restriction conditions over rights as of their termination of labor relationship with the Group Companies (and the cash compensation under Item (i) and/or Item (ii) above is referred to as “**Compensation for Departure Event**”). For the purpose of this Article, the value of the Overseas Acquisition Consideration Shares involved in the Compensation for Departure Event shall be calculated per the weighted average of the after-hours closing price of the shares in the Beike Group’s

Listed Entity for ****(**)** consecutive trading days on the relevant stock exchange as of one (1) trading day prior to the date of occurrence of the event of compensation under Item (i) and/or Item (ii) above (and such closing price shall be based on the information published on the website of New York Stock Exchange (<https://www.nyse.com/index>)). Such suspended period will not resume until the Actual Controller pays such Compensation for Departure Event in full. Notwithstanding the foregoing, the Investor agrees that in the event of the above circumstance and if the Actual Controller has paid the Compensation for Departure Event to it, the Investor will issue cash incentive of an amount equivalent to the paid Compensation for Departure Event to the Core Employees within a certain period to the extent that the revenue and net profit of the Target Company increase continuously. The specific conditions and standards of such cash incentive will then be agreed by the Investor and the Actual Controller separately, however, in no case shall the Actual Controller become an eligible participant of such cash incentive.

None of the Actual Controller or the Core Employees may transfer, sell, pledge or otherwise dispose of such Overseas Acquisition Consideration Shares (including, without limitation, disposal of the economic interests corresponding to such Overseas Acquisition Consideration Shares), directly or through their BVI Cos during the above ****** months period. The specific arrangement of such Overseas Acquisition Consideration Shares shall be subject to the formal shares issuance agreement to be entered into by and between the Beike Group's Listed Entity and such persons and their BVI Cos with respect to the above principle terms. Subject to the agreement above, if any Core Employee of the Target Company who has obtained the Overseas Acquisition Consideration Shares departs from the Group Companies, such Core Employee shall no longer be entitled to any interest in his Overseas Acquisition Consideration Shares obtained due to the Transaction but still subject to the restriction conditions over rights as of the time of his departure (hereinafter referred to as the **"Remaining Overseas Acquisition Consideration Shares"**). Notwithstanding the foregoing, the Actual Controller shall employ or appoint a new Core Employee to fill up the gap resulting from such departure (and such employment or appointment shall be acceptable to the Investor) and reallocate the interest corresponding to the Remaining Overseas Acquisition Consideration Shares to other Core Employees holding position in the Group Companies or other entities of the Beike Group or new employees other than those in the list of Core Employees under the same conditions within ***** months, and inform the Investor in advance of the reallocation plan. Where the Actual Controller fails to reallocate the interest corresponding to the Remaining Overseas Acquisition Consideration

Shares as aforesaid, the Beike Group shall have the right to cancel the Remaining Overseas Acquisition Consideration Shares without compensation. The tranche of the Overseas Acquisition Consideration Shares obtained by such new employees shall also be subject to the restriction conditions over rights for ** (**) months from the date of assignment to such new employees, provided that such tranche of Overseas Acquisition Consideration Shares obtained by other Core Employees shall not be subject to a new period of ** (**) months, but continue to apply the original period of ** (**) months.

- 3.6.10 The Investor undertakes that, after the Company Party has completed all other matters that shall be completed or confirmed by the Company Party under Article 3.6.4 (other than Article 3.6.4 (3)), the Investor shall complete the internal approval procedures and public announcement and disclosure procedures on its part with respect to the Third Closing within a reasonable period.

3.7 Valuation and Transaction Plan Adjustment

- 3.7.1 Notwithstanding the foregoing, if the conditions precedent under Articles 3.5.4 (11) and 3.5.4 (12) and/or Articles 3.6.4 (7) are not satisfied, then with respect to the equity/shares in the Target Company and/or the Cayman Co 2 that have not been obtained by the Investor yet, the Investor shall have the right to re-negotiate with the Company Party to determine the subsequent transaction plan on such equity/shares in the Transaction and the transaction valuation applicable in subsequent transaction, and continue to complete the Transaction per such new transaction valuation and plan mutually agreed by the Parties hereto.
- 3.7.2 If the conditions precedent under Article 3.5.4 (12) and/or Article 3.6.4 (7) are not satisfied, then with respect to the equity/shares in the Target Company and/or the Cayman Co 2 that have been obtained by the Investor in the closing already completed (i.e. the First Closing and/or the Second Closing), the Company Party and the Investor shall negotiate on whether to adjust the valuation applicable to the Group Companies after adjustment to the acquisition consideration of the Second Closing in accordance with Article 3.5.9 with respect to such equity/shares: (1) where the Investor agrees to pay the consideration difference for the equity/shares in the Target Company and/or the Cayman Co 2 it has obtained according to the said valuation within thirty (30) days after the negotiation between the Transaction Parties or a longer period mutually agreed, the Investor shall, within thirty-five (35) business days after its written consent, pay the corresponding consideration difference to the bank account designated by the Company Party in writing in advance; or (2) where the Investor disagrees to pay the consideration difference for the equity/shares in

the Target Company and/or the Cayman Co 2 it has obtained according to the said valuation, within thirty (30) days after the negotiation between the Transaction Parties or a longer period mutually agreed, then the Company Party shall be entitled to reduce the shareholding percentage of the Investor in the Target Company and / or Cayman Co 2 correspondingly (and, if the Control Agreements have been signed, the Transaction Parties shall also amend the Control Agreements to reflect the then shareholding percentage in the Target Company held by the Investor indirectly through the Cayman Co 2) based on the valuation of the Group Companies after adjustment to acquisition consideration in accordance with Article 3.5.9 and the transaction amount already paid by the Investor, by means of acquisition of certain equity in the Target Company held by the Investor free of charge, or cancellation of certain equity in the Cayman Co 2 held by the Investor, or capital increase by other shareholders of the Group Companies to dilute the (percentage of) equity/shares held by the Investor, or other methods otherwise agreed by the Transaction Parties then, so that the shareholding percentage of the Investor in the Group Companies will be equivalent to the quotient of the cumulative transaction amount already paid by the Investor then, divided by the valuation of the Group Companies after adjustment to the acquisition consideration in accordance with Article 3.5.9. In such cases, the Parties agree to adjust the shareholding percentage in a way with the minimum taxation costs to the Parties, and the Investor shall take necessary measures to cooperate with the completion of such adjustment to shareholding percentage within a reasonable period agreed by the Transaction Parties then. For the avoidance of doubt, notwithstanding anything to the contrary herein, subject to the arrangement under Item (2) above, the Investor is not required to pay the corresponding valuation difference or assume the liability for paying liquidated damages set forth in Item (iv) and/or Item (v) under Article 10.3 (1) (b) with respect to non-payment of such valuation difference.

- 3.7.3 Except for circumstances agreed in Article 3.7.1 above and subject to Article 5.6, if the Second Closing cannot be completed by the fifteenth (15th) business day after June 30, 2022 (hereinafter referred to as the “**Second Closing Longstop Date**”) or the Third Closing cannot be completed by the fifteenth (15) business day after September 30, 2022 (hereinafter referred to as the “**Third Closing Longstop Date**”) due to reasons other than the Company Party and the Investor (which, for the purpose of the this Agreement and with respect to any Party, refer to objective reasons beyond the control of such Party, including but not limited to force majeure or changes in applicable laws, regulations or policies), then the Investor and the Target Company shall be each entitled to require re-negotiation to

determine the transaction valuation to be applied in the Transaction and the subsequent transaction plan of the Transaction, and continue to complete the Transaction per such new transaction valuation and plan after the Parties hereto reach a consensus.

3.7.4 Except for circumstances agreed in Article 3.7.2 above and subject to Article 5.6, under any of the following circumstances, the Company Party and the Investor shall then adjust the valuation of the Group Companies per the valuation applicable to the Group Companies after adjustment to the acquisition consideration of the Second Closing in accordance with Article 3.5.9 hereof, and the Investor shall pay the consideration difference arising from valuation adjustment with respect to the equity/shares in the Target Company and/or the Cayman Co 2 then obtained by it:

- (1) Upon occurrence of the First Closing, if the Company Party unilaterally terminates the Transaction due to reason other than exercise of the right of termination under Article 9.3 or Article 11.1(c) or (d), or the conditions precedent to the Second Closing are not satisfied by the Second Closing Longstop Date due to reasons of the Company Party (including, without limitation, the conditions precedent to the Second Closing are not satisfied by the Second Closing Longstop Date due to reasons of the Company Party or the partners of the Holding Platforms, or the Company Party's failure to procure its affiliates, agents or intermediaries to complete the matters hereunder), the Company Party shall have the right (but no obligation) to require the Investor to make up the difference to the Company Party based on the valuation of the Group Companies after adjustment to the acquisition consideration of the Second Closing in accordance with Article 3.5.9 with respect to the 6% equity in the Target Company held by it, and the Investor shall in such case pay such difference to the account designated by the Company Party in writing in advance within thirty-five (35) business days after the Company Party issues a written notice on unilateral termination of the Transaction to the Investor or after the Second Closing Longstop Date; otherwise, the Company Party may reduce the shareholding percentage of the Investor in the Target Company correspondingly based on such valuation and the transaction amount already paid by the Investor then, by means of acquisition of certain equity in the Target Company held by the Investor free of charge, or capital increase by other shareholders of the Group Companies to dilute the (percentage of) equity/shares held by the Investor, or other methods otherwise agreed by the Transaction Parties then, so that the shareholding percentage of the Investor in the Group Companies will be equivalent to the

quotient of the cumulative transaction amount already paid by the Investor then, divided by the valuation of the Group Companies after adjustment to the acquisition consideration in accordance with Article 3.5.9. In such cases, the Parties agree to adjust the shareholding percentage in a way with the minimum taxation costs to the Parties, and the Investor shall take necessary measures to cooperate with the completion of such adjustment to shareholding percentage within a reasonable period agreed by the Transaction Parties then. For the avoidance of doubt, notwithstanding anything to the contrary herein, subject to the above arrangement, the Investor is not required to pay the corresponding valuation difference or assume the liability for paying liquidated damages set forth in Item (iv) and/or Item (v) under Article 10.3 (1)(b) with respect to non-payment of such valuation difference.

- (2) Upon occurrence of the First Closing, if the Investor unilaterally terminates the Transaction due to reason other than exercise of the right of termination under Article 9.3 or Article 11.1(d) or (f), or the conditions precedent to the Second Closing are not satisfied by the Second Closing Longstop Date solely due to reasons of the Investor (including, without limitation, the Investor's failure to procure its affiliates, agents or intermediaries to complete the matters hereunder), the Company Party shall have the right (but no obligation) to require the Investor to make up the difference to the Company Party based on the valuation of the Group Companies after adjustment to the acquisition consideration of the Second Closing in accordance with Article 3.5.9 with respect to the 6% equity in the Target Company held by it, and the Investor shall in such case pay such difference to the account designated by the Company Party in writing in advance, within thirty-five (35) business days after issuing a written notice on unilateral termination of the Transaction to the Company Party or after the Second Closing Longstop Date; otherwise, the Company Party may reduce the shareholding percentage of the Investor in the Target Company correspondingly based on such valuation and the cumulative transaction amount already paid by the Investor then, by means of acquisition of certain equity in the Target Company held by the Investor free of charge, or capital increase by other shareholders of the Group Companies to dilute the (percentage of) equity/shares held by the Investor, or other methods otherwise agreed by the Transaction Parties then, so that the shareholding percentage of the Investor in the Group Companies will be equivalent to the quotient of the

cumulative transaction amount already paid by the Investor then, divided by the valuation of the Group Companies after adjustment to the acquisition consideration in accordance with Article 3.5.9. In such cases, the Parties agree to adjust the shareholding percentage in a way with the minimum taxation costs to the Parties, and the Investor shall take necessary measures to cooperate with the completion of such adjustment to shareholding percentage within a reasonable period agreed by the Transaction Parties then. For the avoidance of doubt, notwithstanding anything to the contrary herein, subject to the above arrangement, the Investor is not required to pay the corresponding valuation difference or assume the liability for paying liquidated damages set forth in Item (iv) and/or Item (v) under Article 10.3 (1)(b) with respect to non-payment of such valuation difference. Notwithstanding the foregoing, after unanimous agreement by the Investor and the Company Party upon negotiation, the Company Party shall also have the right (but no obligation) to require redemption of such 6% equity in the Target Company held by the Investor at the price of RMB120,000,000, and the Company Party shall make payment thereof to the account designated by the Investor in writing in advance within five (5) business days, after the Investor's receipt of and written consent to the written redemption notice from the Company Party, and the tax burden arising out of such redemption shall be borne by the Investor.

- (3) Upon occurrence of the First Closing, if the conditions to the Second Closing are not satisfied by the Second Closing Longstop Date due to reasons other than the Investor or the Company Party (including, without limitation, force majeure or changes in applicable laws, regulations or policies) or due to the circumstances agreed in Article 10.3(1)(c) hereof (if applicable), the Company Party shall have the right (but no obligation) to require the Investor to make up the difference to the Company Party based on the valuation of the Group Companies after adjustment to the acquisition consideration of the Second Closing in accordance with Article 3.5.9 with respect to the 6% equity in the Target Company held by it, and the Investor shall pay such difference to the account designated by the Company Party in writing in advance, within thirty-five (35) business days after the Second Closing Longstop Date; otherwise, the Company Party may reduce the shareholding percentage of the Investor in the Target Company correspondingly based on such valuation and the transaction amount already paid by the Investor then, by means of acquisition of certain equity in the Target Company held by the Investor free of

charge, or capital increase by other shareholders of the Group Companies to dilute the (percentage of) equity/shares held by the Investor, or other methods otherwise agreed by the Transaction Parties then, so that the shareholding percentage of the Investor in the Group Companies will be equivalent to the quotient of the cumulative transaction amount already paid by the Investor then, divided by the valuation of the Group Companies after adjustment to the acquisition consideration in accordance with Article 3.5.9. In such cases, the Parties agree to adjust the shareholding percentage in a way with the minimum taxation costs to the Parties, and the Investor shall take necessary measures to cooperate with the completion of such adjustment to shareholding percentage within a reasonable period agreed by the Transaction Parties then. For the avoidance of doubt, notwithstanding anything to the contrary herein, subject to the above arrangement, the Investor is not required to pay the corresponding valuation difference or assume the liability for paying liquidated damages set forth in Item (iv) and/or Item (v) under Article 10.3 (1)(b) with respect to non-payment of such valuation difference.

- (4) Upon occurrence of the Second Closing, if the Company Party unilaterally terminates the Transaction due to reason other than exercise of the right of termination under Article 9.3 or Article 11.1(c) or (d), or the conditions precedent to the Third Closing are not satisfied by the Third Closing Longstop Date due to reasons of the Company Party (including, without limitation, the conditions precedent to the Third Closing are not satisfied by the Third Closing Longstop Date due to reasons of the Company Party or the partners of the Holding Platforms, or the Company Party's failure to procure its affiliates, agents or intermediaries to complete the matters hereunder), the Company Party shall have the right (but no obligation) to require the Investor to make up the difference to the Company Party based on the valuation of the Group Companies after adjustment to the acquisition consideration of the Second Closing in accordance with Article 3.5.9 with respect to the total 49% equity in the Target Company directly or indirectly held by it, and the Investor shall in such case pay such difference to the account designated by the Company Party in writing in advance, within thirty-five (35) business days after the Company Party issues a written notice on unilateral termination of Transaction to the Investor or after the Third Closing Longstop Date; otherwise, the Company Party may reduce the shareholding percentage of the Investor in the Target Company/Cayman Co 2 (and, if the Control Agreements have been signed, the

Transaction Parties shall also amend the Control Agreements to reflect the then shareholding percentage in the Target Company held by the Investor indirectly through the Cayman Co 2) correspondingly based on such valuation and the transaction amount already paid by the Investor then, and by means of acquisition of certain equity in the Target Company held by the Investor free of charge, or cancellation of certain shares held by the Investor in the Cayman Co 2, or capital increase by other shareholders of the Group Companies to dilute the (percentage of) equity/shares held by the Investor, or other methods otherwise agreed by the Transaction Parties then, so that the shareholding percentage of the Investor in the Group Companies will be equivalent to the quotient of the cumulative transaction amount already paid by the Investor then, divided by the valuation of the Group Companies after adjustment to the acquisition consideration in accordance with Article 3.5.9. In such cases, the Parties agree to adjust the shareholding percentage in a way with the minimum taxation costs to the Parties, and the Investor shall take necessary measures to cooperate with the completion of such adjustment to shareholding percentage within a reasonable period agreed by the Transaction Parties then. For the avoidance of doubt, notwithstanding anything to the contrary herein, subject to the above arrangement, the Investor is not required to pay the corresponding valuation difference or assume the liability for paying liquidated damages set forth in Item (iv) and/or Item (v) under Article 10.3 (1)(b) with respect to non-payment of such valuation difference.

- (5) Upon occurrence of the Second Closing, if the Investor unilaterally terminates the Transaction due to reason other than exercise of the right of termination under Article 9.3 or Article 11.1(d) or (f), or the conditions to the Third Closing are not satisfied by the Third Closing Longstop Date solely due to reasons of the Investor (including, without limitation, the Investor's failure to procure its affiliates, agents or intermediaries to complete the matters hereunder), the Company Party shall have the right (but no obligation) to require the Investor to make up the difference to the Company Party based on the valuation of the Group Companies after adjustment to the acquisition consideration of the Second Closing in accordance with Article 3.5.9 with respect to the total 49% equity in the Target Company directly or indirectly held by it, and the Investor shall in such case pay such difference to the account designated by the Company Party in writing in advance, within thirty-five (35) business days after issuing a written notice on unilateral termination of

Transaction to the Company Party or after the Third Closing Longstop Date; otherwise, the Company Party may reduce the shareholding percentage of the Investor in the Target Company/Cayman Co 2 (and, if the Control Agreements have been signed, the Transaction Parties shall also amend the Control Agreements to reflect the then shareholding percentage in the Target Company held by the Investor indirectly through the Cayman Co 2) correspondingly based on such valuation and the transaction amount already paid by the Investor then, by means of acquisition of certain equity in the Target Company held by the Investor free of charge, or cancellation of certain shares held by the Investor in the Cayman Co 2, or capital increase by other shareholders of the Group Companies to dilute the (percentage of) equity/shares held by the Investor, or other methods otherwise agreed by the Transaction Parties then, so that the shareholding percentage of the Investor in the Group Companies will be equivalent to the quotient of the cumulative transaction amount already paid by the Investor then, divided by the valuation of the Group Companies after adjustment to the acquisition consideration in accordance with Article 3.5.9. In such cases, the Parties agree to adjust the shareholding percentage in a way with the minimum taxation costs to the Parties, and the Investor shall take necessary measures to cooperate with the completion of such adjustment to shareholding percentage within a reasonable period agreed by the Transaction Parties then. For the avoidance of doubt, notwithstanding anything to the contrary herein, subject to the above arrangement, the Investor is not required to pay the corresponding valuation difference or assume the liability for paying liquidated damages set forth in Item (iv) and/or Item (v) under Article 10.3 (1)(b) with respect to non-payment of such valuation difference. Notwithstanding the foregoing, after unanimous agreement by the Investor and the Company Party upon negotiation, the Company Party shall also have the right (but no obligation) to require redemption of the 49% equity held by the Investor in the Target Company at the transaction amount already paid by the Investor (including the Domestic Transfer Consideration, the Subscription Amount and the Subscription Amount Difference), and the tax burden arising out of such redemption shall be borne by the Investor.

- (6) Upon occurrence of the Second Closing, if the conditions precedent to the Third Closing are not satisfied by the Third Closing Longstop Date due to reasons other than the Investor or the Company Party (including, without limitation, force

majeure or changes in applicable laws, regulations or policies) or due to the circumstances agreed in Article 10.3(1)(c) hereof (if applicable), the Company Party shall have the right (but no obligation) to require the Investor to make up the difference to the Company Party based on the valuation of the Group Companies after adjustment to the acquisition consideration of the Second Closing in accordance with Article 3.5.9 with respect to the total 49% equity in the Target Company directly or indirectly held by it, and the Investor shall pay such difference to the account designated by the Company Party in writing in advance, within thirty-five (35) business days after the Third Closing Longstop Date; otherwise, the Company Party may reduce the shareholding percentage of the Investor in the Target Company/Cayman Co 2 (and, if the Control Agreements have been signed, the Transaction Parties shall also amend the Control Agreements to reflect the then shareholding percentage in the Target Company held by the Investor indirectly through the Cayman Co 2) correspondingly based on such valuation and the transaction amount already paid by the Investor then, by means of acquisition of certain equity in the Target Company held by the Investor free of charge, or cancellation of certain shares held by the Investor in the Cayman Co 2, or capital increase by other shareholders of the Group Companies to dilute the (percentage of) equity/shares held by the Investor, or other methods otherwise agreed by the Transaction Parties then, so that the shareholding percentage of the Investor in the Group Companies will be equivalent to the quotient of the cumulative transaction amount already paid by the Investor then, divided by the valuation of the Group Companies after adjustment to the acquisition consideration in accordance with Article 3.5.9. In such cases, the Parties agree to adjust the shareholding percentage in a way with the minimum taxation costs to the Parties, and the Investor shall take necessary measures to cooperate with the completion of such adjustment to shareholding percentage within a reasonable period agreed by the Transaction Parties then. For the avoidance of doubt, notwithstanding anything to the contrary herein, subject to the above arrangement, the Investor is not required to pay the corresponding valuation difference or assume the liability for paying liquidated damages set forth in Item (iv) and/or Item (v) under Article 10.3 (1)(b) with respect to non-payment of such valuation difference.

- 4.1 The Company Party agrees and undertakes that, during the period from the date of the Original Framework Agreement (exclusive) to the Third Closing Date (inclusive) of the Transaction (hereinafter referred to as the “**Transitional Period**”), unless with consent of the Investor, the Company Party will fulfill the duty of diligence and good faith care to the Group Companies and conduct daily operations in a manner consistent with the past practices and prudent business practices in the normal course of business, and make best efforts to maintain all assets required in the daily operation of the Group Companies in good condition. Moreover, without prior unanimous written consent of the Investor and the Actual Controller, the Company Party warrants that none of the Group Companies will:
- (a) Cease operation of the Main Business, change the Main Business, expand business other than the Main Business, or operate any business outside the normal course of business;
 - (b) Except for completion of all steps of the Transaction as agreed herein, change the capital structure of any Group Company (including, without limitation, capital increase or decrease), transfer equity or shares, carry out split, merger, or liquidate or shut down any Group Company (except those proposed to liquidate or shut down as set forth in the Disclosure Schedule), or grant options, warrants or similar rights to purchase or subscribe for the equity in the Group Companies;
 - (c) Make any material adjustment to the operation and management team of the Group Companies, or terminate or allow termination of labor contract relationship with more than **% of the Core Employees, or more than * of the ** Core Employees stated in Appendix III attached hereto (hereinafter referred to as the “**Key Employees**”, the list of which shall only be updated and adjusted after prior written confirmation of the Investor) (notwithstanding the foregoing, if any of the Core Employees (including Key Employees) terminates the labor relationship with the Group Companies, but a qualified substitute acceptable to the Investor has been newly employed within the corresponding period agreed in Article 8.1 hereof, it shall not be deemed as breach of the provisions of this Article 4.1(c));
 - (d) Increase the compensation of any position of the Group Companies designated in the Disclosure Schedule by more than **% over the compensation within the term of reference of current position, or increase the total compensation of such persons by more than **%. Notwithstanding the foregoing, if and after the Investor appoints a financial director (or CFO) and human resources director to the Target Company, the Company shall revise the compensation adjustment system of the Group Companies so as to ensure obtaining the prior

consent of such financial director (or CFO) and human resources director for any compensation adjustment of the Group Companies, and obtaining the prior consent of such financial director (or CFO) and human resources director shall be deemed that prior consent of the Investor on this Article has been obtained;

- (e) Purchase, sell, lease or otherwise dispose of important assets of the Group Companies;
- (f) Transfer, license or otherwise dispose of material intellectual property rights of the Group Companies;
- (g) Distribute bonus, pay dividends or otherwise distribute property or profit of the Group Companies in any form to shareholders;
- (h) Revise, terminate, or renegotiate existing material agreements (except those made by the Group Companies out of the needs of normal operation of business which will not have adverse effect on the business operation of the Group Companies), or enter into any agreement imposing sole or exclusive obligation on the Group Companies;
- (i) Terminate, restrict or waive any material license of the Group Companies, or waive the renewal or maintenance of any material license;
- (j) Take the initiative or agree to assume any obligation or liability (whether actual or contingent) of more than RMB*****, including providing loans or funding support to any third party, except those in the normal course of business which have been through the due approval procedures of the Group Companies;
- (k) Incur or succeed debts or contingent debts with a single amount of more than RMB*****, except amounts payable incurred in the normal course of business;
- (l) Provide guarantee, mortgage, pledge or other security for any third party other than Group Companies (except for guarantee provided for subcontractors or contractors by the Group Companies according to the requirements of the standard terms of the contract counterparty or customary industrial requirements, in the normal course of project decoration (工装) business);
- (m) Provide or make any material promise to provide any material loans, guarantee or other credit arrangement to or for the benefit of any director, member of operation and management team, shareholder of the Group Companies or their respective affiliates (except for travel expenses and other reasonable expenses prepaid to such persons in the normal course of business);

- (n) The Company Party pledges, sells or agrees to sell or pledge, or otherwise disposes of all or part of the equity held by it in any Group Company, except for completion of all steps of the Transaction in accordance with the provisions hereof;
 - (o) Establish any subsidiary, or enter into joint venture, partnership or other form of capital cooperation with any third party;
 - (p) Properly handle any material taxation liability, which can be reasonably expected to have Material Adverse Effect on the Investor;
 - (q) Enter into any negotiation or discussion about any material acquisition, merger or recapitalization relating to the equity in the Group Companies, or enter into any agreement with any third party with respect to such material transaction relating to the corporate equity;
 - (r) Fail to maintain its financial and operation accounts and records as consistent with past practices of the Group Companies; and
 - (s) Amend the articles of association of the Target Company, except for performance of relevant matters relating to the Transaction.
- 4.2 Prior to the First Closing Date of the Transaction, the Company Party shall exercise the shareholder's rights and perform obligations and assume liabilities with respect to the equity in the Target Company on the principle of prudence and diligence. If the Company Party or its affiliates fail to comply with or satisfy in any material aspect any covenant, condition or agreement that shall be complied with or satisfied by it hereunder, the Company Party shall have the obligation to notify the Investor as soon as possible after knowledge of such act or event, and take all possible remedial measures, and shall properly and timely notify the Investor in writing about any event occurred during the period from the date of the Original Framework Agreement to the First Closing Date which may cause the representations and warranties contained herein to be inaccurate or untrue in any material aspect.
- 4.3 The Company Party fully understands the Investor's concern about the competition fields of industry and acknowledges that such concern about the competition fields of industry will affect the Investor's judgment and decision on the Transaction, and therefore the Company Party agrees and undertakes that: (a) from the date of the Original Framework Agreement to (1) the Third Closing Date or (2) the date of termination of this Agreement (whichever earlier), without prior written consent of the Investor, no Company Party will enter into or promise to enter into any joint venture, partnership, association or other equity-related transaction with any Investor's Competitor (as defined below). For the avoidance of doubt, "**Investor's Competitor**" refers to any entity or

individual that engages in or will engage in any business directly or indirectly competing with the business engaged in or to be engaged in by the Beike Group, and the affiliates, stakeholders or successor of such entity or individual, as well as any new or surviving entity after acquisition, association, merger, split or restructuring of such entity, and its affiliates and stakeholders. Any reference to the “Investor's Competitor” herein shall include, without limitation, the following sponsors, developers and actual operators involved in real estate-related business websites or mobile applications, and their respective affiliates: “WUBA” (<http://www.58.com/>), “Anjuke” (<http://www.anjuke.com/>), “SFUN” (<http://fang.com/>), “Alibaba” (<http://www.taobao.com>; <http://www.tmall.com>), “Ant Financial” (<https://www.antfin.com/>), “TouTiao” (website: <https://www.toutiao.com/>), “Meituan” (<http://www.meituan.com>; <http://www.zhenguo.com/>), “Hizhu” (<http://www.hizhu.com>), “Baletu” (website: <http://www.baletu.com>), “Wukong Zhaofang” (<https://www.wkzf.com>), “Qfang” (<https://www.qfang.com>), “Fangchebao” (<https://www.fcb.com.cn/>), “Macalline Aijia” (<https://www.aijiawang.com/>), “FangDD” (<https://www.fangdd.com/>), “Sohu” (<https://www.sohu.com/>), etc., and include but not limited to the following online or offline real estate service companies that are engaging in the same or similar business to that of the Investor, and their affiliates: Beijing 5i5j Real Estate Brokerage Co. Ltd., Beijing Centaline Property Consultants Co., Ltd., Maitian Real Estate Agency Co., Ltd., E-House (China) Holdings Limited, Shenzhen Fangchebao Sales Co., Ltd., Henan Mogu Apartment Management Co., Ltd. (河南蘑菇公寓管理有限公司), SouFun Holdings Limited, Beijing Sankuai Online Technology Co., Ltd., Beijing Jingdong 360 Degree E-commerce Co., Ltd., etc. (b) If, as of the date of the Original Framework Agreement, the Group Companies have entered into any commercial or business cooperation with any Investor's Competitor, the Company Party shall provide a written statement to the Investor with respect to the relevant major cooperation matters, briefing the main business cooperation between the Group Companies and such Investor's Competitor. If, as of the date of the Original Framework Agreement, the Group Companies enter into other commercial or business cooperation with any Investor's Competitor other than those disclosed in the said statement, the Group Companies shall give a prior written notice to the Investor on the cooperation partner and the main terms of cooperation.

- 4.4 The Company Party agrees and undertakes that, the exclusivity period shall be from the date of the Original Framework Agreement to (1) the Third Closing Date or (2) the date of termination of this Agreement (whichever earlier). During such period, without prior written consent of the Investor, the Company Party may not: (i) accept, require or respond to any acquisition or investment offer with respect to any Group Company from any third party (including, without limitation, Investor's Competitor, same below), (ii) enter into any letter of intent or agreement on any capital transaction

with respect to or in connection with the Group Companies with any third party, or (iii) enter into any letter of intent or agreement that is identical or similar to or in conflict with the Transaction hereunder with any third party. The Company Party shall immediately notify the Investor if it receives any offer, letter of intent or written document relating to Items (i) - (iii) above from any third party. Without prior written consent of the Investor, the Company Party may not negotiate any offer with such third party or accept any offer from such third party.

5 Investor's Rights as Shareholder

The Parties agree and acknowledge that (1) the 6% equity in the Target Company obtained by the Investor in the Domestic Acquisition of Target Equity and (2) the 45.74% shares in the Cayman Co 2 (on a fully diluted basis) subscribed for by the Investor in the capital increase to the Cayman Co 2 shall be preferred shares, which shall have the preferential rights set forth in this Article 5 below, and the Parties shall then specify the same in the formal transaction documents of such transactions to reflect the following preferential rights of the Investor.

5.1 Protective Matters

As long as the Investor holds any equity in the Target Company/Cayman Co 2, without unanimous prior written consent of the Actual Controller and the Investor, none of the Group Companies may engage in the following activities (except those agreed herein):

- (a) Increase or decrease of the registered capital or share capital of any Group Company (or issuance of additional or redemption of equity, convertible bonds, options or interest of equity nature);
- (b) Amendment to the articles of association of any Group Company (except due to expansion of the business scope relating to the Main Business of the Group Companies (provided that such matters shall not constitute a material change to the Main Business of the Group Companies) and relocation of the Group Companies);
- (c) Merger, split, dissolution, liquidation or change of corporate form of any Group Company (except those proposed to liquidate or shut down as disclosed in the Disclosure Schedule);
- (d) Approval of the profit allocation plan and the loss make-up plan of any Group Company;
- (e) Approval of the implementation of the equity incentive plan of the Company by means of capital increase by any Group Company;
- (f) Creation of mortgage or pledge over assets of any Group Company, or provision of other form of guarantee to any third party, with an amount of more than RMB***** in a single guarantee, or more than RMB***** in 12 consecutive months on a cumulative basis (except for guarantee provided for subcontractors or contractors by the Group Companies according to the requirements of the standard terms of the contract counterparty or

customary industrial requirements, in the normal course of project decoration business);

- (g) Replacement of the auditor of any Group Company (and for the avoidance of doubt, the auditor currently engaged by the Group Companies is Pan-China Certified Public Accountants);
- (h) Approval of provision or acceptance of loans to or from any third party by any Group Company, with an amount of more than RMB***** in a single loan, or more than RMB***** in 12 consecutive months on a cumulative basis;
- (i) Entry into any related party transaction (including, without limitation, current accounts and borrowing and lending of funds) between any Group Company and any shareholder, the Actual Controller, director or affiliate of such Group Company, except transactions between any Group Company and the Investor or its affiliates (notwithstanding the foregoing, the Company Party warrants that the price of any related party transaction between any Group Company and any member of its operation and management team or its affiliate is fair and will not be detrimental to the interest of the Group Companies, and if any Group Company intends to enter into any related party transaction at an unfair price with any operation and management team, such Group Company shall first obtain prior written consent from the Investor);
- (j) License, sale, transfer, pledge or other disposal of any patent, copyright, trademark or other intellectual property rights by any Group Company;
- (k) External investment by the Group Companies (including, without limitation, incorporation of a subsidiary, acquisition, merger, joint venture or cooperation with third party, restructuring, or equity investment in other form);
- (l) Sale, transfer or other disposal of assets or business of the Group Companies by the Group Companies, with an amount of more than RMB***** in a single transaction or more than RMB***** in 12 consecutive months on a cumulative basis, except for disposal of their samples or sale of products relating to their Main Business in the normal course of business;
- (m) Declaration or payment of dividends or bonus by Group Companies;
- (n) Approval of the annual financial budget and final accounting plan of the Group Companies;
- (o) Increase or decrease of the number of directors of the board of directors of any Group Company, or change of the nomination method of the board of directors of any Group Company;
- (p) Adoption of resolutions on initial public offering or offering of bonds by any Group Company;
- (q) Preparation, adoption or amendment of and to the annual financial budget and final accounting plan, business plan involving important strategies or change to the Main Business, operation plan and investment plan involving important strategies or change to the Main Business (except wealth management products mature within 36 months), of the Group Companies;
- (r) Cessation of operation of its Main Business, change of its current Main Business,

expansion of business other than Main Business, or operating any business outside the normal course of business, by any Group Company (except those proposed to liquidate or shut down as disclosed in the Disclosure Schedule);

- (s) Change of the audit, financial system, accounting policies or fiscal year of the Group Companies;
- (t) Approval of the execution of the following material contracts by Group Companies: (i) project decoration business contract of an amount of more than RMB100,000,000 in a single transaction or more than RMB500,000,000 in 12 consecutive months on a cumulative basis with the same transaction counterparty; (ii) supplier contract of a purchase amount of more than RMB500,000,000 in 12 consecutive months on a cumulative basis with the same transaction counterparty, or supplier contract which may lead to the increase of the total cost for purchase of materials set by the financial budget of that year by more than 10%; (iii) labor service outsourcing contract of a purchase amount of more than RMB300,000,000 in 12 consecutive months on a cumulative basis with the same transaction counterparty, or labor service outsourcing contract which may lead to the increase of the total cost for labor services set by the financial budget of that year by more than 10%; (iv) any other material contract of an amount of more than RMB100,000,000 in a single transaction or more than RMB500,000,000 in 12 consecutive months on a cumulative basis with the same transaction counterparty, provided that existing contracts for lands and relevant construction and equipment input, contracts for investment relating to existing joint venture plants with ***, contracts for wealth management products with quasi fixed income which have been disclosed as matters exempted from approval, and contracts relating to human resource and compensation, already entered into before the First Closing Date by the Group Companies; and
- (u) Approval of the following material human resource matters of the Group Companies: (i) the employment and removal of the general manager (or CEO), deputy general manager, financial director (or CFO) or other operation and management team of any Group Company; (ii) the compensation level of the Group Companies in any fiscal year in excess of the compensation budget in the annual financial budget of such year of the Group Companies; and (iii) a cumulative adjustment by more than 10% to the compensation of the Group Companies in any fiscal year.

5.2 Right to Appoint Director

From the First Closing Date, the board of directors of the Target Company shall consist of three (3) directors, one (1) nominated by the Investor and two (2) nominated by the Actual Controller. From the Second Closing Date, the board of directors of the Cayman Co 2 and the HK Co each shall consist of two (2) directors, one (1) appointed by the Investor and one (1) appointed by the Actual Controller; and the WFOE shall have four (4) directors, two (2) appointed by the Investor and two (2) appointed by the Cayman Co 1.

5.3 Right to Appoint Senior Officers

- (1) From the First Closing Date, the Investor may appoint financial director (or CFO), system owner and HR director of the Group Companies to the Target Company. All shareholders of the Target Company at that time shall procure the directors appointed by them to approve the financial director (or CFO), system owner and HR director appointed by the Investor on the meeting of the board of directors, and without prior written consent of the Investor, none of the shareholders, directors and general manager of the Target Company may require to remove the financial director (or CFO), system owner and HR director appointed by the Investor.
- (2) The Parties agree that the financial director (or CFO) appointed by the Investor shall be responsible for assisting in standardizing relevant work of the financial policies of the Group Companies and improving the internal control system of the Group Companies (including the internal contract management policies of the Group Companies).
- (3) The Parties agree that the HR director appointed by the Investor shall be responsible for assisting in standardizing the HR management policies of the Group Companies and the specific duties and responsibilities of relevant HR management work thereunder (including, without limitation, managing the compensation adjustment and other matters of the Group Companies based on the HR management policies of the Group Companies).

5.4 Non-Compete Undertaking

Within (i) the period during which the Investor directly or indirectly holds equity in the Group Companies, (ii) the period of their service to any Group Company and two (2) years from the date of departure from such Group Company, or (iii) the period of their direct or indirect holding of the equity in the Group Companies (regardless of whether they are serving the Group Companies during such period or not) and two (2) years from the date when they no longer directly or indirectly hold equity in any Group Company, whichever later, and within the territory of the PRC, without prior written consent of the Investor, the Actual Controller and the Key Employees shall not directly or indirectly in any way engage in or participate in any business that is identical or similar to or may compete with the Main Business of the Group Companies or the Beike Group, or hold any interest in any entity engaging in such business, or provide management or operation services to such entity, provide assistance to or accept engagement by such entity, or in any way entice directors, senior officers, employees and consultants of the Group Companies away from the Group Companies or persuade and induce them to terminate services with the Group Companies, or solicit, employ, contact or strive to solicit, employ or contact any employee or consultant employed by the Group Companies, or have such persons work or provide services to them.

Without prior written consent of the Investor, (1) none of the direct shareholders other than the Investor, the Key Employees and the Actual Controller may directly or indirectly in any way transfer, sell or otherwise dispose of any equity in the Group Companies, the Cayman Co 2, the HK Co or the WFOE held by them (including convertible bonds, securities, rights or arrangements which may be converted or exercised into any equity in the Group Companies) to any Investor's Competitor; (2) none of the Group Company, the Cayman Co 2, the HK Co or the WFOE may transfer equity in its subsidiary, sell newly increased registered capital or issue new equity (including convertible bonds, securities, rights or arrangements which may be converted or exercised into any equity in the Group Companies) to any Investor's Competitor, or obtain any financing (including, without limitation, any equity financing and debt financing) from any Investor's Competitor; (3) none of the Group Company, the Cayman Co 2, the HK Co or the WFOE may directly or indirectly sell, transfer, lease, license or otherwise dispose of any assets, business, goodwill and/or intellectual property rights having material effect on the Group Companies, to any Investor's Competitor; and (4) none of the shareholders other than the Investor and the Actual Controllers may enter into any form of equity investment relationship, or have any direct or indirect discussion, negotiation or agreement with respect to such equity investment transaction, with the Investor's Competitor. With respect to Items (1) and (2) above, if any Key Employee proposes to transfer, sell, pledge or otherwise dispose of his units in the Holding Platforms to any Investor's Competitor, or any Key Employee proposes to transfer, sell, pledge or otherwise dispose of his equity in the Cayman Co 1 or the BVI Co to any Investor's Competitor through Cayman Co 1 or BVI Co, thus indirectly disposing of his equity in the Target Company or the Cayman Co 2 (except, for the avoidance of doubt, compulsory freezing or enforcement against such units or equity in the Holding Platforms by judicial authorities), then the Company Party shall, upon knowledge thereof, timely notify the Investor in writing and take all necessary measures to prevent such transaction (including, without limitation, not to complete the AIC change registration or registration or filing with other governmental authorities for such transfer, sale, pledge or disposal). If the Actual Controller fails to take reasonable measures to prevent such transaction within thirty-five (35) business days upon knowledge thereof, the Investor shall have the right to claim that such transfer, sale, pledge or disposal should be invalid, and demand the Actual Controller to assume the corresponding compensation liability (notwithstanding the foregoing, if the liquidated damages under Article 10.3(2) is sufficient to make up the losses thus suffered by the Investor, the Investor shall not continue to demand the Actual Controller to assume additional compensation liability).

- 5.6.1 Any of the following circumstances (whichever earlier), if not cured within ****(**)** days upon written demand from the Investor, shall constitute a “**Redemption Right Trigger Event**”:
- (a) Where the Group Companies (except for those proposed to liquidate or shut down as disclosed in the Disclosure Schedule) are revoked off business license or applied for dissolution or bankruptcy due to reasons of the Actual Controller, the Key Employees or existing shareholders, prior to the Third Closing Date;
 - (b) Where the Actual Controller or the Company Party under his control directly or indirectly transfers, pledges or creates other encumbrance over any equity in the Group Companies, the Cayman Co 2, the HK Co or the WFOE, in breach of the provisions of the Transaction Documents, without written consent of the Investor;
 - (c) Where any direct shareholder of the Target Company or its/his affiliate enters into any related party transaction (other than business cooperation between the Investor and the Group Companies) with the Group Companies at an unfair price which is materially detrimental to the interest of the Group Companies, without approval of the shareholders’ meeting (which shall include the consent of the Investor), prior to the Third Closing Date;
 - (d) Where the Actual Controller or any direct shareholder of the Target Company or its/his affiliate carries out or engages in business competing with the business of the Group Companies which is materially detrimental to the interest of the Group Companies, or commits any other conduct materially detrimental to the interest of the Group Companies, prior to the Third Closing Date;
 - (e) Where any Group Company, Cayman Co 2, HK Co or WFOE breaches the provisions of Article 5.5 above without prior written consent of the Investor, prior to the Third Closing Date;
 - (f) Where any direct shareholder other than the Investor or the Actual Controller (or other entity under his control) breaches the provisions of Article 5.5 above without prior written consent of the Investor, prior to the Third Closing Date;
 - (g) Where the Company Party or any of its direct shareholder is convicted and subject to criminal liability (including, without limitation, fixed-term imprisonment, criminal detention, suspended sentence) for a term of more than six (6) months, due to violation of applicable taxation regulations, or due to violation of other laws, regulations or normative documents;
 - (h) Where, when applying to the Investor for payment of any amount in the Transaction, any Company Party provides false materials or information so as to make the Investor pay such amount, which has caused a loss of above RMB***** (or equivalent foreign currency) to the Investor; and
 - (i) Where any direct shareholder of the Target Company commits fraudulent contribution or withdrawal of contribution, and amount of fraudulent contribution is

more than **% of the registered capital of the Company.

The Investor may require the Target Company/the Cayman Co 2 and/or the Actual Controller (collectively “**Redemption Obligors**”) to jointly redeem (or purchase) all or part of the equity in the Target Company/Cayman Co 2 then held by it at the following price (hereinafter referred to as the “**Redemption Price**”): (i) full investment amount paid by the Investor for the equity to be redeemed (hereinafter referred to as the “**Investment Amount**”), plus (ii) all brand support costs and subsidies incurred by the Investor for the Group Companies (hereinafter referred to as the “**Investor’s Expenses**”, provided that such expenses shall be in line with business practices and have been approved by the Company Party prior to the incurrence), plus (iii) the interest on the Investment Amount and the Investor’s Expenses calculated at a simple interest of *% per year (and in case of less than one year, pro rata) during the Investor’s shareholding period (which shall be from the date when the Investor and/or its designated entity pays the corresponding equity transfer consideration or the Subscription Amount to the Target Company/the Cayman Co 2 to the date of payment of the Redemption Price in full by the Target Company/the Cayman Co 2). The taxation costs arising from the redemption of the equity held by the Investor by the Redemption Obligors shall be borne by other shareholders other than the Investor, and/or the Group Companies, unless otherwise agreed herein.

- 5.6.2 Notwithstanding the foregoing, upon occurrence of the First Closing: (i) if the Company Party unilaterally terminates the Transaction not in accordance with Article 9.3 or Article 11.1 (c) and (d) hereof, or breaches the provision of Article 4.4 hereof, or the conditions to the Second Closing that shall be completed by the Company Party are not completed by the Second Closing Longstop Date due to reasons of the Company Party (including, without limitation, failure of completion of the Second Closing and the acquisition of **% equity in the Target Company by the WFOE due to reasons of the Company Party or the partners of the Holding Platforms), then the Investor shall have the right (but no obligation) to opt to: (A) continue to obtain up to **% additional equity in the Target Company as per the plan then agreed by the Transaction Parties otherwise, without prejudice to the preferential rights under Article 5 hereof as may be enjoyed by the equity then held by the Investor (including additional equity obtained under this Article) (hereinafter referred to as the “**Additional Investment Right**”). If the Transaction Parties then fail to agree on the exercise plan of such Additional Investment Right within thirty (30) days, the Investor shall have the right to require the Company Party to redeem all or part of the equity held by the Investor in accordance with the provisions of Item (B) below; or (B) require the Redemption

Obligors to fulfill the redemption obligation at the Redemption Price agreed in this Article 5.6, and in this case, the taxation costs arising from the redemption of the equity held by the Investor shall be borne by other shareholders other than the Investor, and/or the Group Companies (notwithstanding the foregoing, if the liquidated damages paid to the Investor by the Company Party under Article 10.3 hereof are sufficient to pay such taxation costs, then other shareholders other than the Investor, and/or the Group Companies are not required to assume further compensation liability, and if the liquidated damages under Article 10.3 hereof are insufficient to pay such taxation costs, then other shareholders other than the Investor, and/or the Group Companies shall be liable for the corresponding compensation). (2) If the conditions to the Second Closing that shall be completed by the Company Party are not completed by the Second Closing Longstop Date due to reasons other than the Investor and the Company Party (including, without limitation, force majeure or changes in applicable laws, regulations or policies), then the Investor shall have the right (but no obligation) to opt to: (A) exercise such Additional Investment Right, without prejudice to the preferential rights under Article 5 hereof as may be enjoyed by the equity then held by the Investor (including additional equity obtained under this Article); or (B) acquire up to 94% equity in the Target Company by the entity designated by it (hereinafter referred to as the “**Acquisition Option**”). The Transaction Parties shall make best efforts to negotiate the exercise plan with respect to such Additional Investment Right or Acquisition Option (including, without limitation, valuation of the Group Companies corresponding to the exercise and the preferential rights enjoyed by the Investor) within thirty (30) days from the date when the Investor notifies the Company Party in writing to exercise the Additional Investment Right or the Acquisition Option, and the Company Party shall not impair the preferential rights of the Investor under Article 5 hereof until the Transaction Parties agree on such exercise plan.

Notwithstanding the foregoing, upon occurrence of the Second Closing, if the Company Party unilaterally terminates the Transaction not in accordance with Article 9.3 or Article 11.1 (c) and (d) hereof, or breaches the provision of Article 4.4 hereof, or the conditions to the Third Closing that shall be completed by the Company Party are not completed by the Third Closing Longstop Date due to reasons of the Company Party (including, without limitation, failure of completion of the Second Closing and the acquisition of 94% equity in the Target Company by the WFOE due to reasons of the Company Party or the partners of the Holding Platforms), then the Investor shall have the right (but no obligation) to opt to: (A) exercise such Acquisition Option, and if the Transaction Parties then fail to agree on

the exercise plan of such Acquisition Option within thirty (30) days, the Investor shall have the right to require the Company Party to redeem all or part of the equity held by the Investor in accordance with the provisions of Item (B) below; or (B) require the Redemption Obligors to fulfill the redemption obligation at the Redemption Price agreed in this Article 5.6, and in this case, the taxation costs arising from the redemption of the equity held by the Investor shall be borne by other shareholders other than the Investor, and/or the Group Companies (notwithstanding the foregoing, if the liquidated damages paid to the Investor by the Company Party under Article 10.3 hereof are sufficient to pay such taxation costs, then other shareholders other than the Investor, and/or the Group Companies are not required to assume further compensation liability, and if the liquidated damages under Article 10.3 hereof are insufficient to pay such taxation costs, then other shareholders other than the Investor, and/or the Group Companies shall be liable for the corresponding compensation).

- 5.6.3 Notwithstanding anything to the contrary herein, if the Transaction is terminated due to reasons other than the Investor as set forth in Article 5.6.2 above, then during the period in which the Investor holds equity in the Group Companies, if any other third party proposes to subscribe for the newly increased registered capital in the Target Company or newly issued shares in the Cayman Co 2, or proposes to purchase the equity/shares in the Target Company/Cayman Co 2, then the Company Party shall timely notify the Investor in writing, and the Investor shall have the right of first investment or right of first offer under the same conditions.

5.7 Preemptive Right

If the Target Company/Cayman Co 2 plans to issue new shares (including issuance of options, warrants and other convertible bonds which can be converted into equity in such company, hereinafter referred to collectively as the “**Newly Increased Capital**”, except for new shares issued for the purpose of incentive to employees), the Investor or its designated affiliate shall have the right (but no obligation) to subscribe for all or part of the Newly Increased Capital in proportion to its then shareholding percentage in such company in preference to other shareholders of the Target Company/Cayman Co 2 or third party under the same conditions.

5.8 Equity Transfer Restriction

Without prior written consent of the Investor or unless otherwise expressly agreed herein, the Actual Controller, the Core Employees and any other shareholder of the Target Company and the Cayman Co 2 (other than the Investor, hereinafter referred to as the “**Restricted Party for Share Transfer**”)

may not transfer, sell or otherwise dispose of in any way, or pledge or set other encumbrance over, any equity in the Group Companies directly or indirectly held by him/it (except with unanimous consent of all shareholders), directly or indirectly, including, without limitation, through disposal of rights and interests in the Holding Platforms, the BVI Co or the Cayman Co 1. Notwithstanding the foregoing, if any partner of the Holding Platforms proposes to transfer, sell, pledge or otherwise dispose of his units in the Holding Platforms, or any shareholder of the Cayman Co 1 or the BVI Co proposes to transfer, sell, pledge or otherwise dispose of his/its equity in the Cayman Co 1 or B the VI Co, thus indirectly disposing of equity in the Target Company/Cayman Co 2, then the Actual Controller shall, upon knowledge thereof, timely notify the Investor in writing, and take all necessary measures to prevent such transfer, sale, pledge or disposal from causing substantial impedance to or Material Adverse Effect on the closings of the Transaction (including, without limitation, the Actual Controller's purchase of the equity proposed to transfer or sell under the same conditions, or demand the assignee of such equity to acknowledge and consent to the transactions hereunder). If the Actual Controller fails to take reasonable measures within thirty-five (35) business days upon knowledge thereof, giving rise to any substantial impedance to or Material Adverse Effect on the Transaction arising from such transfer, sale, pledge or disposal, then the Investor shall have the right to claim that such transfer, sale, pledge or disposal in any form should be invalid, and demand the Actual Controller to assume the corresponding compensation liability.

5.9 Right of First Refusal and Right of First Sale

Subject to Article 5.8 above, if a Restricted Party for Share Transfer (hereinafter referred to as the **"Transferor"**) proposes to directly or indirectly transfer, sell or otherwise dispose of all or part of the equity or interest of equity nature in the Target Company/Cayman Co 2 held by him/her (hereinafter referred to as the **"Sale Equity"**) to any person (hereinafter referred to as the **"Transferee"**, other than the Investor or its affiliates), then the Investor or its designated affiliate shall have the right to purchase all or part of the Sale Equity in precedence to other shareholders and third party under the same terms and conditions of the proposed sale of the Transferor.

Where the Investor fails to exercise such right of first refusal, then the Investor shall have the right (but no obligation) to require to sell up to all of its equity in the Target Company/Cayman Co 2 to the Transferee in precedence to the Transferor at the same price and under the same terms and conditions as the Transferee offers to the Transferor.

If the Investor proposes to directly or indirectly transfer, sell or otherwise dispose of all or part of the equity or interest of equity nature in the Target Company/Cayman Co 2 held by it (hereinafter referred to as the **"Sale Equity of Investor"**) to any other third party other than its affiliates, then

the Actual Controller or his designated affiliate shall have the right to purchase all or part of the Sale Equity of Investor in precedence to other shareholders and third party under the same terms and conditions of the proposed sale of the Investor.

For the avoidance of doubt, with respect to the specific terms of such right of first refusal and co-sale right (including, without limitation, the exercise procedures of such rights), the Company Party and the Investor may specifically agree the same in the Shareholders Agreement, the articles of association of the Target Company, the Cayman Co 2 SHA and/or the Cayman Co 2 AOA.

5.10 Liquidation Preference

If the Target Company/Cayman Co 2 liquidates, dissolves, shuts down or has any other statutory liquidation event or deemed liquidation event, the distributable liquidation property of the Target Company/Cayman Co 2 shall be distributed as follows:

- (1) The Investor shall have the right to receive in precedence to other shareholders of the Target Company/Cayman Co 2 the liquidation amount calculated as follows from the distributable liquidation property (hereinafter referred to as the “**Investor's Liquidation Preference**”): 100% of the Investment Amount corresponding to the equity in the Company then held by the Investor, plus an interest over such amount calculated at a single interest rate of 5% per year. That is, $\text{Investor's Liquidation Preference} = I \times (1+5\%) \times N$, of which, “I” is the amount equivalent to 100% of the Investment Amount corresponding to the equity in the Target Company/Cayman Co 2 then held by the Investor; “N” is the number of days from the date when the Investor actually pays such Investment Amount to the date when the Investor receives full Investor's Liquidation Preference, divided by 365.
- (2) If there is any distributable liquidation property left after the Target Company/Cayman Co 2 pays in full the Investor's Liquidation Preference, then all remaining assets shall be distributed to all shareholders of the Target Company/Cayman Co 2 (including the Investor) in proportion to their respective shareholding percentage.

Except for the Transaction agreed herein, if the Target Company/Cayman Co 2 is acquired, merged, or entered into trade sale or other similar transaction, giving rise to the shareholding percentage or voting percentage in the surviving entity of all shareholders of the Target Company/Cayman Co 2 prior to the transaction to be less than 50%, or if the Target Company/Cayman Co 2 sells all or substantially all of its assets or business, or if the Target Company/Cayman Co 2 transfers or exclusively and irrevocably licenses all or substantially all intellectual property rights to any third party, then unless with prior written consent of the Investor, it shall be deemed as liquidation, in

which case the Investor shall be entitled to compensation in accordance with the distribution plan agreed in this Article.

5.11 Anti-dilution

Upon the First Closing Date, if the Target Company or the Cayman Co 2 issues Newly Increased Capital or new shares at a per unit subscription price lower than that paid by the Investor to acquire the equity in such company, that is, the price for the shareholder subscribing for the Newly Increased Capital or new shares (hereinafter referred to as the “**Capital Increase Shareholder**”) to subscribe for the Newly Increased Capital is lower than the per unit subscription price of the Investor (which, for the purpose of this Article 5.11, unless otherwise agreed by the Parties, shall be calculated per the valuation of the Group Companies after the adjustment to the acquisition consideration of the Second Closing in accordance with Article 3.5.9 hereof), the Investor shall have the right to adjust its per unit subscription price so that the per unit subscription price of the equity held by the Investor in such company equals to the per unit subscription price of the Capital Increase Shareholder. All charges and taxes of the Investor arising from anti-dilution protection shall be borne by the Company Party.

5.12 Information Right

During the period when the Investor holds equity in the Target Company or the Cayman Co 2, the Investor shall have the right to obtain from the Group Companies:

- (1) the unaudited monthly consolidated financial statements of the Group Companies prepared in accordance with the PRC accounting standards for the last month of the previous quarter and the first two months of current quarter, within fifteen (15) days prior to the end of each quarter;
- (2) the annual consolidated financial statements audited by Pan-China Certified Public Accountants or other accounting firm replaced with approval of the Investor under Article 5.1(g), in accordance with the PRC accounting standards, within three (3) months upon ending of each fiscal year.

The Investor shall have the right to inspect, upon prior reasonable notice, assets, facilities, bank accounts, contracts, accounting vouchers, accounting books, financial reports, other financial or accounting materials and operation records, etc. of the Group Companies, and the Group Companies shall provide relevant materials and information per the time required by the Investor and cooperate with the Investor in exercising such right of inspection. The Investor shall have the right to reproduce or summarize such documents, discuss the business, financial and other conditions of the

company with the officers and employees of the Group Companies, and interview the consultants, accountants and lawyers of the Group Companies with respect to the operational matters of the Group Companies. For the avoidance of doubt, the Investor shall have the right to exercise such right of inspection by itself or by lawyers, accountants or other third parties engaged by it.

5.13 Profit Distribution

Without prior written consent of the Investor, the Target Company/Cayman Co 2 may not conduct distribution of profit (except for the Special Dividend Payment agreed in Article 3.4 hereof or the allotment of shares by means of dividend as agreed in Article 3.6). After the First Closing Date of the Transaction, the capital reserves, surplus reserves and undistributed profit (if any) of the Company shall be jointly shared by all shareholders in proportion to their shareholding percentage after the First Closing Date.

5.14 Most Favored Nation

Unless unanimously agreed by the Parties, if any other shareholder or future shareholder of the Target Company/Cayman Co 2 enjoys rights more favorable than or in precedence to those enjoyed by the Investor at the time of or at any time after the Investor's participation in the Company (except for employee shareholder, and foreign shareholder (if any) under Article 3.3.3 hereof with respect to the price of equity in the Target Company held by it), then the Investor shall have the same rights without further payment of any consideration.

5.15 Termination and Reservation of Preferential Rights

If (1) the Investor unilaterally terminates the Transaction due to reason other than exercise of the right of termination under Article 9.3 or Article 11.1(d) or (f), or the conditions precedent to the Second Closing are not satisfied by the Second Closing Longstop Date solely due to reasons of the Investor (including, without limitation, the Investor's failure to procure its affiliates, agents or intermediaries to complete the matters hereunder) (except for the circumstance agreed in Article 10.3(1)(c) hereof), or (2) the Company Party unilaterally terminates the Transaction not in accordance with Article 9.3 or Article 11.1 (c) and (d) hereof, or breaches the provision of Article 4.4 hereof, or the conditions to the Second Closing that shall be completed by the Company Party are not completed by the Second Closing Longstop Date due to reasons of the Company Party (including, without limitation, failure of completion of the Second Closing and the acquisition of 94% equity in the Target Company by the WFOE due to reasons of the Company Party or the partners of the Holding Platforms, or the Company Party's failure to procure its affiliates, agents or intermediaries to complete the matters hereunder), and the Investor does not exercise the Additional Investment Right or the Redemption Right under Article 5.6.2, then the Investor shall only be

entitled to the following preferential rights: Items (a), (b), (c), (f), (i) and (o) under Article 5.1, the right to appoint director under Article 5.2, the redemption right under Article 5.6, the preemptive right under Article 5.7, the restrictions on equity transfer under Article 5.8 (except to the extent that the transfer by the Restricted Party for Share Transfer will cause no change to the Actual Controller of the Group Companies), the right of first refusal and co-sale right under Article 5.9, the liquidation preference under Article 5.10, the anti-dilution under Article 5.11, the information right under Article 5.12, the profit distribution right under Article 5.13 and the most favored nation under Article 5.14.

Except the foregoing of this Article 5.15 and as otherwise agreed herein, the preferential rights under Article 5 hereof shall terminate on the earlier of: (i) the Third Closing Date, (ii) the date when the Investor exercises the Acquisition Option under Article 5.6.2 and has obtained the control of the Group Companies (including, without limitation, the control of the shareholders' meeting, the board of directors and the corporate operation right), and (iii) the date on which the Redemption Obligor redeems all such equity/share and pays the Redemption Price in full.

6 Taxes

- 6.1 The Parties agree that all taxes arising out of the execution and performance of this Agreement and in connection with the Transaction shall be respectively borne by the Parties in accordance with applicable laws and regulations or the requirements of this Agreement, and the Transferor of any equity transfer involved in the Transaction shall be responsible for filing tax return and paying income tax in connection with the transfer of domestic or overseas equity and assuming corresponding legal liabilities in accordance with applicable laws and regulations.
- 6.2 The Parties agree that, subject to the provisions on taxes and tax burden in Article 6.1 above, the fees for all registrations with governmental authorities in connection with the Transaction (including, without limitation, AIC registration fees, excluding taxes) shall be borne by the Party responsible for completing such registration. Notwithstanding the foregoing, (1) if the Transaction is not finally completed solely due to reasons of the Investor (including, without limitation, the Investor's failure to procure its affiliates, agents or intermediaries to complete the matters hereunder), then all taxes actually incurred as of the termination of the Transaction shall be fully borne by the Investor. For the avoidance of doubt, if the liquidated damages paid by the Investor under Article 10.3 hereof are sufficient to pay such taxes payable by the Investor but already paid by the Company Party, then the Investor is not required to assume further compensation liability, and if the liquidated damages under Article 10.3 hereof are insufficient to pay such taxes, the Investor shall be liable for the

corresponding compensation; (2) if the Anti-monopoly Declaration is rejected, or as of December 31, 2021, the competent governmental authority still makes no decision on the Anti-monopoly Declaration for the Transaction, or the Anti-monopoly Declaration for the Transaction has been approved by competent authority with additional restrictive conditions which in the unanimous opinions of the Transaction Parties upon evaluation in good faith are difficult to achieve before December 31, 2021 in practice, thus causing this Agreement to be terminated under Article 11.1 (e), then the Investor shall pay **% of all taxes actually incurred due to the Internal Equity Restructuring of the Target Company (provided that such payment shall be limited to RMB*****), and if the Company Party has already paid the taxes payable by the Investor, the Investor shall be liable for the corresponding compensation. The Investor shall pay the payable taxes or compensation amount to the account designated by the Company Party in writing in advance, within thirty-five (35) business days, after the date when it is determined that the failure of the Transaction is due to reasons attributable to the Investor (with respect to Item (1) above) or after the date of termination of this Agreement (with respect to Item (2) above). As of the date hereof, the Anti-monopoly Declaration for the Transaction has been approved and cleared by the competent authority.

- 6.3 The Investor may engage intermediaries to conduct comprehensive and prudent investigation, audit and assessment against the Company for the purpose of consummation of the Transaction, and to draft legal documents relating to the Transaction, and the costs arising therefrom shall be borne below: (1) if the Transaction is fully completed, the Company shall bear such costs (however, subject to the PRC GAAP, such costs may not be deducted from the audited operating revenue and profit of the Group Companies in the first two quarters of 2021 and in 2021, thus affecting the valuation and closing); and (2) if the Transaction is not fully completed, the Investor shall solely bear such costs. However, notwithstanding the foregoing, if the existing shareholders of the Company Party or the Target Company breach Article 4.4 or the confidentiality obligation, causing failure to complete the Transaction, the Company shall compensate the Investor for such costs.
- 6.4 The Parties agree that, with respect to any taxation liability or additional tax burden of the Company Party and the Core Employees arising from all steps of the Transaction (including, without limitation, Internal Equity Restructuring, the Overseas Restructuring, relevant equity transfer and dividends, of the Group Companies), if the competent taxation authority investigates the arrangement and payment of such tax burden in the course of the Transaction or after the Third Closing Date, the Company Party and the Investor shall proactively communicate to the extent permitted by laws, and cooperate to cope with such investigation and minimize the adverse effect of such investigation on the Parties.

7 Representations and Warranties

7.1 The Parties shall ensure that the following presentations and warranties are authentic, complete and accurate:

- (a) Authorization. The Parties have obtained sufficient and necessary authorization as to the execution of this Agreement, performance of all obligations under this Agreement and completion of transactions contemplated by this Agreement, and the Parties have full capacity for civil conducts and capacity for civil rights to execute this Agreement and perform the obligations hereunder. This Agreement, once executed, will be legally binding upon the Parties;
- (b) No Conflict. None of the execution and performance of this Agreement will breach any provision of or conflict with the articles of association, partnership agreement or other constitutional documents of, the Parties. The Parties have obtained all third party consents or authorizations necessary for the transactions contemplated by this Agreement;
- (c) Valid Existing. Each Party is an entity duly incorporated and validly existing (if applicable); and
- (d) Strict Performance. The Parties will promote the Transaction in an orderly manner as soon as possible in accordance with the various agreements hereunder. The Investor shall have the right to negotiate with relevant parties and determine the formal transaction documents in all transaction steps of the Transaction in accordance with the principles agreed herein.

8 Undertakings

- 8.1 The Actual Controller undertakes to procure no material change to the Core Employees or the Key Employees, and in case of departure of any Core Employee, the Actual Controller shall propose a substitute acceptable by the Investor to the Investor within two (2) months, and in case of departure of any Key Employee, the Actual Controller shall propose a substitute acceptable by the Investor to the Investor within one (1) month. The Actual Controller shall notify the Investor in writing after determining the corresponding substitute, and the Investor shall reply in writing whether to accept such candidate within ten (10) business days upon receipt of such notice.
- 8.2 The Parties undertake to take or procure to take all actions necessary to complete and make the Transaction effective as soon as possible, and perform or procure to perform all matters necessary to complete the Transaction as soon as possible.

- 8.3 The Company Party undertakes to immediately notify the Investor in writing and take all possible measures for remedy if it is aware of any information on the Group Companies (including, without limitation, legal existence, business, assets, operation, intellectual property rights, etc. of the Group Companies) that is materially inconsistent with the representations and warranties made by it herein or the information or materials provided to the Investor by it in the course of the Investor's due diligence, or any information which may have Material Adverse Effect on the Group Companies.
- 8.4 The Company Party undertakes that, with respect to the transaction between the Company and ***** Co., Ltd. (hereinafter referred to as the "****") concerning the establishment of a joint venture named ***** Co., Ltd. (*****有限责任公司) (hereinafter referred to as the "**** **Joint Venture Transaction**"), the Company Party shall, and shall procure *** to, file an anti-monopoly review application to the competent governmental authority with respect to such transaction after the Anti-monopoly Declaration for the Transaction is passed, and submit the acceptance notice issued by the competent governmental authority or other supporting document with respect to the filing to the Investor, provided that the Investor shall provide the Company Party with necessary support and cooperation (including recommending anti-monopoly lawyers to the Company Party). Where no application for such anti-monopoly review is filed or such anti-monopoly review fails (or is approved with additional conditions which are considered impossible to complete, by the Transaction Parties upon reasonable evaluation), the Group Companies shall be liable for compensation for such loss, provided that the compensation made by the Group Companies shall be limited to RMB***** (and for the avoidance of doubt, subject to the fulfillment of compensation liability under this Article by the Group Companies per the loss compensation amount confirmed by the Transaction Parties, the Investor shall not make another claim against the Group Companies for compensation liability with respect to the same matter under this Article 8.4 based on other provisions hereof).
- 8.5 For member companies of the Group Companies which have not paid in their respective registered capital per the time limit agreed in the corresponding articles of association (including, without limitation, Jinhua Shengdu and Nanjing Shengdu), the Company Party shall complete the contribution payment obligation or de-register such companies after the execution of the Original Framework Agreement and no later than the Second Closing Date.
- 8.6 [redacted]
- 8.7 The Company Party undertakes that, the Group Companies shall establish and complete a quality management system and a complaint handling system acceptable to the Investor as soon as possible

after execution of the Original Framework Agreement, so as to reduce the customer complaint rate of the Group Companies.

- 8.8 The Company Party undertakes that, the Group Companies shall, upon execution of the Original Framework Agreement and prior to the Third Closing Date, standardize and adjust ***** in the comprehensive backend management system of the Company and specify the ***** of the Group Companies who can access to such information, and the Group Companies shall make best efforts to reduce and avoid acquiring customers by * or the like, and to continuously comply with the provisions of applicable laws and regulations on collection and use of personal information.
- 8.9 The Company Party undertakes that, the Group Companies shall, upon execution of the Original Framework Agreement, gradually establish and standardize a sound compliance and risk control management system, and carry out standardized management of the qualifications and certificates, business contracts, intellectual property rights, lawsuits, arbitrations and administrative penalties of the Group Companies, so as to thoroughly reduce the compliance risks in corporate operations.
- 8.10 The Investor undertakes that, after the Third Closing Date of the Transaction, if the Group Companies intend to sell their own intellectual property rights relating to the brand of “Shengdu(圣都)” to any other third party other than the Beike Group (including the Group Companies), YAN Weiyang or his designated entity shall have the right of first refusal to such intellectual property rights under the same conditions.
- 8.11 The Investor undertakes to develop and adopt an equity incentive plan for YAN Weiyang and the Core Employees of the Target Company after the Third Closing Date. The specific terms and conditions of such equity incentive plan (including specific performance indicators) will be otherwise agreed in the award documents.
- 8.12 The Actual Controller agrees and undertakes that, upon the Third Closing, when the Investor carries out restructuring of the board of directors of the Target Company (with the Investor entitling to appoint two (2) directors and the Actual Controller entitling to appoint one (1) director) and/or reshuffling and replacement of the supervisors and officers of the Target Company, the Company Party shall timely take all necessary measures to complete the said restructuring and personnel replacement (including but not limited to signing the documents or performing the formalities required for the completion of such restructuring and replacement). Notwithstanding the foregoing, upon the Third Closing, if the Actual Controller terminates his continuous holding of position in or service to the Beike Group (which, for the avoidance of doubt, shall include the Group Companies upon the Third Closing Date), then from the date of the termination of his holding of position or service, the Actual Controller shall immediately lose the right to appoint one (1) director to the

Target Company, and shall then resign as director of the Target Company, and take all necessary measures to cooperate with the Investor to complete the reshuffle of the board of directors of the Target Company in accordance with the requirements of the Investor.

9 Force Majeure

- 9.1 For the purpose of this Agreement, “**Force Majeure Event**” refers to any event occurred after the date of this Agreement that is unforeseeable or inevitable and insurmountable (even if foreseeable) by and beyond the reasonable control of, the affected Party, which objectively renders the full or partial performance of this Agreement by such Party impossible. Such event includes but not limited to flood, fire, typhoon, earthquake, strike, riot and war (whether declared or not), and adjustment to national laws applicable to relevant industry.
- 9.2 The Party claiming being affected by the Force Majeure Event shall notify the other Party in writing about the occurrence of the Force Majeure Event in the shortest time possible. The Party claiming that the Force Majeure Event has objectively rendered its performance of this Agreement impossible shall be responsible for making every effort in eliminating or mitigating the effect of such Force Majeure Event.
- 9.3 Any Party’s failure to fully or partially perform any of its obligations hereunder due to Force Majeure Event set forth in Article 9.1 hereof shall not constitute a breach of contract, and the performance of such obligation shall be suspended during the period when the Force Majeure Event impedes its performance. Upon termination of the Force Majeure Event or elimination of its impact, the Parties shall immediately resume the performance of their respective obligations hereunder. Where the Force Majeure Event or its effect lasts for thirty (30) days or above and causes a Party hereto to lose its ability to continue performing this Agreement, then either Party may decide to terminate this Agreement.

10 Breach of Contract and Remedy

- 10.1 Where a Party hereto (hereinafter referred to as the “**Breaching Party**”) breaches any provision hereof, then any other Party (hereinafter referred to as the “**Non-breaching Party**”) shall, in addition to other rights available hereunder, be entitled to claim compensation for the losses suffered by it due to such breach. For the purpose of this Article 10, the “losses” of any Non-breaching Party shall include all liabilities, damages, claims, expenses and costs, interest, judgments, rulings and penalty (including fees and expenditure of attorneys and consultants, and any claim brought by any person or otherwise arose) as well as loss or impairment of expected benefits, directly or indirectly

suffered or incurred by such Party. The Parties agree that, unless otherwise agreed herein, liquidated damages are not the sole remedy of the Non-breaching Party hereunder in case of breach of contract by a Party. The Non-breaching Party shall be entitled to demand specific performance of obligations hereunder by the Breaching Party.

10.2 The Breaching Party (hereinafter referred to as the “**Indemnifying Party**”) shall indemnify, hold harmless and reimburse other Parties (hereinafter referred to as the “**Indemnified Party**”) against loss arising from: (a) the Indemnifying Party's breach of any representation or warranty made by it in this Agreement or the inaccuracy of its representation or warranty, and (b) the Indemnifying Party's breach of or failure to fully perform its undertakings, agreements, warranties or obligations hereunder, except for those already waived by such other Parties in writing. The Indemnifying Party shall make indemnity or compensation for any and all losses directly or indirectly suffered by the Indemnified Party due to the above circumstances.

10.3 Liquidated Damages Clause

(1) The Target Company and the Investor hereby confirm and agree that the other Party has and will continue to input huge resources, funds and other costs in the evaluation of and preparation for the transactions hereunder, and if any of the following circumstances takes place due to reasons of any Party, this will cause material loss to the other Party; therefore, the Target Company, the Actual Controller and the Investor agree to the following liquidated damages arrangement:

- (a) Where the Company Party unilaterally terminates the Transaction by means other than exercise of the right of termination under Article 9.3 or Article 11.1 (c) and (d) hereof, or breaches the provision of Article 4.4 hereof, OR, due to reasons of the Company Party (including, without limitation, reasons of the Company Party or the partners of the Holding Platforms, or the Company Party's failure to procure its affiliates, agents or intermediaries to complete the matters hereunder, so that the conditions precedent to the corresponding closing of the Transaction are not satisfied by the following time limit): (i) the conditions to the First Closing that shall be completed by the Company Party are not completed by the fifteenth (15th) business day after March 31, 2022 (hereinafter referred to as the “**First Closing Longstop Date**”) or within the time otherwise agreed by the Transaction Parties; (ii) the conditions to the Second Closing that shall be completed by the Company Party are not completed by the Second Closing Longstop Date or within the time otherwise agreed by the Transaction Parties; or (iii) the conditions to the Third

Closing that shall be completed by the Company Party are not completed by the Third Closing Longstop Date or within the time otherwise agreed by the Transaction Parties, then the Investor shall have the right to demand the Target Company and/or the Actual Controller to pay liquidated damages of RMB500,000,000 to the Investor or its affiliates;

- (b) If the Investor unilaterally terminates the Transaction due to reason other than exercise of the right of termination under Article 9.3 or Article 11.1 (b), (d) or (f), OR, due to reasons of the Investor or the Beike Group's Listed Entity or other entity under its control (including, without limitation, the Investor's failure to procure its affiliates, agents or intermediaries to complete the matters hereunder): (i) the conditions to the First Closing that shall be completed by the Investor are not completed by the First Closing Longstop Date or within the time otherwise agreed by the Transaction Parties, or the Investor delays in payment for more than fifteen (15) business days or the time otherwise agreed by the Transaction Parties after all conditions precedent to the First Closing under this Agreement or the Equity Transfer Agreement (I) have been satisfied or waived by the Investor in writing; or (ii) the conditions to the Second Closing that shall be completed by the Investor are not completed by the Second Closing Longstop Date or within the time otherwise agreed by the Transaction Parties, or the Investor delays in payment for more than fifteen (15) business days or the time otherwise agreed by the Transaction Parties after all conditions precedent to the Second Closing agreed in this Agreement or the Cayman Co 2 SSA have been satisfied or waived by the Investor in writing; or (iii) the conditions to the Third Closing that shall be completed by the Investor are not completed by the Third Closing Longstop Date or within the time otherwise agreed by the Transaction Parties, or the Investor delays in issuance of the Overseas Acquisition Consideration Shares for more than fifteen (15) business days or the time otherwise agreed by the Transaction Parties after all conditions precedent to the Third Closing agreed in this Agreement or the Cayman Co 2 STA have been satisfied or waived by the Investor in writing; or (iv) the Investor delays in payment of the Subscription Amount Difference agreed in Article 3.5.9 hereof for more than fifteen (15) business days or the time otherwise agreed by the Transaction Parties; or (v) the payment of the amount for the purpose of making up valuation difference that shall be paid by the Investor as agreed in Article 3.7.2(1) or Article 3.7.4 hereof is delayed for more than fifteen (15)

business days or the time otherwise agreed by the Transaction Parties, then the Investor or its designated affiliate shall pay liquidated damages of RMB500,000,000 to the Target Company and/or the Actual Controller. Notwithstanding the foregoing, the Investor's exercise of the redemption right under Article 5.6 shall not be deemed as unilateral termination of the Transaction due to reasons of the Investor or failure to complete the Transaction due to reasons of the Investor.

- (c) For the avoidance of doubt, it shall not be deemed as termination of the Transaction due to reasons of a Party, and none of the Target Company and/or the Actual Controller and the Investor are required to pay the liquidated damages under this Paragraph (1) to the other Party, if any closing of the Transaction cannot be completed within the time limit above due to: (i) the Anti-monopoly Declaration for the Transaction is rejected by the competent governmental authority, or as of December 31, 2021, the competent governmental authority still makes no decision on the Anti-monopoly Declaration for the Transaction, or the Anti-monopoly Declaration for the Transaction has been approved by competent authority with additional restrictive conditions which, in the unanimous opinions of the Transaction Parties upon evaluation in good faith, are difficult to achieve before December 31, 2021 in practice, or which have not been satisfied by December 31, 2021; or (ii) the Investor terminates the Transaction due to unsatisfactory results of the First Supplementary DD, or the Second Supplementary DD; or (iii) the conditions precedent under Article 3.5.4(12) or Article 3.6.4(7) hereof are not satisfied; or (iv) this Agreement is terminated in accordance with the Force Majeure Clause; or (v) this Agreement is terminated in accordance with Article 11.1 (a).
- (2) The Company Party fully understands the Investor's concern about the competition fields of industry and acknowledges that, once the Company Party breaches the undertakings relating to the industry competition in the Transaction, this will cause material losses to the Investor, and therefore, the Company Party agrees that, if the Company Party breaches the provisions of Article 4.3(a) or Article 5.5 hereof, the Investor shall have the right to demand the Target Company and/or the Actual Controller to pay liquidated damages of RMB500,000,000 to it.

- (3) If the Company Party materially breaches the provisions or obligations set forth in representations and warranties on “Organization and Qualifications”, “Authority”, “No Conflict”, “Approval”, “Registered Capital and Ownership”, and “Anti-corruption” under Items (a), (b), (c), (f), (l), (i), (q) and (s) of Article 5.1, Articles 5.2-5.4 (for the avoidance of doubt, the liquidated damages clause of this Item (3) shall not apply to the circumstance where the Key Employees breach Article 5.4 after the Third Closing Date), Article 5.6 of this Agreement, or Schedule VI, and fails to cure such breach within thirty-five (35) business days upon occurrence of such breach or still fails to eliminate such material breach despite the remedial measures taken within such time limit, then the Investor shall have the right to demand the Target Company and/or the Actual Controller to pay liquidated damages of RMB100,000,000 to it.
- (4) In case of circumstance under Item (1), (2) or (3) above, the Breaching Party shall pay all liquidated damages to the Non-breaching Party within fifteen (15) business days upon receipt of the written notice from the Non-breaching Party.
- (5) The Actual Controller and the Group Companies agree to assume joint and several liabilities for the liquidated damages payable by the Target Company.
- 10.4 Unless otherwise agreed herein, the rights and remedies of the Parties hereunder are cumulative, and shall not exclude other rights or remedies available under the laws. To the extent that the liquidated damages under Article 10.3 are insufficient to compensate for all losses suffered by the Non-breaching Party due to the breach of the Breaching Party, the Non-breaching Party shall be entitled to demand the Breaching Party to compensate for the unpaid losses.
- 10.5 Notwithstanding anything to the contrary herein, the provisions of this Article shall survive the termination of their rights and obligations by the Parties hereto or the termination of this Agreement.
- 10.6 [redacted]
- 10.7 After the Second Closing Date and before the full completion of the Transaction, if the Investor suffers any loss due to the breach of any provision of the transaction documents by any Company Party or any matter of the Group Companies prior to the full completion of the Transaction, the Investor shall have the right to demand the Company Party to assume the liability for breach of contract.
- 10.8 For the avoidance of doubt, after the execution of this Agreement, if the non-breaching Party finds any breach of the Original Framework Agreement by the breaching Party, such non-breaching Party

may also demand the breaching Party to assume the corresponding compensation liability according to this Article 10.

11 Term and Termination

11.1 This Agreement shall terminate if:

- (a) The Parties reach written agreement on termination upon negotiation;
- (b) The conditions precedent to the First Closing that shall be completed by the Company Party as agreed herein are not fully satisfied or waived by the Investor in writing as of December 31, 2022 or a later date otherwise agreed by the Parties, in which case the Investor shall be entitled to unilaterally terminate this Agreement after giving a written notice to that effect to the Company Party;
- (c) The conditions precedent to the First Closing that shall be completed by the Company Party as agreed herein have been fully satisfied or waived by the Investor in writing, but the Investor delays in payment for more than thirty (30) business day, in which case the Company Party shall be entitled to unilaterally terminate this Agreement after giving a written notice to that effect to the Investor;
- (d) A Party hereto materially breaches the agreements, representations or warranties hereunder (and for the avoidance of doubt, with respect to the Transaction Parties, material breach of provision hereof includes but not limited to: (1) with respect to the Company Party, the Investor's delay in payment for a reasonable period after all relevant conditions precedent are satisfied or waived by the Investor in writing shall be deemed as material breach; (2) with respect to the Investor, the Company Party's breach of Article 4.3 (a) or Article 5.5 shall be deemed as material breach), in which case the Non-breaching Party shall be entitled to propose to terminate this Agreement in writing;
- (e) Unless otherwise agreed by the Parties, the Anti-monopoly Declaration fails, or as of December 31, 2021, the competent governmental authority still makes no decision on the Anti-monopoly Declaration for the Transaction, or the Anti-monopoly Declaration for the Transaction has been approved by competent authority with additional restrictive conditions which in the unanimous opinions of the Transaction Parties upon evaluation in good faith are difficult to achieve before December 31, 2021 in practice, or which have not been satisfied by December 31, 2021; or

- (f) The Actual Controller cannot normally fulfill his duties in the Group Companies due to major disease, disability, injury, death or other reasons giving rise to his incapacity for conduct, prior to the Third Closing Date.

11.2 The termination of this Agreement shall meet the following requirements:

- (a) If this Agreement is terminated in accordance with Item (a) of Article 11.1 above, the Parties need to reach consensus upon negotiation and enter into a written termination agreement to terminate this Agreement.
- (b) In case of circumstance set forth in Item (b) or (f) of Article 11.1 above, the Investor may unilaterally terminate this Agreement by giving a written notice to that effect to other Parties hereto.
- (c) In case of circumstance set forth in Item (c) of Article 11.1 above, the Company Party may unilaterally terminate this Agreement by giving a written notice to that effect to other Parties hereto.
- (d) In case of circumstance set forth in Item (d) of Article 11.1 above, the Non-breaching Party may give a written notice to the Breaching Party requiring the Breaching Party to immediately cure and correct its breach, and if the Breaching Party fails to immediately take measures to the satisfaction of the Non-breaching Party to cure and correct its breach within thirty (30) days from the date when the Non-breaching Party gives such written notice, then the Non-breaching Party may unilaterally terminate this Agreement with immediate effect by giving a termination notice.
- (e) In case of circumstance set forth in Item (e) of Article 11.1 above, the Parties need to reach consensus upon negotiation and enter into a written termination agreement to terminate this Agreement, and arrange separate negotiation with respect to the Transaction within thirty (30) days from the date of occurrence of the circumstance set forth in Item (e) of Article 11.1 above; should no consensus be reached through negotiation within such thirty (30) days, this Agreement shall be deemed to terminate automatically.

11.3 If this Agreement is terminated under Article 11.1 above, this Agreement shall immediately cease of performance, and the Parties are not required to continue fulfilling any outstanding responsibilities or obligations hereunder, provided that (i) this shall not apply to any liabilities or obligations arising out of breach of this Agreement or fraudulent, malicious or intentional misconduct made with respect to this Agreement, the breach and remedies under Article 10 above and the confidentiality obligations set forth in Article 12 below, and (ii) unless otherwise agreed by

the Transaction Parties, this shall not affect the obligations or rights already fulfilled or accrued prior to termination of this Agreement.

12 Confidentiality

- 12.1 The Parties undertake not to use or disclose any Confidential Information, except: (i) disclosure required by laws or any order of the court or other competent authority or tribunal; (ii) disclosure required under any applicable rules of stock exchange or regulations of other public exchange market; (iii) disclosure with written consent of the other Party (which shall not be unreasonably withheld); (iv) disclosure to their professional consultants (who are obligated to the Party concerned under any confidentiality duty applicable to the Confidential Information); or (v) provision of information according to requirements of any governmental authority for the purpose of satisfaction of the conditions precedent. If a Party must disclose any information under the circumstances contemplated in Item (i) or Item (ii), the disclosing Party shall make reasonable efforts to negotiate with the other Party prior to any such disclosure, and shall only disclose the Confidential Information to the minimum extent available for disclosure.

Unless otherwise agreed by the Parties, the existence and content hereof and any information acquired by the Parties from the other Parties with respect to the Transaction shall be “**Confidential Information**” set forth in Article 12.1.

- 12.2 Notwithstanding the provisions of Article 12.1 above, the Company Party warrants to disclose the transactions hereunder to necessary internal employees, directors, supervisors, shareholders and senior officers of the Target Company only (the list of which is set forth in Schedule V, and the Target Company shall timely update such list based on the actual conditions and provide the updated list to the Investor). Without written consent of the Investor, the Company Party may not disclose any information relating to the Transaction to any third party outside such list.
- 12.3 Without written consent of the Investor, no Company Party may use the name, trade name, trademark, domain, advertising slogan, corporate song, spokesperson’s image, etc. of the Investor or its affiliates (which, for the purposes of this Article, include, without limitation, other enterprises controlled or invested by and partners of the Beike Group’s Listed Entity) in any occasion in any press conference, industry or professional media, marketing materials or otherwise, NOR publicize or solicit business in the name of the Investor or its affiliates, except with the unanimous consent of the Parties upon negotiation.

- 12.4 Without written consent of the Company Party, Investor may not use the name, trade name, trademark, domain, advertising slogan, corporate song, spokesperson's image, etc. of the Company Party or its affiliates (which, for the purposes of this Article, include, without limitation, other enterprises controlled or invested by and partners of the Company Party) in any occasion in any press conference, industry or professional media, marketing materials or otherwise, NOR publicize or solicit business in the name of the Company Party or its affiliates, except with the unanimous consent of the Parties upon negotiation.
- 12.5 The confidentiality obligation agreed in this Article shall be binding upon relevant parties with immediate effect from the formation of this Agreement.
- 12.6 The Investor shall ensure personnel who are appointed to the Group Companies will comply with the confidentiality obligation and duty hereunder, otherwise, the Investor shall assume the liabilities for breach of contract and other adverse legal consequences arising from the breach of confidentiality obligation and duty by such personnel.

13 Notice

- 13.1 All notices, requests, demands, approvals, waivers and other communications required or permitted hereunder must be written in Chinese, and shall be deemed received/served by a Party:
- (a) on the fifth business day after post, if sent by post, unless actually received in advance;
 - (b) on the date of personal delivery, if sent by personal delivery;
 - (c) at the time when received by the email server of the recipient, if sent by email.
- 13.2 All such notices and communications shall be sent to the address listed below or other address as may be provide by a written notice in accordance with this Article.

If to the Investor:

Contact Person: ZHANG Dandan

Contact Phone: *****

Contact Address: Oriental Electronic Technology Building, Shangdi 8th Street, Haidian District, Beijing

Email Address: *****

If to the Company Party:

Contact Person: XU Yali

Contact Phone: *****

Contact Address: Shengdu Home Decoration Co., Ltd., 3/F, Haiwaihai Hangzhou Mall, 589 Shixiang Road, Hangzhou

Email Address: *****

14 Miscellaneous

- 14.1 This Agreement shall take effect from the date of formation upon duly execution by the Parties. Once this Agreement takes effect, the Original Framework Agreement shall immediately terminate and be fully replaced and superseded by this Agreement, and notwithstanding the foregoing, this Agreement shall be deemed to be effective to the Parties as of the date of the Original Framework Agreement. The agreements and documents executed by the Parties other than the Original Framework Agreement, which refer to, rely on or are subject to the terms of the Original Framework Agreement, shall accordingly be converted to refer to, rely on or be subject to this Agreement and its corresponding provisions as of the effective date of this Agreement, and the Parties confirm and acknowledge that such agreements and documents duly executed and effective pursuant to the Original Framework Agreement and the obligations thereunder shall remain in effect (provided that if there is any inconsistency between any provision in such agreements or documents and any provision in this Agreement, the provision in this Agreement shall prevail).
- 14.2 Entire Agreement. This Agreement represents the entire understanding and agreement between the Parties with respect to the Transaction, and supersedes the Original Framework Agreement as agreed in Article 14.1 as well as all previous negotiations, understandings and agreements in connection with the Transaction as of the date of the Original Framework Agreement.
- 14.3 Matters Not Covered; Amendment to Agreement and Waiver. Matters not covered herein may be agreed by the Parties upon negotiation in a written supplementary agreement, which shall prevail if any content therein is different from the substantial terms hereof. Any amendment to matters mentioned herein must be made in writing and in the form of a supplementary agreement duly signed by the Parties. Otherwise, no change, termination, modification or waiver of any provision, term and condition hereof shall be binding upon the Parties.
- 14.4 Assignment. Without prior written consent of the other Party, neither Party may assign or otherwise transfer any of its rights or obligations hereunder to any third party. Notwithstanding the foregoing,

the Investor may assign its rights and obligations hereunder to its affiliates without prior written consent of the other Parties.

- 14.5 Severability. If any provision of this Agreement or its application is declared or announced invalid, void or unenforceable in whole or in part for whatever reason, the remaining provisions of this Agreement shall remain in full force and effect. The Parties shall seek to modify such invalid, void or unenforceable provision or even this Agreement so as to implement the spirit of this Agreement and realize the intended purpose of the Parties to the extent possible.
- 14.6 Governing Laws and Dispute
- (a) The formation, validity, interpretation and performance of this Agreement and the resolution of dispute arising out of this Agreement shall be governed by and interpreted in accordance with the PRC Laws.
 - (b) Any dispute arising out of or in connection with the implementation of this Agreement shall be resolved by Parties through friendly negotiation. Where any dispute fails to be resolved through negotiation upon its occurrence, either Party may submit it to China International Economic and Trade Arbitration Commission (CIETAC) to be arbitrated in Beijing in accordance with the arbitration rules of the CIETAC then in force at the time of request for arbitration. The arbitration tribunal shall consist of three (3) arbitrators appointed according to the arbitration rules, and the claimant and the respondent shall each appoint one (1) arbitrator, and the third (3rd) arbitrator shall be appointed by the chairman of the CIETAC. The arbitration language shall be Chinese. The arbitration award shall be final and binding upon the Parties.
 - (c) Pending any arbitration proceedings under this Article, except for the disputed matters, this Agreement shall remain in full force and effect in all aspects, and the Parties shall continue performing their obligations hereunder (except those involved in the disputed matters), and exercising their rights hereunder.
- 14.7 Interpretation. All headings and titles herein are inserted for convenience only and shall not be used to interpret or construe the terms hereof.
- 14.8 Where the Parties enter into and/or will enter into documents relating to the transactions hereunder in accordance with applicable laws and regulations as well as requirements of the competent administration for market regulation, competent taxation authority or other governmental authorities for the purpose of performance of this Agreement (hereinafter referred to collectively as “**Government Documents**”), then such Government Documents shall be drafted with reference to

this Agreement, and the provisions herein shall be deemed as supplement and/or amendment to the Government Documents, and have the same legal effect as the Government Documents. The Government Documents and this Agreement shall jointly constitute the entire agreement between the Parties with respect to the subject matter hereof, however, in case of any conflict between the Government Documents and this Agreement, the provisions of this Agreement shall prevail.

- 14.9 Counterparts. This Agreement shall be made in quintuplicate, with the Group Companies jointly holding one (1) copy, the Holding Platforms, the Cayman Co 1 and the Core Employees' BVI Cos jointly holding one (1) copy, the Actual Controller, Shengdu Investment and the Actual Controller's BVI Co jointly holding one (1) copy, the Beike Group's Listed Entity and the Investor each holding one (1) copy, all of which shall have the same legal effect.

(Followed by the signature page and Schedules.)

Decoration Co., Ltd.

IN WITNESS WHEREOF, the Parties hereto have read all terms hereof and fully understood relevant provisions hereof, and executed this Agreement on the date first written above.

KE HOLDINGS INC.

By: /s/ PENG Yongdong
Name: PENG Yongdong
Title: Authorized Representative

Beike Kestone Holdings (Hong Kong) Limited

By: /s/ SHAN Yigang
Name: SHAN Yigang
Title: Authorized Representative

Decoration Co., Ltd.

IN WITNESS WHEREOF, the Parties hereto have read all terms hereof and fully understood relevant provisions hereof, and executed this Agreement on the date first written above.

Shengdu Home Decoration Co., Ltd. (Seal)

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Legal Representative

YAN Weiyang

By: /s/ YAN Weiyang

Zhejiang Shengdu Investment Co., Ltd. (Seal)

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Legal Representative

Decoration Co., Ltd.

IN WITNESS WHEREOF, the Parties hereto have read all terms hereof and fully understood relevant provisions hereof, and executed this Agreement on the date first written above.

Jinhua Shengdu Home Co., Ltd. (Seal)

By: /s/ XU Yali
Name: XU Yali
Title: Legal Representative

Zhejiang Baozi Technology Co., Ltd. (Seal)

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Legal Representative

Zhejiang Shengdu Building & Decoration Engineering Co., Ltd. (Seal)

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Legal Representative

Zhejiang Warm Home Technology Co., Ltd. (Seal)

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Legal Representative

Decoration Co., Ltd.

IN WITNESS WHEREOF, the Parties hereto have read all terms hereof and fully understood relevant provisions hereof, and executed this Agreement on the date first written above.

Zhejiang Shengdu Decoration & Design Engineering Co., Ltd. (Seal)

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Legal Representative

Qingdao Shengjia Huazhang Enterprise Management Co., Ltd. (Seal)

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Legal Representative

Nanjing Shengdu Home Decoration Co., Ltd. (Seal)

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Legal Representative

Decoration Co., Ltd.

IN WITNESS WHEREOF, the Parties hereto have read all terms hereof and fully understood relevant provisions hereof, and executed this Agreement on the date first written above.

SD Co., Ltd.

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Legal Representative

Shengdu Co., Ltd.

By: /s/ YAN Weiyang
Name: Yan Weiyang
Title: Legal Representative

Shengdu (Hong Kong) Company Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Legal Representative

Decoration Co., Ltd.

IN WITNESS WHEREOF, the Parties hereto have read all terms hereof and fully understood relevant provisions hereof, and executed this Agreement on the date first written above.

Ningbo Meishan Bonded Port Area Shengjia Investment Management Partnership (Limited Partnership) (Seal)

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Ningbo Meishan Bonded Port Area Shengzhuang Investment Management Partnership (Limited Partnership) (Seal)

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Ningbo Meishan Bonded Port Area Shengyou Investment Management Partnership (Limited Partnership) (Seal)

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Ningbo Meishan Bonded Port Area Shengcai Investment Management Partnership (Limited Partnership) (Seal)

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Decoration Co., Ltd.

IN WITNESS WHEREOF, the Parties hereto have read all terms hereof and fully understood relevant provisions hereof, and executed this Agreement on the date first written above.

Ningbo Meishan Bonded Port Area Shengyi Investment Management Partnership (Limited Partnership) (Seal)

By: /s/ CHENG MEiyang
Name: CHENG Meiyang
Title: Authorized Representative

Ningbo Meishan Bonded Port Area Sheng-U Investment Management Partnership (Limited Partnership) (Seal)

By: /s/ PAN Yunsu
Name: PAN Yunsu
Title: Authorized Representative

Decoration Co., Ltd.

IN WITNESS WHEREOF, the Parties hereto have read all terms hereof and fully understood relevant provisions hereof, and executed this Agreement on the date first written above.

Cosy Place Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 1 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 10 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 11 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 12 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Decoration Co., Ltd.

IN WITNESS WHEREOF, the Parties hereto have read all terms hereof and fully understood relevant provisions hereof, and executed this Agreement on the date first written above.

Dream Place International 13 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 14 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 15 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 16 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 17 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Decoration Co., Ltd.

IN WITNESS WHEREOF, the Parties hereto have read all terms hereof and fully understood relevant provisions hereof, and executed this Agreement on the date first written above.

Dream Place International 18 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 2 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 3 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 4 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 5 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Decoration Co., Ltd.

IN WITNESS WHEREOF, the Parties hereto have read all terms hereof and fully understood relevant provisions hereof, and executed this Agreement on the date first written above.

Dream Place International 6 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 7 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 8 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative

Dream Place International 9 Limited

By: /s/ YAN Weiyang
Name: YAN Weiyang
Title: Authorized Representative







List of Significant Subsidiaries and Consolidated Variable Interest Entities of the Registrant

Subsidiary	Place of Incorporation
Beike Group (Cayman) Limited	Cayman Islands
Beike Group (BVI) Limited	British Virgin Islands
Sharehome HK International Limited	Hong Kong
Beike (Tianjin) Investment Co., Ltd.	PRC
Jinbei (Tianjin) Technology Co., Ltd.	PRC
Beike Jinke (Tianjin) Technology Co., Ltd.	PRC
Lianjia (Tianjin) Enterprise Management Co., Ltd.	PRC
Beijing Lianjia Zhidi Real Estate Brokerage Co., Ltd.	PRC
Beijing Fangyuan Real Estate Consulting Services Co., Ltd.	PRC
Beijing Lianjia Gaoce Real Estate Brokerage Co., Ltd.	PRC
Deyou Real Estate Agency Co., Ltd.	PRC
Shanghai Xiaoheng Network Technology Co., Ltd.	PRC
Shanghai Deyou Property Consulting Co., Ltd.	PRC
Shenzhen Lianjia Real Estate Brokerage Co., Ltd.	PRC
Shenzhen Fangjianghu Technology Co., Ltd.	PRC
Sichuan Lianjia Real Estate Brokerage Co., Ltd.	PRC
Chengdu Fangjianghu Information Technology Co., Ltd.	PRC
Tianjin Lianjia Fangjianghu Technology Co., Ltd.	PRC
Zhengzhou Fangjianghu Information Technology Co., Ltd.	PRC
Xi'an Fangjianghu Information Technology Co., Ltd.	PRC
Wuhan Fangjianghu Information Technology Co., Ltd.	PRC
Beike Zhaofang (Beijing) Technology Co., Ltd.	PRC
Beike Technology Co., Ltd.	PRC
Deyou (Tianjin) Real Estate Services Co., Ltd.	PRC
Consolidated Variable Interest Entity	Place of Incorporation
Beijing Lianjia Real Estate Brokerage Co., Ltd.	PRC
Beijing Yiju Taihe Technology Co., Ltd.	PRC
Tianjin Xiaowu Information & Technology Co., Ltd.	PRC
Subsidiary of Consolidated Variable Interest Entity	Place of Incorporation
Beijing Zhongrongxin Financing Guarantee Co., Ltd.	PRC
Beijing Ehomepay Technologies Co Ltd.	PRC

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, PENG Yongdong, certify that:

1. I have reviewed this annual report on Form 20-F of KE Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 19, 2022

By: /s/ PENG Yongdong

Name: PENG Yongdong

Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, XU Tao, certify that:

1. I have reviewed this annual report on Form 20-F of KE Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 19, 2022

By: /s/ XU Tao

Name: XU Tao

Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of KE Holdings Inc. (the “Company”) on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, PENG Yongdong, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 19, 2022

By: /s/ PENG Yongdong

Name: PENG Yongdong

Title: Chief Executive Officer

Certification by the Principal Financial Officer**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of KE Holdings Inc. (the “Company”) on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, XU Tao, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 19, 2022

By: /s/ XU Tao

Name: XU Tao

Title: Chief Financial Officer



Harney Westwood & Riegels
 3501 The Center
 99 Queen's Road Central
 Hong Kong
 Tel: +852 5806 7800
 Fax: +852 5806 7810

Date: 19 April 2022

056790.0002

KE Holdings Inc. 贝壳控股有限公司

the offices of Harneys Fiduciary (Cayman) Limited, 4/F, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands

Dear Sir or Madam

KE Holdings Inc. (the Company)

We have acted as legal advisers as to the laws of the Cayman Islands to the Company, an exempted company incorporated with limited liability in the Cayman Islands, in connection with the filing by the Company with the United States Securities and Exchange Commission (the **SEC**) of an annual report on Form 20-F for the year ended 31 December 2021 (**Form 20-F**).

We hereby consent to the reference of our name under the heading "Item 10. Additional Information—E. Taxation—Cayman Islands" in the Form 20-F.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully

/s/ Harney Westwood & Riegels

Harney Westwood & Riegels

Resident Partners: M Chu | I Clark | JP Engwirda | Y Fan | A Johnstone
 P Kay | MW Kwok | IN Mann | R Ng | ATC Ridgers | PJ Sephton

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HANKUN
 汉坤律师事务所
 Han Kun Law Offices

Consent of Han Kun Law Offices

To:

KE Holdings Inc.
 Oriental Electronic Technology Building
 No. 2 Chuangye Road
 Haidian District, Beijing 100086
 People's Republic of China

Date: April 19, 2022

Dear Sirs,

We hereby consent to the reference of our name under the heading “Item 3. Key Information—D. Risk Factors” and “Item 10. Additional Information—E. Taxation” in KE Holdings Inc.’s Annual Report on Form 20-F for the year ended December 31, 2021 (the “**Annual Report**”), which will be filed with the Securities and Exchange Commission (the “**SEC**”) in the month of April 2022, and further consent to the incorporation by reference in KE Holdings Inc.’s Registration Statement on Form S-8 (File No. 333-254262) of the summary of our opinion under the headings “Item 3. Key Information—D. Risk Factors” and “Item 10. Additional Information—E. Taxation” in this Annual Report. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ HAN KUN LAW OFFICES
 HAN KUN LAW OFFICES

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-254262) of KE Holdings Inc. of our report dated April 19, 2022 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China

April 19, 2022

Resident Partners: M Chu | JP Engwirda | A Johnstone
P Kay | MW Kwok | IN Mann | R Ng | ATC Ridgers | PJ Sephton

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