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As confidentially submitted to the Securities and Exchange Commission on June 12, 2020

Registration No. 333-

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

### FORM F-1

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

### KE Holdings Inc.

(Exact name of Registrant as specified in its charter)

**Not Applicable**

(Translation of Registrant's name into English)

**Cayman Islands**  
(State or other jurisdiction of  
incorporation or  
organization)

**7389**  
(Primary Standard Industrial  
Classification Code Number)

**Not Applicable**  
(I.R.S. Employer  
Identification Number)

**Building Fudao, No.11 Kaituo Road, Haidian District,  
Beijing 100085  
People's Republic of China  
+86 10 5810 4689**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

[ ]  
(Name, address, including zip code, and telephone number, including area code, of agent for service)

#### Copies to:

**Z. Julie Gao, Esq.**  
**Skadden, Arps, Slate, Meagher &  
Flom LLP**  
**c/o 42/F, Edinburgh Tower, The Landmark**  
**15 Queen's Road Central**  
**Hong Kong**  
**+852 3740-4700**

**Li He, Esq.**  
**James C. Lin, Esq.**  
**Davis Polk & Wardwell LLP**  
**c/o 18th Floor**  
**The Hong Kong Club Building**  
**3A Chater Road Central**  
**Hong Kong**  
**+852 2533-3300**

**Approximate date of commencement of proposed sale to the public:  
as soon as practicable after the effective date of this registration statement.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

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<sup>†</sup> provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

<sup>†</sup> 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.

CALCULATION OF REGISTRATION FEE

| Title of each class of securities<br>to be registered                  | Proposed maximum<br>aggregate offering<br>price <sup>(2)(3)</sup> | Amount of<br>registration fee |
|--|---|-------------------------------|
| Class A ordinary shares, par value US\$0.0001 per share <sup>(1)</sup> | US\$  | US\$                          |

- (1) American depositary shares issuable upon deposit of ordinary shares registered hereby will be registered under a separate registration statement on Form F-6 (Registration No. 333- ). Each American depositary share represents class A ordinary shares.
- (2) Includes class A ordinary shares that are issuable upon the exercise of the underwriters' option to purchase additional ADSs. Also includes class A ordinary shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public. These class A ordinary shares are not being registered for the purpose of sales outside the United States.
- (3) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We [and the selling shareholders] may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS (Subject to Completion)  
Dated                      , 2020

American Depositary Shares



**KE Holdings Inc.**

Representing                      Class A Ordinary Shares

This is an initial public offering of American depositary shares, or ADSs, of KE Holdings Inc.

We are offering                      ADSs. [The selling shareholders identified in this prospectus are offering an aggregate of                      additional ADSs.] Each ADS represents                      of our class A ordinary shares, par value \$0.0001 per share. We anticipate the initial public offering price per ADS will be between US\$                      and US\$                      . [We will not receive any proceeds from the ADSs sold by the selling shareholders.]

Prior to this offering, there has been no public market for the ADSs or our ordinary shares. We intend to apply for the listing of the ADSs on [the New York Stock Exchange/Nasdaq Stock Market] under the symbol                      .

Following the completion of this offering, our outstanding share capital will consist of Class A ordinary shares and class B ordinary shares.                      will beneficially own all of our issued class B ordinary shares and will be able to exercise                      % of the total voting power of our issued and outstanding share capital immediately following the completion of this offering. Holders of class A ordinary shares and class B ordinary shares have the same rights except for voting and conversion rights. Each class A ordinary share is entitled to one vote, and each class B ordinary share is entitled to ten votes and is convertible into one class A ordinary share. Class A ordinary shares are not convertible into class B ordinary shares under any circumstances.

See "Risk Factors" beginning on page 19 for factors you should consider before buying the ADSs.

|            |         |
|------------|---------|
| <hr/>      |         |
| PRICE US\$ | PER ADS |
| <hr/>      |         |

Neither the United States Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

|   | Per ADS | Total |
|---|---------|-------|
| Initial public offering price                             | US\$    | US\$  |
| Underwriting discounts and commissions <sup>(1)</sup>     | US\$    | US\$  |
| Proceeds, before expenses, to us                          | US\$    | US\$  |
| <u>Proceeds, before expenses, to selling shareholders</u> | US\$    | US\$  |

(1) See "Underwriting" for additional information regarding compensation payable by us to the underwriters.

We [and the selling shareholders] have granted the underwriters the right to purchase up to an additional ADSs.

The underwriters expect to deliver the ADSs to purchasers on , 2020.

**Goldman Sachs (Asia) L.L.C.** **Morgan Stanley** **China Renaissance**

Prospectus dated , 2020.

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We have not authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we may have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the underwriters have not authorized any other person to provide you with different or additional information. We are offering to sell, and seeking offers to buy the ADSs, only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the ADSs.

We have not taken any action to permit a public offering of the ADSs outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the ADSs and the distribution of the prospectus outside the United States.

**Until \_\_\_\_\_, 2020 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.**

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## PROSPECTUS SUMMARY

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in the ADSs discussed under "Risk Factors", before deciding whether to invest in the ADSs. This prospectus contains information from an industry report dated April 2020, and a survey commissioned by us and prepared by China Insights Industry Consultancy Limited, an independent research firm, regarding our industry and our market position in China. The survey was conducted in March 2020 with 500 consumers who have used online real estate platforms in China during the past two years. We refer to this report as "CIC Report" and the survey as "CIC Survey".*

### Our Belief

We founded our company with the belief that we can transform the housing transactions and services industry in China by improving the quality and efficiency of service providers and enhancing customer experience. We remain excited and maintain a long-term view in pursuing our mission by leveraging our people, data insights, technology and platform.

### Our Vision

We aspire to provide comprehensive and trusted housing services to 300 million families.

### Overview

#### Who We Are

*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 consummate housing transactions, ranging from existing and new home sales, home rentals, to home renovation, real estate financial solutions, 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 2019, we generated a gross transaction value, or GTV, of RMB2,128 billion (US\$300.5 billion), and facilitated over 2.2 million housing transactions on our platform, making us China's largest housing transactions and services platform, and the second largest commerce platform across all industries, according to the CIC Report. As of March 31, 2020, our platform had over 250 real estate brokerage brands, over 38,000 community-centric stores and over 370,000 agents across 103 economically vibrant cities in China.

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 18 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 and practical solutions.

#### Challenges Facing Our Industry

According to the CIC Report, China's housing market reached RMB22.3 trillion in 2019 and is expected to grow to RMB30.7 trillion by 2024, at a compound annual growth rate, or CAGR, of 6.6%. Despite the massive market size, the housing transactions and services industry has been struggling with low efficiency.

In China, it is common for a home seller to contact multiple brokerage stores and agents as there is no industry framework for exclusive engagement. On the other hand, a home buyer has to deal with a number of stores and agents in the decision making process. Without an assurance mechanism for their economic interests, brokerage stores and agents are unwilling to share information and resources. Over time, information isolation and vicious competition in customer acquisition become prevalent in the industry. In addition, the industry is short of professional agents with experiences and tenure due to the historical lack of respect for the housing brokerage profession. These challenges hinder service efficiency and lead to lack of trust from housing customers.

### ***Our Solutions — ACN and Beyond***

We believe the key to solving these industry challenges lies in the ability to build an industry-wide infrastructure that fundamentally solves the underlying conflicts within the industry. To that end, we introduced Agent Cooperation Network, or ACN, as the operating system underpinning our infrastructure, to redefine relationships among industry participants. We believe that ACN, from its inception, is similar to the Multiple Listing Service, or MLS, in the United States. Through over 18 years of refinement and evolution under *Lianjia* and *Beike*, ACN has grown beyond MLS and enabled us to foster a culture of transparency, collaboration and shared success.

ACN has been transforming the housing transactions and services industry in China through the following three reinventions: (i) fostering information and resources sharing among service providers to demolish the walls among isolated information islands, (ii) assigning cooperative roles 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.

Leveraging ACN's principles, we have built our core competencies that level up the industry playfield:

- To effectively motivate agents to share information and resources, ACN redefines relationships among industry participants by promoting clearly-defined and role-specific collaborations. With effective governance mechanisms, agents respect and actively follow the rules in our ACN and timely post property listings on our platform without hesitation. ACN also prescribes various roles for agents in a housing transaction, which creates more opportunities for agents to participate in a transaction and earn allocated commission, increases transaction efficiency, shortens the lead conversion cycle and enhances agents retention.
- We have invested significant resources to build and enrich our "*Housing Dictionary*" containing authentic and unique property listings since 2008. Our *Housing Dictionary* covered approximately 220 million homes as of March 31, 2020 and was the most comprehensive residential housing database in China, according to the CIC Report.
- For over a decade, we spent tremendous efforts on implementing a series of digitalization and standardization efforts focused on data (including data for property, housing customers and agents), transaction process, and service quality.
- We are also committed to investing in agents and enhancing the service quality in this industry. *Lianjia* has made relentless efforts in recruiting agents with college education and implemented multiple service commitments for our customers.

As agents serving home buyers and sellers, or landlords and tenants, are connected through our ACN under same protocols and rules, these housing customers at different locations can be efficiently matched through collective efforts propelled by ACN. As our scale grows, we enjoy a network effect that improves efficiency, draws more participants to our ACN, and allows us to



capture more transactions and greater opportunities for revenue growth. After pioneering a prototype ACN in Beijing and became the leading brand locally, *Lianjia* extended the power of ACN to Shanghai and other first and second tier cities in China and achieved leading positions in local markets.

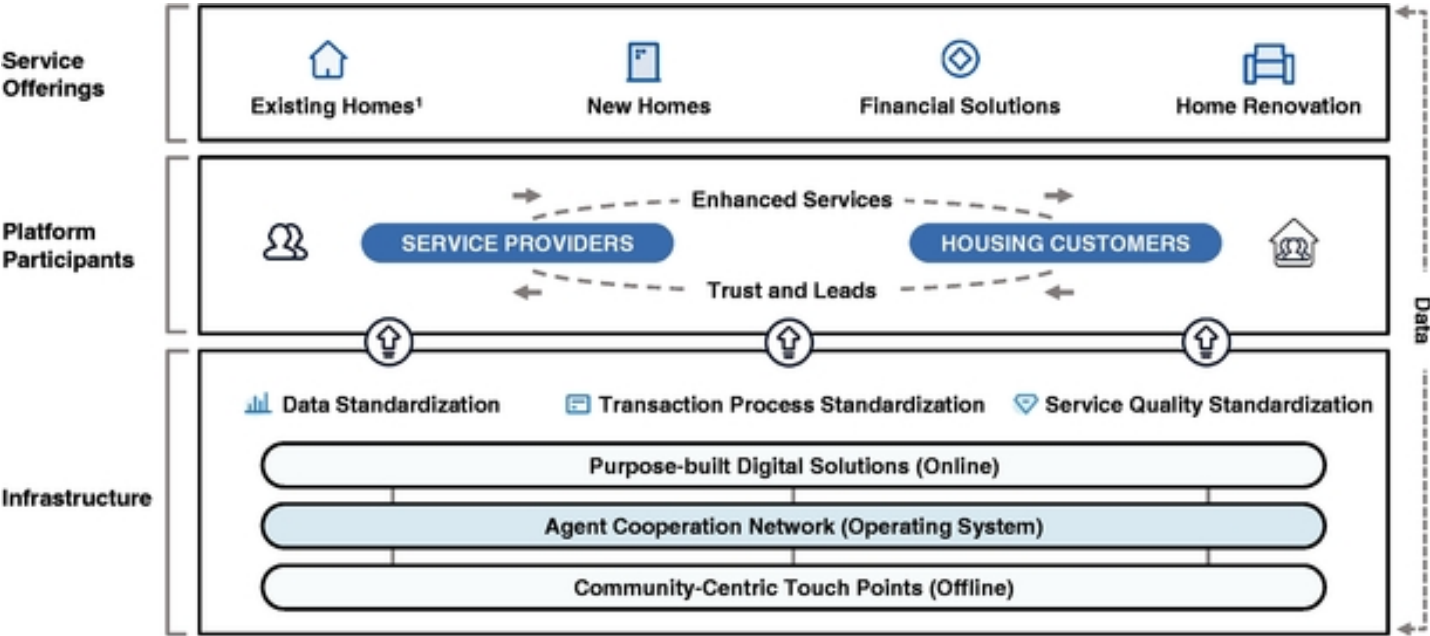
Built on the success of our time-tested ACN, we horizontally extended the core competencies of *Lianjia* to *Beike* platform in April 2018 and there were 252 real estate brokerage brands, over 38,000 community-centric stores and over 370,000 agents on our platform across 103 economically vibrant cities in China as of March 31, 2020. Our efficiency, as calculated by GTV of existing home transactions per store, was 1.6 times of the industry average in 2019, according to the CIC Report, and the efficiency of our connected brokerage stores were RMB20.3 million per store in the six months ended December 31, 2019, compared to RMB10.9 million per store in the same period in 2018. The rapid expansion of *Beike* platform has proven the scalability of our ACN and resulted in amplified network effect, as illustrated by our success in new home transactions. Leveraging our extensive community-centric store network, we are able to connect with more families and gain access to a large pool of housing customers, which allows us to act as a powerful sales channel for real estate developers and help them improve sell-through and cash cycle. At the same time, we share a substantial portion of commissions from real estate developers with brokerage brands and stores on our platform. Our exceptional value proposition to both ends increases their stickiness to our platform and makes us a partner of choice in the new home transaction market. Our GTV from new home transactions increased significantly from RMB280.8 billion in 2018 to RMB747.6 billion in 2019 while our GTV from existing home transactions grew from RMB821.9 billion in 2018 to RMB1,297 billion in 2019, demonstrating our ability to successfully expand service offerings through a self-reinforcing virtuous cycle.

### ***Our Data Insights and Technology***

We believe our data insights and technology are our key edges. We collate and harness extensive amounts of unique data on our platform from our years of online and offline operations, which gives us unparalleled insight into the entire housing transactions and services value chains. We further utilize our vast data volume to run our proprietary algorithms to optimize products and solutions, guide efficient operations and develop local market insights for service providers on our platform. We also enhance customer experience and service efficiency through new technologies, such as virtual reality, artificial intelligence, big data and Internet-of-Things, to create and develop real-life use cases and applications that benefit all platform participants. For example, we apply big data and artificial intelligence algorithms to analyze transactional and behavioral data to recommend quality listings that are more likely to be successfully sold, leading to more high-quality data collected that can further enhance our recommendation accuracy and fasten the transaction cycle. We also collect agent activity data and build various data models for agents to improve their lead conversion efficiency.

Our Platform

The diagram below illustrates the major components and synergistic benefits of our data-driven *Beike* platform.



<sup>1</sup> Existing homes include existing home sales and existing home rentals.

Our Scale and Financial Performance



(1) As of March 31, 2020.

(2) In terms of number and GTV of existing and new home sales in 2019, according to CIC Report.

(3) Average mobile monthly active users, or MAU, in the three months ended March 31, 2020.

We generate revenue mainly from fees and commissions in housing transactions and services. We have experienced substantial growth since the commencement of our operations, and our management team has a strong track record of executing our strategies. Our revenue increased by 60.6% from RMB28.6 billion in 2018 to RMB46.0 billion (US\$6.5 billion) in 2019. Our revenue decreased by 12.7% from RMB8.2 billion in the three months ended March 31, 2019 to RMB7.1 billion (US\$1.0 billion) in the three months ended March 31, 2020, primarily due to the decreasing demand for housing transactions as a result of the COVID-19 pandemic.

### **Market Opportunities**

According to the CIC Report, China has the largest housing market in the world in terms of GTV and number of transactions of existing and new home sales and home rentals in 2019. After a period of significant growth, the market is expected to enter an era of steady growth. It is expected that the existing home transactions market will gain more importance and grow with a CAGR of 12.4%, from RMB8.4 trillion in 2019 to RMB15.1 trillion in 2024, according to the CIC Report. As the supply and demand in China's housing market become more balanced, it is expected that significant market opportunities for real estate brokerage services will be generated. The total home sales and rental GTV through real estate brokerage services in China is expected to grow from RMB10.5 trillion in 2019 to RMB19.1 trillion by 2024, representing a growing penetration rate of brokerage services from 47.1% in 2019 to 62.2% in 2024. The penetration rate of brokerage services for new home sales in China in terms of GTV is expected to increase from 25.5% in 2019 to 42.5% in 2024, as real estate developers increasingly turn to brokerage service providers to better target and convert customers, according to the CIC Report.

### **Our Strengths**

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

- largest integrated online and offline platform for housing transactions and services;
- pioneer in developing industry infrastructure and promoting digitalization and standardization across data, transaction process and service quality;
- brand of choice for industry participants;
- proprietary technology platform built on powerful data insights and applications;
- robust platform with significant network effects to serve the ecosystem; and
- visionary management team with proven track record of innovations and execution.

### **Our Strategies**

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

- continue to develop our infrastructure to enhance efficiency and customer experience;
- further enhance our service quality and invest in talents;
- expand service offerings; and
- selectively pursue strategic investments and acquisitions.

### **Our Challenges**

Our ability to execute our strategies is subject to risks and uncertainties, including those relating to our ability to:

- adapt to the fluctuations and regulations in China's residential real estate market;
- provide satisfactory experience to housing customers on our platform;

- develop and maintain relationships with real estate brokerage brands;
- maintain and strengthen the recognition and reputation of our brands;
- offer comprehensive, authentic, accurate and up-to-date property listings;
- maintain the growth that we have experienced to date;
- reverse our net loss position and achieve profitability;
- adapt to and counter the negative impact caused by the global outbreak of COVID-19;
- successfully implement our monetization strategies and generate sustainable revenues and profit;
- maintain and strengthen our infrastructure and its key components, especially ACN; and
- maintain relationships with real estate developers.

See "Risk Factors" and other information included in this prospectus for a discussion of these and other risks and uncertainties that we face.

## Corporate History and Structure

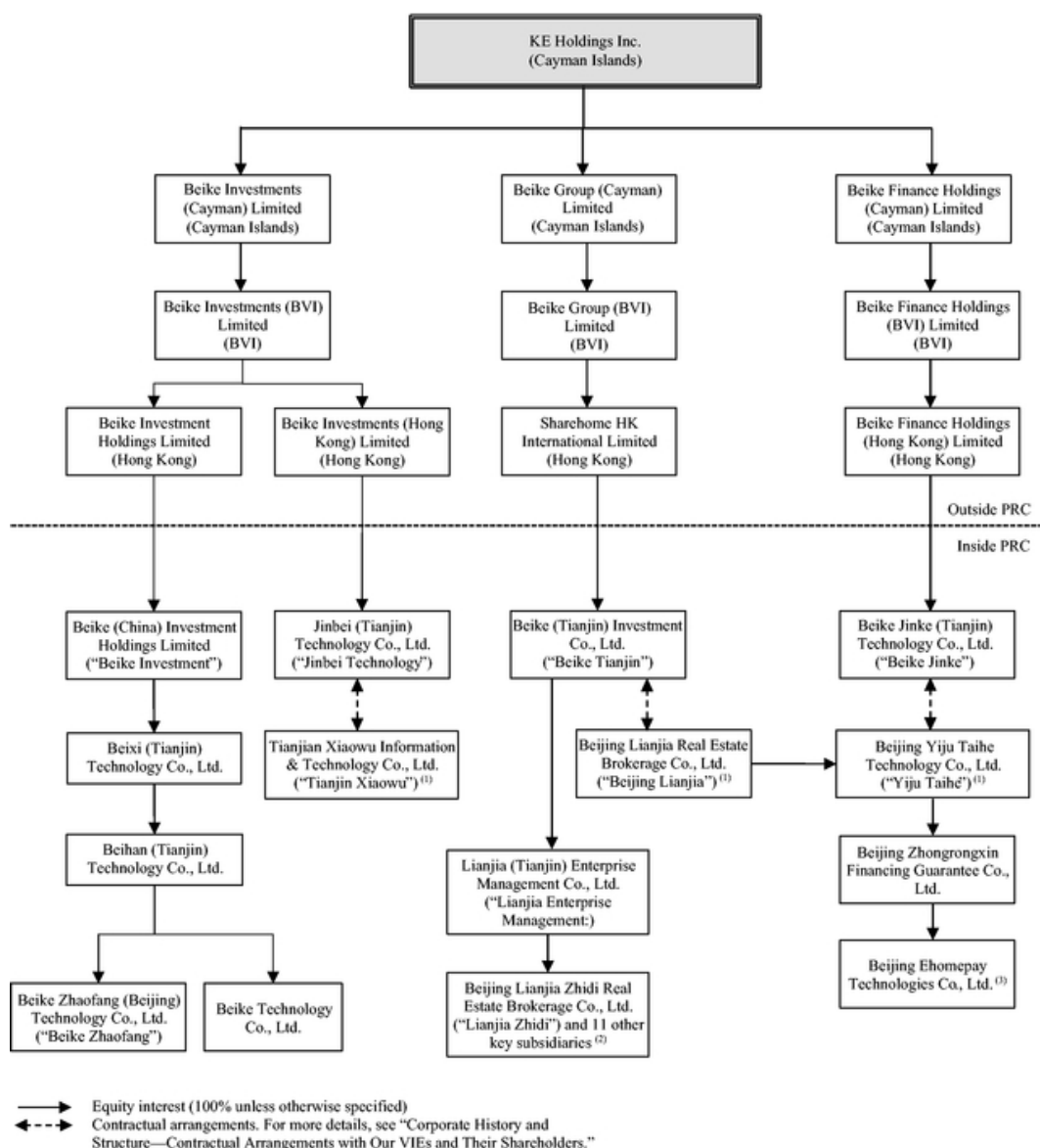
We commenced operations in 2001 through Beijing Lianjia Real Estate Brokerage Co., Ltd., or Beijing Lianjia, which was founded in September 2001 by Mr. ZUO Hui, our founder and chairman of the board of directors. Beijing Lianjia and its subsidiaries developed various businesses over time and expanded 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.

Due to the restrictions imposed by PRC laws and regulations on foreign ownership of companies engaged in value-added telecommunication services, finance business and certain other businesses, our WFOEs entered into a series of contractual arrangements, as amended and restated, with Beijing Lianjia, Tianjin Xiaowu and Yiju Taihe (collectively, "VIEs"), respectively, through which we obtained control over the VIEs. As a result, we are regarded as the primary beneficiary of the VIEs and their subsidiaries. We treat them as our consolidated affiliated entities under U.S. GAAP, and have consolidated the financial results of these entities in our consolidated financial statements in accordance with U.S. GAAP. For more details and risks related to our variable interest entity structure, please see "Corporate History and Structure — Contractual Arrangements with our VIEs and Their Shareholders" and "Risk Factors — Risks Related to Our Corporate Structure".

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



Note:

- (1) Shareholders of Beijing Lianjia are (i) Mr. ZUO Hui, Mr. SHAN Yigang and entities controlled by Mr. ZUO Hui or Mr. SHAN Yigang, holding 75% in aggregate and (ii) several other individuals and entities affiliated with us, holding 25% in aggregate. Shareholders of Tianjin Xiaowu are Mr. ZUO Hui and Mr. SHAN Yigang, holding 94% and 6%, respectively. Shareholders of Yiju Taihe are (i) Beijing Lianjia, holding 80%; (ii) Mr. ZUO Hui, Mr. SHAN Yigang and entities controlled by Mr. ZUO Hui or Mr. SHAN Yigang, holding 16% in aggregate and (iii) several other individuals and entities affiliated with us, holding 4% in aggregate. Mr. ZUO Hui is our founder and chairman of the board and Mr. SHAN Yigang is our executive director.

- (2) Include Beijing Fangyuan Real Estate Consulting Services Co., Ltd., Beijing Lianjia Gaoce Real Estate Brokerage Co., Ltd., Deyou Real Estate Agency Co., Ltd., Shanghai Deyou Property Consulting Co., Ltd., Shenzhen Lianjia Real Estate Brokerage Co., Ltd., Shenzhen Fangjianghu Technology Co., Ltd., Sichuan Lianjia Real Estate Brokerage Co., Ltd., Chengdu Fangjianghu Information Technology Co., Ltd., Tianjin Lianjia Baoye Real Estate Agency Co., Ltd., Tianjin Lianjia Fangjianghu Technology Co., Ltd., and Zhengzhou Fangjianghu Information Technology Co., Ltd.
- (3) 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%.

### Corporate Information

Our principal executive offices are located at Building Fudao, No.11 Kaituo Road, Haidian District, Beijing 100085, 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.

Investors should submit any inquiries to the address and telephone number of our principal executive offices. Our main website is *ke.com*. The information contained on our website is not a part of this prospectus. Our agent for service of process in the United States is \_\_\_\_\_, located at \_\_\_\_\_.

### 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. COVID-19 has also resulted in 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 revenue decreased by 12.7% from RMB8.2 billion in the first quarter of 2019 to RMB7.1 billion (US\$1.0 billion) in the first quarter of 2020. Going forward, the COVID-19 outbreak may continue to adversely affect our business operations, financial condition and operating results, including but not limited to negative impact to our total revenues, and downward adjustments or impairment to the our non-current assets.

While we have resumed business operations, there remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic. Hence, the extent of the business disruption and the related impact on our financial results and outlook for 2020 cannot be reasonably estimated at this time.

Cash, cash equivalents, restricted cash, and short-term investments constitute our most liquid assets. Short-term investments include bank term deposit and investments in wealth management products issued by financial institutions. As of March 31, 2020, we had cash, cash equivalents, restricted cash and short-term investments of RMB29.5 billion (US\$4.2 billion). We believe this level of liquidity is sufficient for us to navigate an extended period of uncertainty. See also "Risk Factors — Risks Related to Our Business and Industry — Our business has been and may continue to be adversely affected by the outbreak of COVID-19".

### Conventions that Apply to this Prospectus

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

- "ADRs" are to the American depositary receipts that may evidence the ADSs;

- "ADSs" are to the American depositary shares, each of which represents 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 and its subsidiaries, its consolidated variable interest entities and the subsidiaries of the consolidated variable interest entities;
- "CAGR" are to the compound annual growth rate;
- "China" or the "PRC" are to the People's Republic of China, excluding, for the purposes of this prospectus only, Hong Kong, Macau and Taiwan;
- "class A ordinary shares" are to our class A ordinary shares, par value US\$0.0001 per share;
- "class B ordinary shares" are to our class B ordinary shares, par value US\$0.0001 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 our 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 at the end of period.
- "mobile monthly active users" or "mobile MAU" are to the sum of (i) the number of accounts that have accessed our 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 our platform through our Weixin mini programs at least once during a month. The number of our mobile MAU is calculated using internal company data that have not been independently verified, and we treat each 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 our mobile apps and Weixin mini programs to access our platform. Average mobile MAU is calculated as the arithmetic average of the mobile MAU during the applicable period;
- "ordinary shares" are to our class A and class B ordinary shares, par value US\$0.0001 per share;
- "our VIEs" are to Beijing Lianjia Real Estate Brokerage Co., Ltd., Tianjin Xiaowu Information & Technology Co., Ltd., and Beijing Yiju Taihe Technology Co., Ltd.;
- "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; and
- "US\$", "U.S. dollars", "\$", and "dollars" are to the legal currency of the United States.

When we calculate agents on our platform, we refer to agents who are affiliated with the real estate brokerage stores and subject to our 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 the context indicates otherwise, all information in this prospectus assumes no exercise by the underwriters of their option to purchase additional ADSs. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus are made at a rate of RMB7.0808 to US\$1.00, the exchange rate in effect as of March 31, 2020 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.

**THE OFFERING**

|   |   |  |  |
|---|---|--|--|
| Offering price  | We currently estimate that the initial public offering price will be between US\$                      and US\$                      per ADS.   |  |  |
| ADSs offered by us  | ADSs (or  | ADSs if the underwriters exercise their option to purchase additional ADSs in full). |  |
| [ADSs offered by the selling shareholders                   | ADSs (or  | ADSs if the underwriters exercise their over-allotment option in full).]             |  |
| ADSs outstanding immediately after this offering            | ADSs (or  | ADSs if the underwriters exercise their option to purchase additional ADSs in full). |  |
| Ordinary shares outstanding immediately after this offering | Class A ordinary shares (or                      class A ordinary shares if the underwriters exercise their option to purchase additional ADSs in full) and                      class B ordinary shares.   |  |  |
| The ADSs  | <p>Each ADS represents                      class A ordinary shares, par value US\$0.0001 per share.</p> <p>The depositary will hold class A ordinary shares underlying your ADSs. You will have rights as provided in the deposit agreement among us, the depositary and holders and beneficial owners of ADSs from time to time.</p> <p>We do not expect to pay dividends in the foreseeable future. If, however, we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our ordinary shares after deducting its fees and expenses in accordance with the terms set forth in the deposit agreement.</p> <p>You may surrender your ADSs to the depositary in exchange for class A ordinary shares. The depositary will charge you fees for any exchange.</p> <p>We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended.</p> <p>To better understand the terms of the ADSs, you should carefully read the "Description of American Depositary Shares" section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.</p> |  |  |
| Option to purchase additional ADSs                          | We [and the selling shareholders] have granted to the underwriters an option, exercisable within 30 days from the date of this prospectus, to purchase up to an aggregate of                      additional ADSs.  |  |  |

|                          |   |
|--------------------------|---|
| Use of proceeds          | <p>We expect that we will receive net proceeds of approximately US\$            million from this offering, assuming an initial public offering price of US\$            per ADS, which is the midpoint of the estimated range of the initial public offering price shown on the front cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.</p> <p>We intend to use the net proceeds from this offering for            . See "Use of Proceeds" for more information.</p> <p>[We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.]</p> |
| Lock-up                  | <p>[We, our directors, executive officers and our existing shareholders] have agreed with the underwriters not to sell, transfer or dispose of any ADSs, ordinary shares or similar securities for a period of 180 days after the date of this prospectus. See "Shares Eligible for Future Sale" and "Underwriting".</p>  |
| [Directed Share Program] | <p>At our request, the underwriters have reserved for sale, at the initial public offering price, up to an aggregate of            ADSs offered in this offering to some of our directors, officers, employees, business associates and related persons through a directed share program.]</p>  |
| Listing                  | <p>We intend to apply to have the ADSs listed on the [New York Stock Exchange/Nasdaq Stock Market] under the symbol "            ". The ADSs and our ordinary shares will not be listed on any other stock exchange or traded on any automated quotation system.</p>  |
| Payment and settlement   | <p>The underwriters expect to deliver the ADSs against payment therefor through the facilities of the Depository Trust Company on            , 2020.</p>  |
| Depository               |   |

## SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The following summary consolidated statements of operations for the years ended December 31, 2017, 2018 and 2019, summary consolidated balance sheet data as of December 31, 2017, 2018 and 2019, and summary consolidated cash flow data for the years ended December 31, 2017, 2018 and 2019 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The following summary consolidated statements of operations for the three months ended March 31, 2019 and 2020, summary consolidated balance sheet data as of March 31, 2020, and summary consolidated cash flow data for the three months ended March 31, 2019 and 2020 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. 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 Summary Consolidated Financial and Operating Data section together with our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

|   | For the Year Ended December 31,                     |                    |                    |                    | For the Three Months Ended March 31, |                    |                    |
|---|---|--------------------|--------------------|--------------------|--------------------------------------|--------------------|--------------------|
|   | 2017  | 2018               | 2019               |                    | 2019                                 | 2020               |                    |
|   | RMB   | RMB                | RMB                | US\$               | RMB                                  | RMB                | US\$               |
|   | (in thousands, except for share and per share data) |                    |                    |                    |                                      |                    |                    |
| <b>Net revenues</b>   |   |                    |                    |                    |                                      |                    |                    |
| Existing home transaction services  | 18,461,231  | 20,154,642         | 24,568,508         | 3,469,736          | 6,019,381                            | 3,375,332          | 476,688            |
| New home transaction services   | 6,419,251   | 7,471,924          | 20,273,860         | 2,863,216          | 1,964,521                            | 3,452,735          | 487,619            |
| Emerging and other services   | 625,216   | 1,019,933          | 1,172,538          | 165,594            | 175,855                              | 291,692            | 41,195             |
| <b>Total net revenues</b>   | <b>25,505,698</b>                                   | <b>28,646,499</b>  | <b>46,014,906</b>  | <b>6,498,546</b>   | <b>8,159,757</b>                     | <b>7,119,759</b>   | <b>1,005,502</b>   |
| <b>Cost of revenues:</b>  |   |                    |                    |                    |                                      |                    |                    |
| Commission — split  | (933,162)   | (1,393,167)        | (11,154,698)       | (1,575,344)        | (542,255)                            | (2,140,436)        | (302,287)          |
| Commission and compensation — internal  | (15,663,301)  | (15,767,582)       | (19,444,127)       | (2,746,035)        | (4,644,561)                          | (3,554,617)        | (502,008)          |
| Cost related to stores  | (3,543,781)   | (3,400,545)        | (3,078,672)        | (434,792)          | (738,267)                            | (717,662)          | (101,353)          |
| Others  | (597,397)   | (1,215,229)        | (1,069,365)        | (151,023)          | (134,699)                            | (205,512)          | (29,024)           |
| <b>Gross profit</b>   | <b>4,768,057</b>                                    | <b>6,869,976</b>   | <b>11,268,044</b>  | <b>1,591,352</b>   | <b>2,099,975</b>                     | <b>501,532</b>     | <b>70,830</b>      |
| Sales and marketing expenses  | (998,575)   | (2,489,692)        | (3,105,899)        | (438,637)          | (634,031)                            | (577,095)          | (81,501)           |
| General and administrative expenses <sup>(1)</sup>  | (4,281,571)   | (4,927,367)        | (8,376,531)        | (1,182,992)        | (1,054,310)                          | (1,105,029)        | (156,060)          |
| Research and development expenses   | (251,802)   | (670,922)          | (1,571,154)        | (221,889)          | (312,050)                            | (450,761)          | (63,660)           |
| Others  | 625,553   | 718,940            | 509,776            | 71,993             | 157,077                              | 251,105            | 35,463             |
| <b>Income (loss) before income tax expense</b>  | <b>(138,338)</b>                                    | <b>(499,065)</b>   | <b>(1,275,764)</b> | <b>(180,173)</b>   | <b>256,661</b>                       | <b>(1,380,248)</b> | <b>(194,928)</b>   |
| Income tax benefit/(expense)  | (399,283)   | 71,384             | (904,363)          | (127,720)          | (90,901)                             | 148,861            | 21,023             |
| <b>Net income (loss)</b>  | <b>(537,621)</b>                                    | <b>(427,681)</b>   | <b>(2,180,127)</b> | <b>(307,893)</b>   | <b>165,760</b>                       | <b>(1,231,387)</b> | <b>(173,905)</b>   |
| <b>Weighted average number of ordinary shares used in computing net loss per share, basic and diluted</b> | <b>269,038,865</b>                                  | <b>272,513,176</b> | <b>275,647,105</b> | <b>275,647,105</b> | <b>275,981,181</b>                   | <b>294,033,338</b> | <b>294,033,338</b> |
| <b>Net loss per share attributable to ordinary shareholders</b>   |   |                    |                    |                    |                                      |                    |                    |
| — Basic   | (5.36)  | (8.76)             | (14.69)            | (2.08)             | (0.86)                               | (6.54)             | (0.92)             |
| — Diluted   | (5.36)  | (8.76)             | (14.69)            | (2.08)             | (0.86)                               | (6.54)             | (0.92)             |

Note:

- (1) Including share-based compensations of RMB476 million, RMB382 million, RMB2,956 million (US\$417 million), nil and nil for 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively.

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

|                               | As of December 31, |            |            |           | As of March 31, |           |
|-------------------------------|--------------------|------------|------------|-----------|-----------------|-----------|
|                               | 2017               | 2018       | 2019       |           | 2020            |           |
|                               | RMB                | RMB        | RMB        | US\$      | RMB             | US\$      |
|                               | (in thousands)     |            |            |           |                 |           |
| Summary Consolidated          |                    |            |            |           |                 |           |
| Balance Sheet Data            |                    |            |            |           |                 |           |
| Cash and cash equivalents     | 5,236,100          | 9,115,649  | 24,319,332 | 3,434,546 | 15,538,844      | 2,194,504 |
| Total current assets          | 24,067,931         | 27,374,784 | 51,912,486 | 7,331,444 | 46,380,397      | 6,550,163 |
| Total non-current assets      | 7,512,004          | 11,491,480 | 15,352,826 | 2,168,233 | 14,860,128      | 2,098,651 |
| Total assets                  | 31,579,935         | 38,866,264 | 67,265,312 | 9,499,677 | 61,240,525      | 8,648,814 |
| Total current liabilities     | 16,047,286         | 20,572,881 | 27,797,675 | 3,925,782 | 22,876,987      | 3,230,848 |
| Total non-current liabilities | 3,095,864          | 3,434,843  | 7,932,045  | 1,120,219 | 7,978,838       | 1,126,827 |
| Total liabilities             | 19,143,150         | 24,007,724 | 35,729,720 | 5,046,001 | 30,855,825      | 4,357,675 |

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

|  | For the Year Ended December 31, |             |             |           | For the Three Months Ended March 31, |              |             |
|--|---------------------------------|-------------|-------------|-----------|--------------------------------------|--------------|-------------|
|  | 2017                            | 2018        | 2019        |           | 2019                                 | 2020         |             |
|  | RMB                             | RMB         | RMB         | US\$      | RMB                                  | RMB          | US\$        |
|  | (in thousands)                  |             |             |           |                                      |              |             |
| Selected Consolidated Cash Flow Data   |                                 |             |             |           |                                      |              |             |
| Net cash (used in) provided by operating activities                          | (6,456,226)                     | 3,216,797   | 112,626     | 15,906    | (1,000,933)                          | (4,089,101)  | (577,492)   |
| Net cash (used in) provided by investing activities                          | (2,783,562)                     | 2,609,149   | (3,873,722) | (547,074) | (348,181)                            | (5,176,363)  | (731,042)   |
| Net cash (used in) provided by financing activities                          | 9,576,284                       | (1,282,408) | 23,026,396  | 3,251,948 | 3,934,414                            | (898,389)    | (126,877)   |
| Effect of exchange rate change on cash, cash equivalents and restricted cash | (330)                           | 416         | (94,922)    | (13,406)  | (94,336)                             | 131,392      | 18,556      |
| Net increase (decrease) in cash, cash equivalents and restricted cash        | 336,166                         | 4,543,954   | 19,170,378  | 2,707,374 | 2,490,964                            | (10,032,461) | (1,416,855) |
| Cash, cash equivalents and restricted cash at the beginning of the period    | 7,880,078                       | 8,216,244   | 12,760,198  | 1,802,085 | 12,760,198                           | 31,930,576   | 4,509,459   |
| Cash, cash equivalents and restricted cash at the end of the period          | 8,216,244                       | 12,760,198  | 31,930,576  | 4,509,459 | 15,251,162                           | 21,898,115   | 3,092,604   |

#### Contribution Margin and Non-GAAP Metrics

We also review contribution margin to measure segmental profitability, and adjusted net income (loss) and adjusted EBITDA, two non-GAAP measures, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions.

## Contribution Margin

The table below sets forth the contribution margin for each of our business lines for the periods indicated.

|  | For the Year Ended December 31,        |           |           |           | For the Three Months Ended March 31, |         |        |
|--|--|-----------|-----------|-----------|--------------------------------------|---------|--------|
|  | 2017                                   | 2018      | 2019      |           | 2019                                 | 2020    |        |
|  | RMB                                    | RMB       | RMB       | US\$      | RMB                                  | RMB     | US\$   |
|  | (in thousands, except for percentages) |           |           |           |                                      |         |        |
| Contribution (existing home transaction services)        | 5,635,332                              | 7,731,846 | 9,554,244 | 1,349,317 | 2,224,328                            | 548,611 | 77,479 |
| Contribution margin (existing home transaction services) | 30.5%                                  | 38.4%     | 38.9%     | 38.9%     | 37.0%                                | 16.3%   | 16.3%  |
| Contribution (new home transaction services)             | 2,866,263                              | 3,027,822 | 4,918,700 | 694,653   | 617,565                              | 629,607 | 88,917 |
| Contribution margin (new home transaction services)      | 44.7%                                  | 40.5%     | 24.3%     | 24.3%     | 31.4%                                | 18.2%   | 18.2%  |
| Contribution (emerging and other services)               | 407,640                                | 726,082   | 943,137   | 133,196   | 131,048                              | 246,488 | 34,811 |
| Contribution margin (emerging and other services)        | 65.2%                                  | 71.2%     | 80.4%     | 80.4%     | 74.5%                                | 84.5%   | 84.5%  |

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 revenue, for each of the periods indicated:

|                                    | For the Year Ended December 31, |              |              |             | For the Three Months Ended March 31, |             |           |
|------------------------------------|---------------------------------|--------------|--------------|-------------|--------------------------------------|-------------|-----------|
|                                    | 2017                            | 2018         | 2019         |             | 2019                                 | 2020        |           |
|                                    | RMB                             | RMB          | RMB          | US\$        | RMB                                  | RMB         | US\$      |
|                                    | (in thousands)                  |              |              |             |                                      |             |           |
| Existing home transaction services |                                 |              |              |             |                                      |             |           |
| Net revenues                       | 18,461,231                      | 20,154,642   | 24,568,508   | 3,469,736   | 6,019,381                            | 3,375,332   | 476,688   |
| Less: Commission and compensation  | (12,825,899)                    | (12,422,796) | (15,014,264) | (2,120,419) | (3,795,053)                          | (2,826,721) | (399,209) |
| Contribution                       | 5,635,332                       | 7,731,846    | 9,554,244    | 1,349,317   | 2,224,328                            | 548,611     | 77,479    |
| New home transaction services      |                                 |              |              |             |                                      |             |           |
| Net revenues                       | 6,419,251                       | 7,471,924    | 20,273,860   | 2,863,216   | 1,964,521                            | 3,452,735   | 487,619   |
| Less: Commission and compensation  | (3,552,988)                     | (4,444,102)  | (15,355,160) | (2,168,563) | (1,346,956)                          | (2,823,128) | (398,702) |
| Contribution                       | 2,866,263                       | 3,027,822    | 4,918,700    | 694,653     | 617,565                              | 629,607     | 88,917    |
| Emerging and other services        |                                 |              |              |             |                                      |             |           |
| Net revenues                       | 625,216                         | 1,019,933    | 1,172,538    | 165,594     | 175,855                              | 291,692     | 41,195    |
| Less: Commission and compensation  | (217,576)                       | (293,851)    | (229,401)    | (32,398)    | (44,807)                             | (45,204)    | (6,384)   |
| Contribution                       | 407,640                         | 726,082      | 943,137      | 133,196     | 131,048                              | 246,488     | 34,811    |

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 built-up 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.

***Adjusted net income (loss) and adjusted EBITDA***

In addition to net income (loss), we also use adjusted net income (loss) and adjusted EBITDA to evaluate our business. We have included these non-GAAP financial measures in this prospectus because they are key measures used by our management to evaluate our operating performance. Accordingly, we believe that they provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team and board of directors. Our calculation of these non-GAAP financial measures may differ from similarly-titled non-GAAP measures, if any, reported by our peer companies. They should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

We define adjusted net income (loss) as net income (loss), excluding (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions and business cooperation agreement, (iii) changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration and (iv) the tax effects of the above adjustments. We expand our business through acquisitions along the value chain of housing transactions, including the acquisition of Zhonghuan Real Estate Agency in 2019, a regional real estate brokerage firm. We also entered into a business cooperation agreement with Tencent in 2018, which grants us the access to its advertising resources and allows us to use Tencent's cloud services. Amortization of intangible assets arising from these acquisitions and the business cooperation agreement with Tencent is excluded as item (ii) above when adjusted net income (loss) is calculated.

We define adjusted EBITDA as net income (loss), excluding (i) interest income, net, (ii) income tax expenses (benefit), (iii) depreciation of property and equipment, (iv) amortization of intangible assets, (v) share-based compensation expenses, and (vi) changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration.

Investors should note that some adjustment expenses are related to assets that contribute to revenue generation.

The following table presents a reconciliation of net income (loss) to adjusted net income (loss) and adjusted EBITDA for each of the periods indicated:

|  | For the Year Ended December 31, |                |                  |                | For the Three Months Ended March 31, |                    |                  |
|--|---------------------------------|----------------|------------------|----------------|--------------------------------------|--------------------|------------------|
|  | 2017                            | 2018           | 2019             |                | 2019                                 | 2020               |                  |
|  | RMB                             | RMB            | RMB              | US\$           | RMB                                  | RMB                | US\$             |
|  | (in thousands)                  |                |                  |                |                                      |                    |                  |
| Net income (loss)  | (537,621)                       | (427,681)      | (2,180,127)      | (307,893)      | 165,760                              | (1,231,387)        | (173,905)        |
| Add (less):  |                                 |                |                  |                |                                      |                    |                  |
| Share-based compensation expenses  | 475,783                         | 382,196        | 2,955,590        | 417,409        | —                                    | —                  | —                |
| Amortization of intangible assets resulting from acquisitions and business cooperation agreement                       | 133,481                         | 127,825        | 450,413          | 63,610         | 13,791                               | 153,047            | 21,614           |
| Changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration | 4,015                           | 52,801         | 428,422          | 60,505         | (48,641)                             | (12,723)           | (1,797)          |
| Tax effects on non-GAAP adjustments <sup>(1)</sup>   | (5,003)                         | (4,339)        | 1,705            | 241            | 430                                  | 695                | 98               |
| <b>Adjusted net income (loss)</b>  | <b>70,655</b>                   | <b>130,802</b> | <b>1,656,003</b> | <b>233,872</b> | <b>131,340</b>                       | <b>(1,090,368)</b> | <b>(153,990)</b> |
| Net income (loss)  | (537,621)                       | (427,681)      | (2,180,127)      | (307,893)      | 165,760                              | (1,231,387)        | (173,905)        |
| Add (less):  |                                 |                |                  |                |                                      |                    |                  |
| Interest income, net   | (81,171)                        | (121,374)      | (230,339)        | (32,530)       | (55,361)                             | (78,209)           | (11,045)         |
| Income tax expenses (benefit)  | 399,283                         | (71,384)       | 904,363          | 127,720        | 90,901                               | (148,861)          | (21,023)         |
| Depreciation of property and equipment   | 674,202                         | 653,376        | 561,995          | 79,369         | 137,176                              | 114,364            | 16,151           |
| Amortization of intangible assets  | 137,001                         | 138,918        | 477,323          | 67,411         | 17,445                               | 157,481            | 22,241           |
| Share-based compensation expenses  | 475,783                         | 382,196        | 2,955,590        | 417,409        | —                                    | —                  | —                |
| Changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration | 4,015                           | 52,801         | 428,422          | 60,505         | (48,461)                             | (12,723)           | (1,797)          |
| <b>Adjusted EBITDA</b>   | <b>1,071,492</b>                | <b>606,852</b> | <b>2,917,227</b> | <b>411,991</b> | <b>307,280</b>                       | <b>(1,199,335)</b> | <b>(169,378)</b> |

Note:

- (1) Tax effects on non-GAAP adjustments primarily comprised of tax effects relating to the amortization of intangible assets resulting from acquisitions.

## Key Operating Metrics

### GTV

The table below sets forth the GTV of our platform for each of existing and new home transactions, and emerging and other services for the periods indicated.

|                             | For the Year Ended December 31, |                  |                  |                | For the Three Months Ended March 31, |                |               |
|-----------------------------|---------------------------------|------------------|------------------|----------------|--------------------------------------|----------------|---------------|
|                             | 2017                            | 2018             | 2019             |                | 2019                                 | 2020           |               |
|                             | RMB                             | RMB              | RMB              | US\$           | RMB                                  | RMB            | US\$          |
|                             | (in millions)                   |                  |                  |                |                                      |                |               |
| Existing home transactions  | 737,721                         | 821,932          | 1,297,371        | 183,224        | 272,442                              | 195,662        | 27,632        |
| New home transactions       | 252,587                         | 280,808          | 747,637          | 105,587        | 76,184                               | 116,474        | 16,449        |
| Emerging and other services | 24,099                          | 50,366           | 82,686           | 11,677         | 11,181                               | 17,731         | 2,504         |
| <b>Total</b>                | <b>1,014,407</b>                | <b>1,153,105</b> | <b>2,127,695</b> | <b>300,488</b> | <b>359,806</b>                       | <b>329,867</b> | <b>46,586</b> |



**Number of stores and agents**

We believe the numbers of real estate brokerage stores and agents on our platform demonstrate our scale and are crucial indicators of our operations. The table below sets forth the number of stores and agents on our platform as of the dates indicated.

|                  | As of December 31, |         |         | As of     |
|------------------|--------------------|---------|---------|-----------|
|                  | 2017               | 2018    | 2019    | March 31, |
| Number of stores | 8,030              | 15,809  | 37,514  | 38,848    |
| Number of agents | 120,214            | 163,574 | 357,680 | 372,705   |

## RISK FACTORS

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

### Risks Related to Our Business and Industry

***Our business is susceptible to fluctuations in China's residential real estate market and is subject to government regulations.***

Our business depends substantially on the general market conditions of China's residential real estate market, 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 residential real estate market 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 residential real estate market, may materially and adversely affect our business, financial condition and results of operations. Furthermore, there may be situations where China's residential real estate 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.

The residential real estate industry in China is also subject to government regulations on existing and new home transactions. 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 real estate market, to a more sustainable level. The moves were made in line with the central government's principle that "housing is for living in, not for speculation". Since the second half of 2016, many municipal governments have issued market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. In particular, central and local government authorities introduced the policies to specifically stabilize the residential real estate market, 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 residential real estate market 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; and limiting the availability of individual housing provident fund loans for the purchase of second (or more) residential properties by employees and their family members. While the PRC government recently adopted or adjusted certain measures with an aim to support healthy development of the residential real estate market in certain regions in China, the measures as mentioned above and other future measures may continue to affect the growth rate of the residential real estate market, some of which may dissuade potential purchasers from making purchases, cause a decline in transaction volumes and average selling prices, prevent developers from raising the capital they need, increase developers' costs to start new projects, and change the sales and marketing strategy of developers in a way that reduces their demand for our platform services. 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 residential real estate market in China, our business and results of operations may be materially and adversely affected.

***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 service quality, 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 in the past received customer complaints 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 adversely and materially 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 real estate market 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. Continuing to maintain, protect and strengthen our brands is critical to our market position. Maintaining and strengthening our brands will likely depend significantly on 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 or other business partners on our platform, inauthentic property listings on our platform, unethical business practices, or 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 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 or 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. 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, see "Business — Agent Cooperation Network (ACN) — Authentic Property Listings", 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. 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 launched in 2018. Although we have experienced a relatively high growth in operating *Beike* platform and our GTV grew from RMB1,153 billion in 2018 to RMB2,128 billion in 2019, 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:

- 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;
- 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;
- 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; and
- expand service or product offerings and expand into new businesses.

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.

***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 this period, all agents were required to stay at home and were unable to serve our housing customers. We, the real estate agents on our platform, and our business partners are still recovering from the general shutdown and delay in the commencement of operations in China. Even though our business is currently operational, our operating efficiency and capacity are still 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. 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, which are highly uncertain and difficult to predict. We expect that our results of operations for the first half of 2020 will be adversely affected with potential continuing impacts on subsequent periods if the pandemic and the resulting disruption were to extend over a prolonged period.

In addition, if the global spread of COVID-19 and deterioration cannot be contained, risks set forth in this prospectus may be exacerbated or accelerated at a heightened level.

***We have incurred and may continue to incur net losses in the future.***

We incurred net losses of RMB538 million, RMB428 million and RMB2,180 million (US\$308 million) in 2017, 2018 and 2019, respectively, and RMB1,231 million (US\$174 million) in the three months ended March 31, 2020. We expect to continue to incur significant costs and expenses to further expand our business in the future, which could make it more difficult for us to achieve profitability and we cannot predict if we will achieve profitability in the near term, or at all. 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 incur additional general and administrative expenses as a result of both our growth and the increased costs associated with being a public company. Our expenses may be greater than we anticipate, and our investments to make our business and our technical infrastructure more efficient may not be successful.

***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 recent 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 March 31, 2020,

there were over 370,000 real estate agents representing 252 brokerage brands on our platform. Aside from the *Lianjia* brand that we own and operate, other brokerage brands contributed 46.9% of our GTV in 2019. 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 excels their traditional way of sales, or, for example, 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 "Regulation — Regulations on 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 prospectus, 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, we are also required to obtain a value-added telecommunications service license in order to provide relevant value-added telecommunication services. We have obtained value-added telecommunications service licenses for the operations of relevant 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. 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. For example, it remains uncertain whether the provision of real estate market news, industry research report, market trend analysis and similar informative contents on our platform shall be deemed as internet news information services or online publishing services. If formal and definite interpretation is issued by the relevant governmental authorities, we cannot assure you that an internet news information license or an online publishing business license will not be required for providing the services as described above. We cannot assure you that if we are required to obtain these additional licenses, permits or approvals, we will be able to do so in a timely manner, if at all, and any non-compliance may result in fines or other penalties being imposed to us.

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

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

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

The satisfactory performance, reliability and availability of our platform, both online and offline, are critical to our success and our ability to attract and retain housing customers and real estate agents. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our online operations could reduce the transaction volumes and hamper transaction efficiency, and our platform as a whole will suffer. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website and mobile app slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill customer requests. Security breaches, computer viruses and hacking attacks have become more prevalent 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, including a temporary system interruption in November 2019, 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 adversely and materially 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 *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, or 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. 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 are 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 results of operations may be adversely and materially 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 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 expose us to potential legal liabilities. Any of the failure to provide satisfactory services, potential misconduct or illegal actions discussed above could materially and adversely impact our business, reputation, financial conduction and results of operations.

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

In line with the industry practice in China, we 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. As of March 31, 2020, the balance of deposits paid to real estate developers was RMB3.0 billion (US\$0.4 billion) and the accounts receivable due from them was RMB7.2 billion (US\$1.0 billion). We may face risk collecting these amounts if the operation and liquidity condition of real estate developers deteriorate. In particular, the COVID-19 pandemic may result in further delays in payment, as the business of many of the real estate developers was disrupted in early 2020. 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 receivables and deposits, or write off the relevant amounts, either of which could adversely affect our financial conditions and profitability.

***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. We also cannot guarantee that any of our present or future patents 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 can provide no 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 we, including 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 the PRC authorities has proposed and led an initiative of comprehensive nation-wide property data base, 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 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 other companies for value-added services related to housing transactions.

Increasing competition in the housing transactions and services industry may 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.***

We derive a substantial portion of our revenues from Beijing and Shanghai, the two largest residential real estate markets in China. In 2017, 2018, 2019 and the three months ended March 31, 2020, 47.9%, 47.4%, 35.1% and 31.3%, respectively, of our 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 revenues and profitability could be adversely and materially 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* 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 adversely and materially 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 have adopted a Pre-IPO Share Option Scheme in 2018, or the 2018 Share Option Plan, to provide additional incentives to employees, directors and consultants. As of the date of this prospectus, the maximum aggregate number of ordinary shares which may be issued under the 2018 Share Option Plan is 70,045,087. See "Management — 2018 Share Option Plan". We have granted options and recorded RMB162 million, RMB345 million, RMB2,523 million (US\$356 million) and nil in 2017, 2018, 2019 and the three months ended March 31, 2020, respectively, in share-based compensation expenses in relation to such share-based award grants. As of March 31, 2020, there were RMB2,037 million (US\$288 million) of unrecognized compensation expenses related to the share options granted to our employees with a performance condition of an initial public offering, out of which RMB673 million (US\$95 million) are expected to be recognized when this offering completed. As a result, we will upon the date of the completion of this offering, record a significant amount of cumulative share-based compensation expenses for those options. 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.

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

COVID-19 had a severe and negative impact on the Chinese and the global economy in the first quarter of 2020. China's National Bureau of Statistics reported a negative GDP growth of 6.8% for the first quarter in 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing challenges, including the end of quantitative easing by the U.S. Federal Reserve, 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 6.6% in 2018 and 6.1% in 2019. 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. There have been further uncertainties related to the drastic drop in oil prices and the U.S. Federal Reserve's progressive policies to strengthen the market in early 2020. 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.

***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.

***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. 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, potentially dilutive issuances of equity securities, 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.

***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 involved in legal proceedings arising from contract disputes. In October 2018, we were named as a defendant in a civil lawsuit involving contract disputes filed in Sichuan by a local real estate developer (the "Plaintiff") claiming refunds and damages of approximately RMB150 million. As of the date of this prospectus, the foregoing civil lawsuit is still pending, and we have asserted counterclaims against the Plaintiff. We believe that the claims made by the Plaintiff are without merit and the damages sought are groundless, and will defend ourselves vigorously. See "Business — 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. 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 market or by complaints from third parties or customers. Especially, our industry position in housing transactions and services market 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. In addition, if we were to be involved in anti-monopoly and competition laws and regulations related scrutiny or action, governmental agencies and regulators may, among other things, prohibit future acquisitions, divestitures, or combinations we plan to make, 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. Due to the uncertainty of legislation and local implementation of anti-monopoly and competition laws and regulations in the PRC, we cannot assure you that we will not be subject to any investigations, claims or complaints of alleged violations of these laws and regulations.

These investigations, claims and complaints could 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, 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 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 grow as 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 and financial services, 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 rolling out our pilot programs to test our home renovation, community care and property management services. Meanwhile, we are leveraging our technological capabilities to introduce new service models 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 real estate 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 real-estate-related financial services we provide, is rapidly evolving and is subject to further change, interpretation and uncertainties of local enforcement practice at this stage. "Regulations — Regulations Related to Financing".

For example, in October 2019, the Supplementary Provisions on Supervision and Administration of Financing Guarantee Companies, or the CBIRC Circular 37, were issued 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 "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 our consolidated affiliated entities, 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 prospectus, 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.

***Our business generates and processes a large amount of data, and the improper use, collection or disclosure of such data could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential customers from using our services.***

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 this data.

We are subject to various data privacy and protections laws and regulations in China, including without limitation, the PRC Cybersecurity Law. See "Regulation — Regulations Related to Internet Security and Privacy Protection". Moreover, different regulatory bodies in China, including the Ministry of Industry and Information Technology, or the MIIT, the Cyberspace Administration of China, or CAC, the Ministry of Public Security, the State Administration for Market Regulation, or the SAMR, and the Ministry of Housing and Urban-Rural Development, or 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 data security and data protection is still evolving. PRC regulators have been increasingly focused on regulation in the areas of data security and data protection. 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 data security 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. We expect that these areas will receive greater attention and focus from regulators, and 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, fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

***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.

***We are dependent on app stores to distribute our mobile apps.***

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, and the number of 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. 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 use of some leased properties could be challenged by external parties or government authorities, which may cause interruptions to our business operations.***

Certain lessors of our leased properties 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, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities.

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

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

China's overall economy and the average wage have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customers who pay for our services, our profitability and results of operations may be materially and adversely affected. Further, pursuant to the PRC Labor Contract Law, as amended, or the Labor Contract law, and its implementation rules, employers are subject to various requirements in terms of signing labor

contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to affect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

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

Violation of these laws, rules or regulations may result in penalties, including fines, 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.

***We have identified a material weakness in our internal control over financial reporting. If we do not adequately remediate this material weakness, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, or comply with the accounting and reporting requirements applicable to public companies, which may adversely affect investor confidence in us and the market price of our ADSs.***

Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal control and procedures. Effective internal control over financial reporting is necessary for us to provide reliable financial reports and, together with adequate disclosure control and procedures, are designed to prevent fraud. In connection with the audits of our consolidated financial statements as of and for the year ended December 31, 2019 by PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm, we identified one material weakness in our internal control over financial reporting as of December 31, 2019. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, or the PCAOB, a "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company's 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 financial reporting and accounting personnel with appropriate knowledge and experience (i) to establish and implement key controls over period end closing and financial reporting and (ii) to handle complex accounting issues and to properly prepare and review financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirements. The material weakness, if not remediated timely, may lead to material misstatements in our consolidated financial statements in the future. Following the identification of the material weakness and other control deficiencies, we have taken measures and plan to continue to take measures to remediate these control deficiencies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Internal Control Over Financial Reporting". However, the implementation of these measures may not fully address these deficiencies in our internal control over financial reporting, and we cannot conclude that they have been fully remediated. Our failure to correct these control deficiencies or our failure to discover and address any other control deficiencies could result in inaccuracies in our financial statements and impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, ineffective internal control over financial reporting could significantly hinder our ability to prevent fraud.

***If we fail to establish and maintain proper and effective internal control over financial reporting, our operating results and our ability to operate our business could be harmed.***

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. Upon the completion of this offering, we will become a public company in the United States subject to the Sarbanes-Oxley Act of 2002. 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 this offering 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 initial public offering price of this offering or the then-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.

***We will be a "controlled company" within the meaning of the [New York Stock Exchange's corporate governance rules/Nasdaq Stock Market Rules] and, as a result, will rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.***

We will be a "controlled company" as defined under the [New York Stock Exchange's corporate governance rules/Nasdaq Stock Market Rules] because Mr. ZUO Hui, our founder and chairman of the board of directors, beneficially owns more than 50% of our total voting power after the completion of this offering. 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 and a compensation committee composed entirely of independent directors. As a result, you will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

#### **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 finance 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, other internet related business and certain finance services subject to foreign ownership restriction under PRC laws. To ensure compliance with the PRC laws and regulations, we conduct our foreign investment-restricted business in China through our VIEs and its 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 our VIEs and their shareholders, respectively, which enable us to (i) exercise effective control over our VIEs, (ii) receive substantially all of the economic benefits of our VIEs, (iii) have the pledge right over the equity interests in our VIEs as the pledgee; and (iv) have an exclusive option to purchase all or part of the equity interests in our 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 our VIEs and hence consolidate their financial results under U.S. GAAP. See "Corporate History and Structure" for further details.

In the opinion of our PRC legal counsel, Han Kun Law Offices, (i) the ownership structures of our WFOEs and our VIEs in China, both currently and immediately after giving effect to this offering, are not in violation of provisions of applicable PRC laws and regulations currently in effect; and (ii) the contractual arrangements between our WFOEs, our VIEs and their shareholders governed by PRC law are not in violation of provisions of applicable PRC laws or regulations currently in effect, and valid and binding upon each party to such arrangements 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 our 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 our 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 our VIEs in China that most significantly impact their economic performance and/or our failure to receive the economic benefits and residual returns from our 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 our VIEs in our consolidated financial statements in accordance with U.S. GAAP.

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

If we had direct ownership of our VIEs in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of our 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 our VIEs and their shareholders of their obligations under the contracts to exercise control over our 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 our 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 our 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 our 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 our VIEs were to refuse to transfer their equity interests in our 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 our VIEs, and our

ability to conduct the business we currently conduct through the contractual arrangements may be negatively affected.

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

The shareholders of our VIEs may have actual or potential conflicts of interest with us. These shareholders may breach, or cause our VIEs to breach, or refuse to renew, the existing contractual arrangements we have with them and our VIEs, which would have a material and adverse effect on our ability to effectively control our VIEs and receive economic benefits from them. For example, the shareholders may be able to cause our agreements with our 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.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that 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 the shareholders' 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 our VIEs have executed powers of attorney to appoint one of our WFOEs or a person designated by one of our WFOEs to vote on their behalf and exercise voting rights as shareholders of our VIEs. If we cannot resolve any conflict of interest or dispute between us and the shareholders of our VIEs, 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 our 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 our VIEs and the validity or enforceability of our contractual arrangements with our VIEs and their shareholders. For example, in the event that any of the shareholders of our 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 our 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 our 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 our 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 our 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 our 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 our VIEs for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if our 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 our VIEs that are material or supplementary to the operation of our business if either of our VIEs goes bankrupt or becomes subject to dissolution or liquidation proceeding.***

As part of our contractual arrangements with our VIEs, these entities may in the future hold certain assets that are material or supplementary to the operation of our business. If either of our 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, our 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 our 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 newly enacted 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 our VIEs and their subsidiaries are subject to foreign investment restrictions set forth in the Special Management Measures (Negative List) for the Access of Foreign Investment issued by the Ministry of Commerce, or the MOFCOM, and the National Development and Reform Commission, or the NDRC, effective July 2019.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, or the Foreign Investment Law (2019), 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 (2019), "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangements would not be interpreted as a type of indirect foreign investment activities in the future. In addition, the definition of foreign investment contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws, administrative regulations or provisions of the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. If further actions shall be taken under future laws, administrative regulations or provisions of the State Council, we may face substantial uncertainties

as to whether we can complete such actions. Failure to do so could materially and adversely affect our current corporate structure, corporate governance and operations.

## **Risks Related to Doing Business in China**

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

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

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

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

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

***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 our 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 this offering to make loans or additional capital contributions to our PRC subsidiaries and to make loans to our 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 our 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 the SAFE. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with the SAFE or its local branches and (ii) any of our PRC subsidiaries may not procure loans which exceed the difference between its total investment amount and registered capital or, as an alternative, 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 our VIEs must be registered with the NDRC and the 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 our VIEs. If we fail to receive such approvals or complete such registration or filing, our ability to use the proceeds of this offering to capitalize our PRC operations 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 the SAFE by complying with certain procedural requirements. Specifically, under the existing foreign exchange restrictions, without prior approval of the 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.

***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, these include the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009 and 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, promulgated in 2011. These laws and regulations impose requirements in some instances that the PRC 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 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 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 PRC 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 PRC 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, the 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 the 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 the 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 the 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, the 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 the SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. See "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 the 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 board and shareholder resolutions 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 in China against us or our management named in the prospectus 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. In addition, all our senior executive officers reside within China for a significant portion of the time and most are PRC nationals. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Even if you are successful in bringing an action of this kind, PRC laws may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information regarding the relevant PRC laws, see "Enforceability of Civil Liabilities".

***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 and This Offering—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 "software enterprise" and "high and new technology enterprises", are qualified for a preferential enterprise income tax rates subject to certain qualification criteria. A "software enterprise", which is reassessed annually, is entitled to favorable income tax rate of 0% for the first two years after qualification, and 12.5% for the subsequent three years. In addition, a "high and new technology enterprise", which is reassessed every three years, is entitled to favorable income tax rate of 15%. Currently certain PRC subsidiary and consolidated variable interest entity of us are enjoying favorable tax rates as software enterprise or high and new technology enterprise. If any of these entities fails to maintain its qualified status, experiences any increase in the enterprise income tax rate, or faces any discontinuation, retroactive or future reduction or refund of any of the preferential tax treatments currently enjoyed, our business, financial condition and results of operations could 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 approval of the CSRC may be required in connection with this offering, and, if required, we cannot predict whether we will be able to obtain such approval.***

The M&A Rules require an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and this offering may ultimately require approval from the CSRC. If the CSRC approval is required, it is uncertain how long it will take us to obtain such approval and any failure to obtain or delay in obtaining the approval for this offering would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies, 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, results of operations and financial condition.

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 of the listing and trading of our ADSs on the [New York Stock Exchange/ Nasdaq Stock Market]. However, we cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as our PRC legal counsel, and hence we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this offering into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the trading price of the ADSs. The CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory

agencies later promulgate new rules or explanations requiring that we obtain their approvals for this offering, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding such approval requirement could have a material adverse effect on the trading price of the ADSs.

***The audit report included in this prospectus is prepared by an auditor who is not inspected by the U.S. Public Company Accounting Oversight Board, and as such, our investors are deprived of the benefits of such inspection.***

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this prospectus, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or 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 auditors are located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, they are not currently inspected by the PCAOB.

In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC, and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB, the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. The PCAOB continues to be in discussions with the CSRC, and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects a heightened interest in an issue that has vexed U.S. regulators in recent years. On April 21, 2020, the SEC and the PCAOB issued another joint statement reiterating the greater risk that disclosures will be insufficient in many emerging markets, including China, compared to those made by U.S. domestic companies. In discussing the specific issues related to the greater risk, the statement again highlights the PCAOB's inability to inspect audit work and practices of accounting firms in China with respect to their audit work of U.S. reporting companies. On June 4, 2020, the U.S. President issued a memorandum ordering the President's Working Group on Financial Markets to submit a report to the President within 60 days of the memorandum that includes recommendations for actions that can be taken by the executive branch and by the SEC or PCAOB on Chinese companies listed on U.S. stock exchanges and their audit firms, in an effort to protect investors in the U.S. However, it remains unclear what further actions, if any, the U.S. executive branch, the SEC and PCAOB will take to address the problem.

This lack of the PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our ordinary shares 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 stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress, which if passed, would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The proposed Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges of issuers included on the SEC's list for three consecutive years. On May 20, 2020, the U.S. Senate passed S. 945, the Holding Foreign Companies Accountable Act (the "Kennedy Bill"). If passed by the U.S. House of Representatives and signed by the U.S. President, the Kennedy Bill would amend the Sarbanes-Oxley Act of 2002 to direct the SEC to prohibit securities of any registrant from being listed on any of the U.S. securities exchanges or traded "over-the-counter" if the auditor of the registrant's financial statements is not subject to PCAOB inspection for three consecutive years after the law becomes effective. Enactment of any of such legislations or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, the market price of our ADSs could be adversely affected, and we could be delisted if we are unable to cure the situation to meet the PCAOB inspection requirement in time. It is unclear if and when any of such proposed legislations will be enacted. Furthermore, there have been recent media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets. If any such deliberations were to materialize, the resulting legislation may have material and adverse impact on the stock performance of China-based issuers listed in the United States.

***Proceedings instituted by the SEC against certain PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.***

In December 2012, the SEC instituted administrative proceedings against the Big Four PRC-based accounting firms in China, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' audit work papers with respect to certain other PRC-based companies that are publicly traded in the United States.

On January 22, 2014, the initial administrative law judge presiding over the matter rendered an initial decision that each of the firms had violated the SEC's rules of practice by failing to produce audit papers and other documents to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months.

On February 6, 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and to audit US-listed companies. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. Under the terms of the settlement, the underlying proceeding against the four PRC-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if the SEC will further challenge the four PRC-based accounting firms' compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties such as suspensions, if the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements could ultimately lead to our delisting from the New York



Stock Exchange/Nasdaq Stock Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined not to be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, U.S.-listed companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm was denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined to be not in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of the ADSs or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of the ADSs in the United States.

***The current tension in international trade, particularly with regard to U.S. and China trade policies, 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.

Although the direct impact of the current international trade tension, and any escalation of such tension, 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 and This Offering**

***An active trading market for our Class A ordinary shares or our ADSs may not develop and the trading price for our ADSs may fluctuate significantly.***

We plan to apply to list our ADSs on the [New York Stock Exchange/Nasdaq Stock Market]. Prior to the completion of this offering, there has been no public market for our ADSs or our Class A ordinary shares, and we cannot assure you that a liquid public market for our ADSs will develop. If an active public market for our ADSs does not develop following the completion of this offering, the market price and liquidity of our ADSs may be materially and adversely affected. The initial public offering price for our ADSs will be determined by negotiation between us and the

underwriters based upon several factors, and the trading price of our ADSs after this offering could decline below the initial public offering price. As a result, investors in our securities may experience a significant decrease in the value of their ADSs.

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

The trading price of the ADSs is likely to be volatile and 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, cash flow;
- fluctuations in operating metrics;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new solutions and 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 lockup 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. If we were 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 or not successful, 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 immediately prior to the completion of this offering. 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 an affiliate of the holder, such Class B ordinary shares are automatically and immediately converted into an equal number of Class A ordinary shares.

Upon the completion of this offering, Mr. ZUO Hui, our chairman of the board, will beneficially own \_\_\_\_\_ ordinary shares (comprising \_\_\_\_\_ Class A ordinary shares and \_\_\_\_\_ Class B ordinary shares), representing \_\_\_\_\_ % 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, assuming that the underwriters do not exercise their option to purchase additional ADSs. See "Principal Shareholders". After this offering, Mr. ZUO will 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.

***We currently do not expect to pay dividends in the foreseeable future after this offering 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 after this offering 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 after this offering 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.

***Because our initial public offering price is substantially higher than our net tangible book value per share, you will experience immediate and substantial dilution.***

If you purchase ADSs in this offering, you will pay more for your ADSs than the amount paid by our existing shareholders for their ordinary shares on a per ADS basis. As a result, you will experience immediate and substantial dilution, representing the difference between the initial public offering price of per ADS, and our adjusted net tangible book value per ADS, after giving effect to our sale of the ADSs offered in this offering. In addition, you may experience further dilution in connection of the issuance of Class A ordinary shares upon the exercise or vesting, as the case may be, of our share incentive awards. See "Dilution" for a more complete description of how the value of your investment in the ADSs will be diluted upon completion of this offering.

***We have not determined a specific use for a portion of the net proceeds from this offering and we may use these proceeds in ways with which you may not agree.***

We have not determined a specific use for a portion of the net proceeds of this offering, and our management will have considerable discretion in deciding how to apply these proceeds. You will not have the opportunity to assess whether the proceeds are being used appropriately before you make your investment decision. You must rely on the judgment of our management regarding

the application of the net proceeds of this offering. We cannot assure you that the net proceeds will be used in a manner that would improve our results of operations or increase the ADS price, nor that these net proceeds will be placed only in investments that generate income or appreciate in value.

***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 after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. All ADSs sold in this offering will be freely transferable without restriction or additional registration under the Securities Act. The remaining ordinary shares issued and outstanding after this offering will be available for sale, upon the expiration of the 180-day lock-up period beginning from the date of this prospectus, subject to volume and other restrictions as applicable provided in Rules 144 and 701 under the Securities Act. Any or all of these shares may be released prior to the expiration of the lock-up period at the discretion of the representatives of the underwriters of this offering. To the extent shares are released before the expiration of the lock-up period and sold into the market, the market price of our ADSs could decline.

After completion of this offering, certain shareholders may cause us to register under the Securities Act the sale of their shares, subject to the 180-day lock-up period in connection with this offering. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of such registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline.

***[Our post-offering memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and the ADSs.***

We have conditionally adopted an [amended and restated memorandum and articles of association] that will become effective immediately prior to the completion of this offering. Our post-offering 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 ordinary shares, including 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 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 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 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 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 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 post-offering memorandum and articles of association that will become effective immediately prior to completion of this offering, 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 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 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 ordinary shares represented by your ADSs are voted and you may have no legal remedy if the underlying 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.

Further, under the deposit agreement for the ADSs, if you do not vote, the depositary will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs at shareholders' meetings unless:

- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

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.

***You may be subject to limitations on transfer of your ADSs.***

Your ADSs are transferable on the books of the depository. However, the depository 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 depository may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of the ADSs generally when our share register or the books of the depository are closed, or at any time if we or the depository 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 depository 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 depository 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 [fourth amended and restated memorandum and articles of association], the Companies Law (2020 Revision) 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 or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our post-offering articles of association that will become effective immediately prior to completion of this offering 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 Law of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see "Description of Share Capital — Our Post-Offering Memorandum and Articles of Association — Differences in Corporate Law".

***Certain judgments obtained against us by our shareholders may not be enforceable.***

We are a Cayman Islands company and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted in China. In addition, many of our current directors and officers are nationals and residents of countries other than the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information regarding the relevant laws of the Cayman Islands and China, see "Enforceability of Civil Liabilities".

***ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.***

The deposit agreement governing the ADSs representing our ordinary shares provides that, to the fullest extent permitted by law, 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.

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 nonexclusive 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 holders or beneficial owners 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 holder or beneficial owner 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 holder or beneficial owner 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.

***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/Nasdaq] listing standards.***

As a Cayman Islands company listed on the [NYSE/Nasdaq], we are subject to the [NYSE/Nasdaq] listing standards, which requires 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/Nasdaq] 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/Nasdaq] 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/Nasdaq] 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 will be 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 publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the [NYSE/Nasdaq]. 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. investors owning 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 our consolidated VIEs 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 our consolidated VIEs 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 our consolidated VIEs for U.S. federal income tax purposes, and based upon our current and projected income and assets, including the proceeds from this offering, and the expected price of the ADSs in the offering, we do not 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). If our market capitalization subsequently declines, we may be or become a PFIC for the current taxable year or future taxable years. Furthermore, the composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. 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.

If we were 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 "Taxation — United States Federal Income Tax Considerations — Passive Foreign Investment Company Rules".

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

Upon completion of this offering, we will become a public company and expect to 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/

Nasdaq], 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.

As a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus 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 "Prospectus Summary", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business". Known and unknown risks, uncertainties and other factors, including those listed under "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;
- our expectation regarding the use of proceeds from this offering;
- 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 may later be found to be incorrect. 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 "Prospectus Summary — Our Challenges", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business", "Regulation" and other sections in this prospectus. You should read thoroughly this prospectus 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.

This prospectus contains certain data and information that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. Our industry may not grow at the rate projected by market data, or at all. Failure of this market to grow at the projected rate may have a material and adverse effect on our business and the market price of the ADSs. In addition, the rapidly evolving nature of this industry results in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the

projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. 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 prospectus and the documents that we refer to in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

## USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US\$ , or approximately US\$ if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed initial public offering price of US\$ per ADS, which is the midpoint of the price range shown on the front page of this prospectus. A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$ per ADS would increase (decrease) the net proceeds to us from this offering by US\$ , assuming the number of ADSs offered by us, as set forth on the front cover of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

The primary purposes of this offering are to create a public market for our shares for the benefit of all shareholders, retain talented employees by providing them with equity incentives, and obtain additional capital. We plan to use the net proceeds of this offering as follows:

- approximately for our research and development, to continue to invest in our platform functions and infrastructure technologies including big data, artificial intelligence and virtual reality;
- approximately for expansion of our service offerings and exploration of business operations into new geographical areas; and
- the balance for general corporate purposes, which may include working capital needs and potential strategic investments and acquisitions, although we have not identified any specific investments or acquisition opportunities at this time.

The foregoing represents our current intentions based upon our present plans and business conditions to use and allocate the net proceeds of this offering. Our management, however, will have significant flexibility and discretion to apply the net proceeds of this offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus. See "Risk Factors — Risks Related to Our ADSs and This Offering — We have not determined a specific use for a portion of the net proceeds from this offering and we may use these proceeds in ways with which you may not agree".

Pending any use described above, we plan to invest the net proceeds in short-term, interest-bearing, debt instruments or demand deposits.

In using the proceeds of this offering, we are permitted under PRC laws and regulations as an offshore holding company to provide funding to our PRC subsidiary only through loans or capital contributions and to our consolidated variable interest entities only through loans, subject to satisfaction of applicable government registration and approval requirements. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. See "Risk Factors — Risks Related to Doing Business in China — PRC regulation of loans to and direct investment in PRC entities by offshore holding companies may delay us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries and to make loans to our VIEs, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

[We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.]

## DIVIDEND POLICY

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

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future after this offering. 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 "Regulation — Regulation Related to Foreign Exchange and Dividend Distribution Regulation on 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 "Description of American Depositary Shares". Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

## CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2020:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion and the re-designation of all of the issued and outstanding preferred shares on a one-for-one basis into class A ordinary shares immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to reflect (i) the automatic conversion and the re-designation of all of the issued and outstanding preferred shares on a one-for-one basis into class A ordinary shares immediately prior to the completion of this offering; and (ii) the issuance and sale of class A ordinary shares in the form of ADSs by us in this offering at an assumed initial public offering price of US\$ per ADS, the midpoint of the estimated range of the initial public offering price shown on the front cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, assuming the underwriters do not exercise the option to purchase additional ADSs.



You should read this table together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

|  | As of March 31, 2020 |                    |                   |                  |                                      |      |
|--|----------------------|--------------------|-------------------|------------------|--------------------------------------|------|
|  | Actual               |                    | Pro Forma         |                  | Pro Forma As Adjusted <sup>(1)</sup> |      |
|  | RMB                  | US\$               | RMB               | US\$             | RMB                                  | US\$ |
|  | (in thousands)       |                    |                   |                  |                                      |      |
| <b>Mezzanine Equity</b>  |                      |                    |                   |                  |                                      |      |
| Series B convertible redeemable preferred shares (US\$0.0001 par value; 59,696,752 issued and outstanding as of March 31, 2020; no shares issued and outstanding, pro forma or pro forma as adjusted)  | 6,501,921            | 918,247            | —                 | —                |                                      |      |
| Series C convertible redeemable preferred shares (US\$0.0001 par value; 94,113,635 issued and outstanding as of March 31, 2020; no shares issued and outstanding, pro forma or pro forma as adjusted)  | 12,337,091           | 1,742,330          | —                 | —                |                                      |      |
| Series D convertible redeemable preferred shares (US\$0.0001 par value; 86,167,106 issued and outstanding as of March 31, 2020; no shares issued and outstanding, pro forma or pro forma as adjusted)  | 12,036,316           | 1,699,853          | —                 | —                |                                      |      |
| Series D+ convertible redeemable preferred shares (US\$0.0001 par value; 62,175,831 issued and outstanding as of March 31, 2020; no shares issued and outstanding, pro forma or pro forma as adjusted) | 10,190,870           | 1,439,225          | —                 | —                |                                      |      |
| <b>Total Mezzanine Equity</b>  | <b>41,066,198</b>    | <b>5,799,655</b>   | <b>—</b>          | <b>—</b>         |                                      |      |
| <b>Shareholders' Deficit:</b>  |                      |                    |                   |                  |                                      |      |
| <b>KE Holdings Inc. shareholders' deficit:</b>   |                      |                    |                   |                  |                                      |      |
| Ordinary Shares  | 202                  | 29                 | 416               | 59               |                                      |      |
| Additional paid-in capital   | 1,840,586            | 259,940            | 42,906,570        | 6,059,565        |                                      |      |
| Statutory reserves   | 254,012              | 35,873             | 254,012           | 35,873           |                                      |      |
| Accumulated other comprehensive income   | 234,320              | 33,092             | 234,320           | 33,092           |                                      |      |
| Accumulated deficit  | (13,095,084)         | (1,849,379)        | (13,095,084)      | (1,849,379)      |                                      |      |
| <b>Total KE Holdings Inc. shareholders' deficit</b>  | <b>(10,765,964)</b>  | <b>(1,520,445)</b> | <b>30,300,234</b> | <b>4,279,210</b> |                                      |      |
| Non-controlling interests  | 84,466               | 11,929             | 84,466            | 11,929           |                                      |      |
| <b>Total Shareholders' Deficit<sup>(2)</sup></b>   | <b>(10,681,498)</b>  | <b>(1,508,516)</b> | <b>30,384,700</b> | <b>4,291,139</b> |                                      |      |
| <b>Total Mezzanine Equity and Shareholders' Deficit</b>  | <b>30,384,700</b>    | <b>4,291,139</b>   | <b>30,384,700</b> | <b>4,291,139</b> |                                      |      |

Notes:

- The pro forma as adjusted information discussed above is illustrative only. Our additional paid-in capital, accumulative deficit, accumulative other comprehensive income, total shareholder's deficit and total capitalization following the completion of this offering are subject to adjustment based on the actual initial public offering price and other terms of this offering determined at pricing.
- A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$ per ADS, which is the midpoint of the estimated range of the initial public offering price shown on the front cover of this prospectus, would increase (decrease) each of additional paid-in capital, total shareholders' deficit, and total capitalization by US\$ million.

## DILUTION

If you invest in the ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per ordinary share is substantially in excess of the book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares on an as-converted basis.

Our net tangible book value as of March 31, 2020 was US\$3.6 billion, or US\$6.03 per ordinary share on an as-converted basis as of that date and US\$            per ADS. Net tangible book value represents the amount of our total consolidated tangible assets, less the amount of our total consolidated liabilities. Dilution is determined by subtracting net tangible book value per ordinary share on an as-converted basis, after giving effect to the additional proceeds we will receive from this offering, from the assumed initial public offering price of US\$            per class A ordinary share, which is the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Because the class A ordinary shares and class B ordinary shares have the same dividend and other rights, except for voting and conversion rights, the dilution is presented based on all issued and outstanding ordinary shares, including class A ordinary shares and class B ordinary shares.

Without taking into account any other changes in net tangible book value after March 31, 2020, other than to give effect to our sale of the ADSs offered in this offering at the assumed initial public offering price of US\$            per ADS, which is the midpoint of the estimated initial public offering price range shown on the front cover of this prospectus, after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2020 would have been US\$           , or US\$            per ordinary share and US\$            per ADS. This represents an immediate increase in net tangible book value of US\$            per ordinary share and US\$            per ADS to the existing shareholders and an immediate dilution in net tangible book value of US\$            per ordinary share and US\$            per ADS to investors purchasing ADSs in this offering. The following table illustrates such dilution:

|   | Per Ordinary Share | Per ADS |
|---|--------------------|---------|
| Assumed initial public offering price   | US\$               | US\$    |
| Net tangible book value as of March 31, 2020  | US\$               | US\$    |
| Pro forma net tangible book value after giving effect to the conversion of our preferred shares                               | US\$               | US\$    |
| Pro forma as adjusted net tangible book value after giving effect to the conversion of our preferred shares and this offering | US\$               | US\$    |
| Amount of dilution in net tangible book value to new investors in this offering   | US\$               | US\$    |

A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$            per ADS would increase (decrease) our pro forma as adjusted net tangible book value after giving effect to this offering by US\$           , the pro forma as adjusted net tangible book value per ordinary share and per ADS after giving effect to this offering by US\$            per ordinary share and US\$            per ADS, and the dilution in pro forma as adjusted net tangible book value per ordinary share and per ADS to new investors in this offering by US\$            per ordinary share and US\$            per ADS, assuming no change to the number of ADSs offered by us as set forth on the front cover of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes, on a pro forma as adjusted basis as of March 31, 2020, the differences between existing shareholders and the new investors with respect to the number of ordinary shares (in the form of ADSs or shares) purchased from us, the total consideration paid and the average price per ordinary share and per ADS paid before deducting the underwriting discounts and commissions and estimated offering expenses payable by us. The total number of ordinary shares does not include ordinary shares underlying the ADSs issuable upon the exercise of the option to purchase additional ADSs granted to the underwriters.

|                       | Ordinary Shares Purchased |         | Total Consideration |         | Average Price Per Ordinary Share | Average Price Per ADS |
|-----------------------|---------------------------|---------|---------------------|---------|----------------------------------|-----------------------|
|                       | Number                    | Percent | Amount              | Percent |                                  |                       |
| Existing shareholders |                           |         | US\$                | %US\$   | US\$                             |                       |
| New investors         |                           |         | US\$                | %US\$   | US\$                             |                       |
| Total                 |                           |         | US\$                | 100.0%  |                                  |                       |

The pro forma as adjusted information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of the ADSs and other terms of this offering determined at pricing.

As of the date of this prospectus, options to purchase 16,393,083 class A ordinary shares have been granted and outstanding with an average exercise price of US\$0.0001. To the extent that any of these options are exercised, there will be further dilution to new investors.

## ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability. We are incorporated in the Cayman Islands to take advantage of certain benefits associated with being a Cayman Islands exempted company, such as:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include but are not limited to:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide provides significantly less protection to investors as compared to the United States; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.
- Our constitutional documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated.

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, or 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 \_\_\_\_\_, \_\_\_\_\_, 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 Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law, 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 Maples and Calder (Hong Kong) LLP 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.

Han Kun Law Offices, our counsel as to PRC law, 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.

Han Kun Law Offices 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.

## CORPORATE HISTORY AND STRUCTURE

### Corporate History

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 founder and chairman of the board of directors. 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.

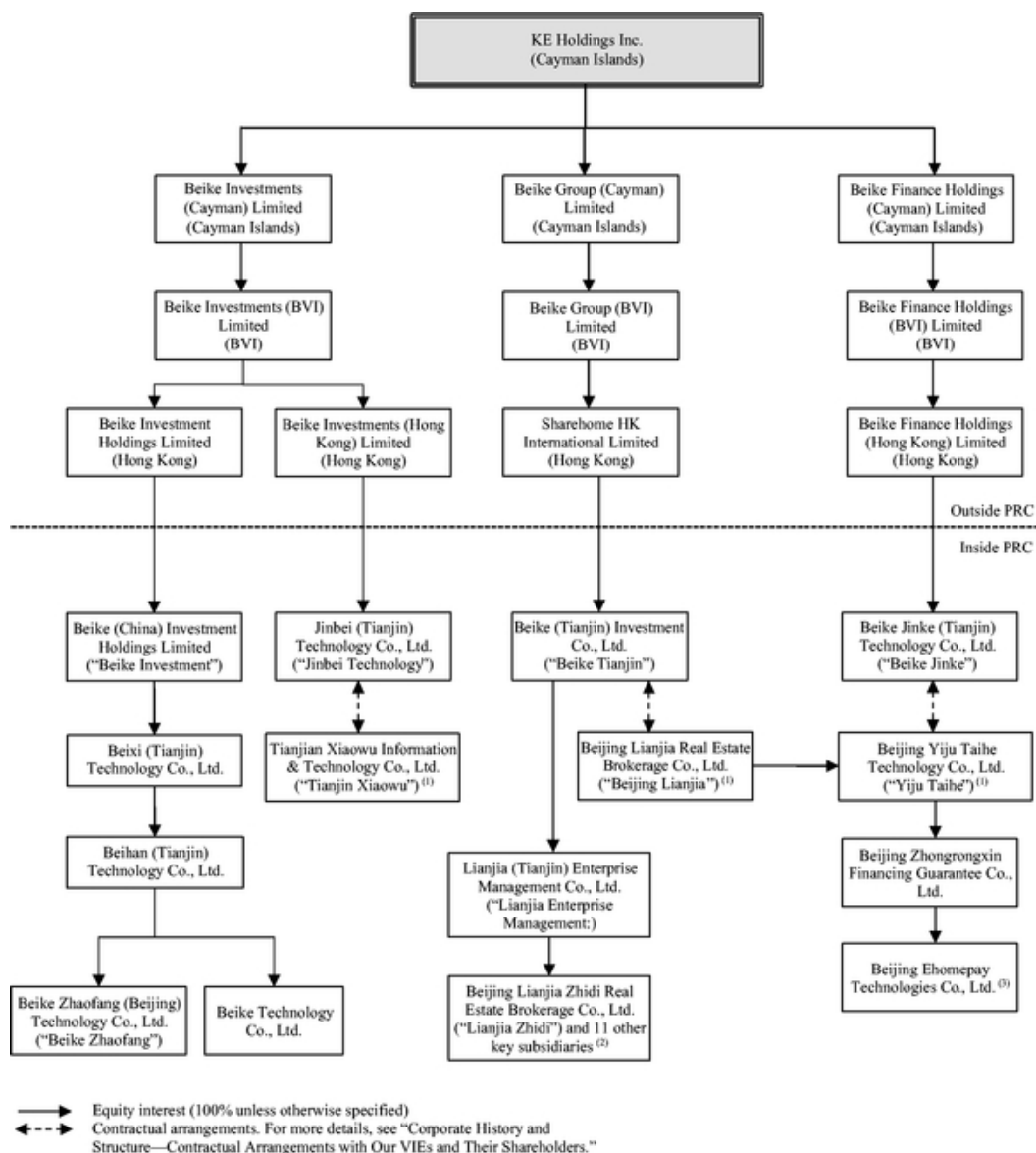
Along with the launch of our *Beike* platform, we incorporated KE Holdings Inc. in the Cayman Islands in July 2018 as our holding company. From July 2018 to June 2019, KE Holdings Inc. established a series of intermediary holding entities which directly or indirectly hold the equity interests in Beike (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.

Due to the restrictions imposed by PRC laws and regulations on foreign ownership of companies engaged in value-added telecommunication services, finance business and certain other businesses, our WFOEs entered into a series of contractual arrangements, as amended and restated, with Beijing Lianjia, Tianjin Xiaowu and Yiju Taihe (collectively, "VIEs"), respectively, through which we obtained control over the VIEs. As a result, we are regarded as the primary beneficiary of the VIEs and their subsidiaries. We treat them as our consolidated affiliated entities under U.S. GAAP, and have consolidated the financial results of these entities in our consolidated financial statements in accordance with U.S. GAAP. For more details and risks related to our variable interest entity structure, please see "— Contractual Arrangements with our VIEs and their Shareholders" and "Risk Factors — Risks Related to Our Corporate Structure".

## Corporate Structure

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



Note:

- (1) Shareholders of Beijing Lianjia are (i) Mr. ZUO Hui, Mr. SHAN Yigang and entities controlled by Mr. ZUO Hui or Mr. SHAN Yigang, holding 75% in aggregate and (ii) several other individuals and entities affiliated with us, holding 25% in aggregate. Shareholders of Tianjin Xiaowu are Mr. ZUO Hui and Mr. SHAN Yigang, holding 94% and 6%, respectively. Shareholders of Yiju Taihe are (i) Beijing Lianjia, holding 80%; (ii) Mr. ZUO Hui, Mr. SHAN Yigang and entities controlled by Mr. ZUO Hui or Mr. SHAN Yigang, holding 16% in aggregate and (iii) several other individuals and entities affiliated with us, holding 4% in aggregate. Mr. ZUO Hui is our founder and chairman of the board and Mr. SHAN Yigang is our executive director.

- (2) Include Beijing Fangyuan Real Estate Consulting Services Co., Ltd., Beijing Lianjia Gaoce Real Estate Brokerage Co., Ltd., Deyou Real Estate Agency Co., Ltd., Shanghai Deyou Property Consulting Co., Ltd., Shenzhen Lianjia Real Estate Brokerage Co., Ltd., Shenzhen Fangjianghu Technology Co., Ltd., Sichuan Lianjia Real Estate Brokerage Co., Ltd., Chengdu Fangjianghu Information Technology Co., Ltd., Tianjin Lianjia Baoye Real Estate Agency Co., Ltd., Tianjin Lianjia Fangjianghu Technology Co., Ltd., and Zhengzhou Fangjianghu Information Technology Co., Ltd.
- (3) 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 Our 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, financial services and certain other businesses. We are a company registered in the Cayman Islands. See "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, our VIEs and their respective shareholders. Terms contained in each set of contractual arrangements with our VIEs and their respective shareholders are substantially similar. These contractual arrangements enable us to (i) exercise effective control over our VIEs; (ii) receive substantially all of the economic benefits of our VIEs; (iii) have the pledge right over the equity interests in our VIEs as the pledgee; and (iv) have an exclusive option to purchase all or part of the equity interests in and assets of our VIEs when and to the extent permitted by PRC law.

### *Arrangements that provide us effective control over our VIEs*

**Power of Attorney Agreements.** Pursuant to the power of attorney agreements among our WFOEs, our VIEs and their respective shareholders, each shareholder of our VIEs irrevocably undertakes to appoint the WFOE, or a PRC citizen designated by the WFOE as his/its attorney-in-fact to exercise all of his/its rights as a shareholder of our 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 then-effective articles of association (subject to the amendments) of our VIEs. Each power of attorney agreement is irrevocable and remains in effect as long as the shareholder continues to be a shareholder of our VIEs.

**Equity Pledge Agreements.** Pursuant to the equity pledge agreements among our WFOEs, our VIEs and their respective shareholders, shareholders of our VIEs pledged all of their respective equity interests in our VIEs to our WFOEs as security for performance of the obligations of our 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 prospectus, we have registered all such equity pledges in Beijing Lianjia, Yiju Taihe and Tianjin Xiaowu 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 our 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 our VIEs. The shareholders of our VIEs also undertake that, during the term of the 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.

**Spousal Consent Letters.** Pursuant to the spousal consent letters, each of the spouses of the applicable individual shareholders of our 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 our 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 our VIEs held by his or her respective spouses. In addition, in the event that any of them obtains any equity interest in our 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 our VIEs***

***Exclusive Business Cooperation Agreements.*** Pursuant to the exclusive cooperation agreements among our WFOEs and our VIEs, respectively, our WFOEs have the exclusive right to provide our 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 our WFOEs, our 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. Our VIEs agree to pay our WFOEs services fees, the amount of which will be determined by our WFOEs. 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 except that our WFOEs are entitled to terminate the agreements in writing.

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

***Exclusive Option Agreements.*** Pursuant to the exclusive option agreements among our WFOEs, our VIEs and their respective shareholders, the shareholders of each of our 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 our VIEs. 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 our 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 our VIEs undertake that, without prior written consent of our WFOEs, they will not create any pledge or encumbrance on their equity interests in our VIEs, approve any transfer or in any manner disposal of their equity interests, or any disposition of any assets of our VIEs (other than limited exceptions). The shareholders of each of our 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), 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 our VIEs' operating status and asset value. These agreements will remain effective till all of the equity interests of the relevant VIEs have been transferred to our WFOEs and/or its designated person, or our WFOEs and VIEs collaterally agree to terminate the agreement. Jinbei Technology has unilateral right to terminate the agreement with Tianjin Xiaowu.

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

- the ownership structures of our WFOEs and our VIEs, all currently and immediately after giving effect to this offering, do not and will not violate applicable PRC laws or regulations currently in effect; and

- the contractual arrangements among our WFOEs, our VIEs and their respective shareholders governed by PRC law, both currently and immediately after giving effect to this offering, are and will be valid and binding, and do not and will not violate applicable PRC laws or regulations currently in effect, except that the pledges on the equity interests in our VIEs would not be deemed validly created until they are registered with the competent administration for market regulation.

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 "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 "Risk Factors — Risks Relating to Doing Business in China — Uncertainties with respect to the PRC legal system could materially and adversely affect us".

## **SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA**

The following selected consolidated statements of operations for the years ended December 31, 2017, 2018 and 2019, selected consolidated balance sheet data as of December 31, 2017, 2018 and 2019, and selected consolidated cash flow data for the years ended December 31, 2017, 2018 and 2019 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Selected financial data for our fiscal years ended December 31, 2015 and 2016 is omitted as such data is not available on the same basis as the financial information for subsequent periods and would not be available without unreasonable effort and expense. The following selected consolidated statements of operations for the three months ended March 31, 2019 and 2020, selected consolidated balance sheet data as of March 31, 2020, and selected consolidated cash flow data for the three months ended March 31, 2019 and 2020 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. 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 Consolidated Financial and Operating Data section together with our

consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

|   | For the Year Ended December 31,                     |                    |                    |                    | For the Three Months Ended March 31, |                    |                    |
|---|---|--------------------|--------------------|--------------------|--------------------------------------|--------------------|--------------------|
|   | 2017  | 2018               | 2019               |                    | 2019                                 | 2020               |                    |
|   | RMB   | RMB                | RMB                | US\$               | RMB                                  | RMB                | US\$               |
|   | (in thousands, except for share and per share data) |                    |                    |                    |                                      |                    |                    |
| <b>Net revenues</b>   |   |                    |                    |                    |                                      |                    |                    |
| Existing home transaction services  | 18,461,231  | 20,154,642         | 24,568,508         | 3,469,736          | 6,019,381                            | 3,375,332          | 476,688            |
| New home transaction services   | 6,419,251   | 7,471,924          | 20,273,860         | 2,863,216          | 1,964,521                            | 3,452,735          | 487,619            |
| Emerging and other services   | 625,216   | 1,019,933          | 1,172,538          | 165,594            | 175,855                              | 291,692            | 41,195             |
| <b>Total net revenues</b>   | <b>25,505,698</b>                                   | <b>28,646,499</b>  | <b>46,014,906</b>  | <b>6,498,546</b>   | <b>8,159,757</b>                     | <b>7,119,759</b>   | <b>1,005,502</b>   |
| <b>Cost of revenues:</b>  |   |                    |                    |                    |                                      |                    |                    |
| Commission — split  | (933,162)   | (1,393,167)        | (11,154,698)       | (1,575,344)        | (542,255)                            | (2,140,436)        | (302,287)          |
| Commission and compensation — internal  | (15,663,301)  | (15,767,582)       | (19,444,127)       | (2,746,035)        | (4,644,561)                          | (3,554,617)        | (502,008)          |
| Cost related to stores  | (3,543,781)   | (3,400,545)        | (3,078,672)        | (434,792)          | (738,267)                            | (717,662)          | (101,353)          |
| Others  | (597,397)   | (1,215,229)        | (1,069,365)        | (151,023)          | (134,699)                            | (205,512)          | (29,024)           |
| <b>Gross profit</b>   | <b>4,768,057</b>                                    | <b>6,869,976</b>   | <b>11,268,044</b>  | <b>1,591,352</b>   | <b>2,099,975</b>                     | <b>501,532</b>     | <b>70,830</b>      |
| Sales and marketing expenses  | (998,575)   | (2,489,692)        | (3,105,899)        | (438,637)          | (634,031)                            | (577,095)          | (81,501)           |
| General and administrative expenses <sup>(1)</sup>  | (4,281,571)   | (4,927,367)        | (8,376,531)        | (1,182,992)        | (1,054,310)                          | (1,105,029)        | (156,060)          |
| Research and development expenses   | (251,802)   | (670,922)          | (1,571,154)        | (221,889)          | (312,050)                            | (450,761)          | (63,660)           |
| Others  | 625,553   | 718,940            | 509,776            | 71,993             | 157,077                              | 251,105            | 35,463             |
| <b>Income (loss) before income tax expense</b>  | <b>(138,338)</b>                                    | <b>(499,065)</b>   | <b>(1,275,764)</b> | <b>(180,173)</b>   | <b>256,661</b>                       | <b>(1,380,248)</b> | <b>(194,928)</b>   |
| Income tax benefit (expense)  | (399,283)   | 71,384             | (904,363)          | (127,720)          | (90,901)                             | 148,861            | 21,023             |
| <b>Net income (loss)</b>  | <b>(537,621)</b>                                    | <b>(427,681)</b>   | <b>(2,180,127)</b> | <b>(307,893)</b>   | <b>165,760</b>                       | <b>(1,231,387)</b> | <b>(173,905)</b>   |
| <b>Weighted average number of ordinary shares used in computing net loss per share, basic and diluted</b> | <b>269,038,865</b>                                  | <b>272,513,176</b> | <b>275,647,105</b> | <b>275,647,105</b> | <b>275,981,181</b>                   | <b>294,033,338</b> | <b>294,033,338</b> |
| <b>Net loss per share attributable to ordinary shareholders</b>   |   |                    |                    |                    |                                      |                    |                    |
| — Basic   | (5.36)  | (8.76)             | (14.69)            | (2.08)             | (0.86)                               | (6.54)             | (0.92)             |
| — Diluted   | (5.36)  | (8.76)             | (14.69)            | (2.08)             | (0.86)                               | (6.54)             | (0.92)             |

Note:

- (1) Including share-based compensations of RMB476 million, RMB382 million, RMB2,956 million (US\$417 million), nil and nil for 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively.

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

|   | As of December 31, |            |            |           | As of March 31, |           |
|---|--------------------|------------|------------|-----------|-----------------|-----------|
|   | 2017               | 2018       | 2019       |           | 2020            |           |
|   | RMB                | RMB        | RMB        | US\$      | RMB             | US\$      |
|   | (in thousands)     |            |            |           |                 |           |
| Summary Consolidated Balance Sheet Data |                    |            |            |           |                 |           |
| Cash and cash equivalents               | 5,236,100          | 9,115,649  | 24,319,332 | 3,434,546 | 15,538,844      | 2,194,504 |
| Total current assets                    | 24,067,931         | 27,374,784 | 51,912,486 | 7,331,444 | 46,380,397      | 6,550,163 |
| Total non-current assets                | 7,512,004          | 11,491,480 | 15,352,826 | 2,168,233 | 14,860,128      | 2,098,651 |
| Total assets                            | 31,579,935         | 38,866,264 | 67,265,312 | 9,499,677 | 61,240,525      | 8,648,814 |
| Total current liabilities               | 16,047,286         | 20,572,881 | 27,797,675 | 3,925,782 | 22,876,987      | 3,230,848 |
| Total non-current liabilities           | 3,095,864          | 3,434,843  | 7,932,045  | 1,120,219 | 7,978,838       | 1,126,827 |
| Total liabilities                       | 19,143,150         | 24,007,724 | 35,729,720 | 5,046,001 | 30,855,825      | 4,357,675 |

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

|  | For the Year Ended December 31, |             |             |           | For the Three Months Ended March 31, |              |             |
|--|---------------------------------|-------------|-------------|-----------|--------------------------------------|--------------|-------------|
|  | 2017                            | 2018        | 2019        |           | 2019                                 | 2020         |             |
|  | RMB                             | RMB         | RMB         | US\$      | RMB                                  | RMB          | US\$        |
|  | (in thousands)                  |             |             |           |                                      |              |             |
| Selected Consolidated Cash Flow Data   |                                 |             |             |           |                                      |              |             |
| Net cash (used in) provided by operating activities                          | (6,456,226)                     | 3,216,797   | 112,626     | 15,906    | (1,000,933)                          | (4,089,101)  | (577,492)   |
| Net cash (used in) provided by investing activities                          | (2,783,562)                     | 2,609,149   | (3,873,722) | (547,074) | (348,181)                            | (5,176,363)  | (731,042)   |
| Net cash (used in) provided by financing activities                          | 9,576,284                       | (1,282,408) | 23,026,396  | 3,251,948 | 3,934,414                            | (898,389)    | (126,877)   |
| Effect of exchange rate change on cash, cash equivalents and restricted cash | (330)                           | 416         | (94,922)    | (13,406)  | (94,336)                             | 131,392      | 18,556      |
| Net increase (decrease) in cash, cash equivalents and restricted cash        | 336,166                         | 4,543,954   | 19,170,378  | 2,707,374 | 2,490,964                            | (10,032,461) | (1,416,855) |
| Cash, cash equivalents and restricted cash at the beginning of the period    | 7,880,078                       | 8,216,244   | 12,760,198  | 1,802,085 | 12,760,198                           | 31,930,576   | 4,509,459   |
| Cash, cash equivalents and restricted cash at the end of the period          | 8,216,244                       | 12,760,198  | 31,930,576  | 4,509,459 | 15,251,162                           | 21,898,115   | 3,092,604   |

#### Contribution Margin and Non-GAAP Metrics

We also review contribution margin to measure segmental profitability, and adjusted net income (loss) and adjusted EBITDA, two non-GAAP measures, to evaluate our business, measure

our performance, identify trends affecting our business, formulate business plans and make strategic decisions.

### Contribution margin

The table below sets forth the contribution margin for each of our business lines for the periods indicated.

|  | For the Year Ended December 31,        |           |           |           | For the Three Months Ended March 31, |         |        |
|--|--|-----------|-----------|-----------|--------------------------------------|---------|--------|
|  | 2017                                   | 2018      | 2019      |           | 2019                                 | 2020    |        |
|  | RMB                                    | RMB       | RMB       | US\$      | RMB                                  | RMB     | US\$   |
|  | (in thousands, except for percentages) |           |           |           |                                      |         |        |
| Contribution (existing home transaction services)        | 5,635,332                              | 7,731,846 | 9,554,244 | 1,349,317 | 2,224,328                            | 548,611 | 77,479 |
| Contribution margin (existing home transaction services) | 30.5%                                  | 38.4%     | 38.9%     | 38.9%     | 37.0%                                | 16.3%   | 16.3%  |
| Contribution (new home transaction services)             | 2,866,263                              | 3,027,822 | 4,918,700 | 694,653   | 617,565                              | 629,607 | 88,917 |
| Contribution margin (new home transaction services)      | 44.7%                                  | 40.5%     | 24.3%     | 24.3%     | 31.4%                                | 18.2%   | 18.2%  |
| Contribution (emerging and other services)               | 407,640                                | 726,082   | 943,137   | 133,196   | 131,048                              | 246,488 | 34,811 |
| Contribution margin (emerging and other services)        | 65.2%                                  | 71.2%     | 80.4%     | 80.4%     | 74.5%                                | 84.5%   | 84.5%  |

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 revenue, for each of the periods indicated:

|                                    | For the Year Ended December 31, |              |              |             | For the Three Months Ended March 31, |             |           |
|------------------------------------|---------------------------------|--------------|--------------|-------------|--------------------------------------|-------------|-----------|
|                                    | 2017                            | 2018         | 2019         |             | 2019                                 | 2020        |           |
|                                    | RMB                             | RMB          | RMB          | US\$        | RMB                                  | RMB         | US\$      |
|                                    | (in thousands)                  |              |              |             |                                      |             |           |
| Existing home transaction services |                                 |              |              |             |                                      |             |           |
| Net revenues                       | 18,461,231                      | 20,154,642   | 24,568,508   | 3,469,736   | 6,019,381                            | 3,375,332   | 476,688   |
| Less: Commission and compensation  | (12,825,899)                    | (12,422,796) | (15,014,264) | (2,120,419) | (3,795,053)                          | (2,826,721) | (399,209) |
| Contribution                       | 5,635,332                       | 7,731,846    | 9,554,244    | 1,349,317   | 2,224,328                            | 548,611     | 77,479    |
| New home transaction services      |                                 |              |              |             |                                      |             |           |
| Net revenues                       | 6,419,251                       | 7,471,924    | 20,273,860   | 2,863,216   | 1,964,521                            | 3,452,735   | 487,619   |
| Less: Commission and compensation  | (3,552,988)                     | (4,444,102)  | (15,355,160) | (2,168,563) | (1,346,956)                          | (2,823,128) | (398,702) |
| Contribution                       | 2,866,263                       | 3,027,822    | 4,918,700    | 694,653     | 617,565                              | 629,607     | 88,917    |
| Emerging and other services        |                                 |              |              |             |                                      |             |           |
| Net revenues                       | 625,216                         | 1,019,933    | 1,172,538    | 165,594     | 175,855                              | 291,692     | 41,195    |
| Less: Commission and compensation  | (217,576)                       | (293,851)    | (229,401)    | (32,398)    | (44,807)                             | (45,204)    | (6,384)   |
| Contribution                       | 407,640                         | 726,082      | 943,137      | 133,196     | 131,048                              | 246,488     | 34,811    |

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 built-up 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.

#### **Adjusted net income (loss) and adjusted EBITDA**

In addition to net income (loss), we also use adjusted net income (loss) and adjusted EBITDA to evaluate our business. We have included these non-GAAP financial measures in this prospectus because they are key measures used by our management to evaluate our operating performance. Accordingly, we believe that they provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team and board of directors. Our calculation of these non-GAAP financial measures may differ from similarly-titled non-GAAP measures, if any, reported by our peer companies. They should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with U.S. GAAP.

We define adjusted net income (loss) as net income (loss), excluding (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions and business cooperation agreement, (iii) changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration and (iv) the tax effects on the above adjustments. We expand our business through acquisitions along the value chain of housing transactions, including the acquisition of Zhonghuan Real Estate Agency in 2019, a regional real estate brokerage firm. We also entered into a business cooperation agreement with Tencent in 2018, which grants us the access to its advertising resources and allows us to use Tencent's cloud

services. Amortization of intangible assets arising from these acquisitions and the business cooperation agreement with Tencent is excluded as item (ii) above when adjusted net income (loss) is calculated.

We define adjusted EBITDA as net income (loss), excluding (i) interest income, net, (ii) income tax expenses (benefit), (iii) depreciation of property and equipment, (iv) amortization of intangible assets, (v) share-based compensation expenses, and (vi) changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration.

Investors should note that some adjustment expenses are related to assets that contribute to revenue generation.

The following table presents a reconciliation of net loss to adjusted net income (loss) and adjusted EBITDA for each of the periods indicated:

|  | For the Year Ended December 31, |                |                  |                | For the Three Months Ended March 31, |                    |                  |
|--|---------------------------------|----------------|------------------|----------------|--------------------------------------|--------------------|------------------|
|  | 2017                            | 2018           | 2019             |                | 2019                                 | 2020               |                  |
|  | RMB                             | RMB            | RMB              | US\$           | RMB                                  | RMB                | US\$             |
|  | (in thousands)                  |                |                  |                |                                      |                    |                  |
| Net income (loss)  | (537,621)                       | (427,681)      | (2,180,127)      | (307,893)      | 165,760                              | (1,231,387)        | (173,905)        |
| Add (less):  |                                 |                |                  |                |                                      |                    |                  |
| Share-based compensation expenses  | 475,783                         | 382,196        | 2,955,590        | 417,409        | —                                    | —                  | —                |
| Amortization of intangible assets resulting from acquisitions and business cooperation agreement                       | 133,481                         | 127,825        | 450,413          | 63,610         | 13,791                               | 153,047            | 21,614           |
| Changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration | 4,015                           | 52,801         | 428,422          | 60,505         | (48,641)                             | (12,723)           | (1,797)          |
| Tax effects on non-GAAP adjustments <sup>(1)</sup>   | (5,003)                         | (4,339)        | 1,705            | 241            | 430                                  | 695                | 98               |
| <b>Adjusted net income (loss)</b>  | <b>70,655</b>                   | <b>130,802</b> | <b>1,656,003</b> | <b>233,872</b> | <b>131,340</b>                       | <b>(1,090,368)</b> | <b>(153,990)</b> |
| Net income (loss)  | (537,621)                       | (427,681)      | (2,180,127)      | (307,893)      | 165,760                              | (1,231,387)        | (173,905)        |
| Add (less):  |                                 |                |                  |                |                                      |                    |                  |
| Interest income, net   | (81,171)                        | (121,374)      | (230,339)        | (32,530)       | (55,361)                             | (78,209)           | (11,045)         |
| Income tax expenses (benefit)  | 399,283                         | (71,384)       | 904,363          | 127,720        | 90,901                               | (148,861)          | (21,023)         |
| Depreciation of property and equipment   | 674,202                         | 653,376        | 561,995          | 79,369         | 137,176                              | 114,364            | 16,151           |
| Amortization of intangible assets  | 137,001                         | 138,918        | 477,323          | 67,411         | 17,445                               | 157,481            | 22,241           |
| Share-based compensation expenses  | 475,783                         | 382,196        | 2,955,590        | 417,409        | —                                    | —                  | —                |
| Changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration | 4,015                           | 52,801         | 428,422          | 60,505         | (48,461)                             | (12,723)           | (1,797)          |
| <b>Adjusted EBITDA</b>   | <b>1,071,492</b>                | <b>606,852</b> | <b>2,917,227</b> | <b>411,991</b> | <b>307,280</b>                       | <b>(1,199,335)</b> | <b>(169,378)</b> |

Note:

- (1) Tax effects on non-GAAP adjustments primarily comprised of tax effects relating to the amortization of intangible assets resulting from acquisitions.



## Key Operating Metrics

### GTV

The table below sets forth the GTV of our platform for each of existing and new home transactions, and emerging and other services for the periods indicated.

|                             | For the Year Ended December 31, |                  |                  |                | For the Three Months Ended March 31, |                |               |
|-----------------------------|---------------------------------|------------------|------------------|----------------|--------------------------------------|----------------|---------------|
|                             | 2017                            | 2018             | 2019             |                | 2019                                 | 2020           |               |
|                             | RMB                             | RMB              | RMB              | US\$           | RMB                                  | RMB            | US\$          |
|                             | (in millions)                   |                  |                  |                |                                      |                |               |
| Existing home transactions  | 737,721                         | 821,932          | 1,297,371        | 183,224        | 272,442                              | 195,662        | 27,632        |
| New home transactions       | 252,587                         | 280,808          | 747,637          | 105,587        | 76,184                               | 116,474        | 16,449        |
| Emerging and other services | 24,099                          | 50,366           | 82,686           | 11,677         | 11,181                               | 17,731         | 2,504         |
| <b>Total</b>                | <b>1,014,407</b>                | <b>1,153,105</b> | <b>2,127,695</b> | <b>300,488</b> | <b>359,806</b>                       | <b>329,867</b> | <b>46,586</b> |

### Number of stores and agents

We believe the numbers of real estate brokerage stores and agents on our platform demonstrate our scale and are crucial indicators of our operations. The table below sets forth the number of stores and agents on our platform as of the dates indicated.

|                  | As of December 31, |         |         | As of          |
|------------------|--------------------|---------|---------|----------------|
|                  | 2017               | 2018    | 2019    | March 31, 2020 |
| Number of stores | 8,030              | 15,809  | 37,514  | 38,848         |
| Number of agents | 120,214            | 163,574 | 357,680 | 372,705        |

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. 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 "Risk Factors" and elsewhere in this prospectus. See "Special Note Regarding Forward-Looking Statements".*

### 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 consummate housing transactions, ranging from existing and new home sales, home rentals, to home renovation, financial services and other services. In 2019, we generated a GTV of RMB2,128 billion (US\$300.5 billion) and facilitated over 2.2 million housing transactions on our platform, making us China's largest housing transactions and services platform, and the second largest commerce platform across all industries, according to the CIC Report.

We have three main revenue streams, namely existing home transaction services, new home transaction services, and emerging and other services. For existing home transaction services, we generate revenues (i) from our own *Lianjia* brand where we charge commissions for existing home sales and home rentals, and split of commissions from other brokerage firms that operate brokerage stores on *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 home-related services, such as financial services and home renovation-related services.

Our total revenues increased by 12.3% from RMB25.5 billion in 2017 to RMB28.6 billion in 2018, and further by 60.6% to RMB46.0 billion (US\$6.5 billion) in 2019. Our total revenues decreased by 12.7% from RMB8.2 billion in the three months ended March 31, 2019 to RMB7.1 billion (US\$1.0 billion) in the three months ended March 31, 2020. Our net loss was RMB538 million, RMB428 million and RMB2,180 million (US\$308 million) in 2017, 2018 and 2019, respectively. We recorded a net loss of RMB1,231 million (US\$174 million) in the three months ended March 31, 2020, compared to a net income of RMB166 million in the three months ended March 31, 2019. Excluding the impact of certain non-cash items, most importantly share-based compensation expenses, we achieved an adjusted net income of RMB71 million in 2017, RMB131 million in 2018, RMB1,656 million (US\$234 million) in 2019, RMB131 million in the three months ended March 31, 2019 and an adjusted net loss of RMB1,090 million (US\$154 million) in the three months ended March 31, 2020, and adjusted EBITDA of RMB1,071 million in 2017, RMB607 million in 2018, RMB2,917 million (US\$412 million) in 2019, RMB307 million in the three months ended March 31, 2019 and a negative adjusted EBITDA of RMB1,199 million (US\$169 million) in the three months ended March 31, 2020. See "— Contribution Margin and Non-GAAP Metrics" for a reconciliation of net income (loss) to adjusted net income (loss) and to adjusted EBITDA.

## General Factors Affecting Our Results of Operations

We primarily engage in the residential real estate 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 residential real estate industry, which in turn is affected by many factors, including:

- China's overall economic growth,
- the increase in per capital disposable income,
- the change in price, supply and demand of existing and new homes in different geographic regions,
- the urbanization trend and demographic changes, and
- regulatory environment for China's residential real estate industry.

In particular, evolving regulatory regime has significantly affected, both positively and negatively, the growth of China's residential real estate industry. The resulting fluctuations have affected the demand for real estate brokerage services. We expect the development of China's residential real estate industry, especially penetration of brokerage services for housing transactions, to continue to have a significant impact on our results of operation in the foreseeable future.

## Specific Factors Affecting Our Results of Operations

While our business is exposed to general factors affecting the residential real estate 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 rendered by the agents on our platform is one of the most important drivers of the growth of transaction volume, which directly affects our revenues. Home ownership involves viral 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 residential real estate market and goodwill accumulated through our 18 years' operation have helped us gain trust from housing customers. In 2019, we facilitated over 2.2 million housing transactions on our platform and generated a GTV of RMB2,128 billion (US\$300.5 billion) in aggregate, increasing from around 1.1 million housing transactions and a GTV of RMB1,153 billion in 2018.

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 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 initiatives such as VR property showing and one-stop transaction service centers. 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 additional home-related needs, be it home rentals, renovations 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 revenues 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 March 31, 2020, there were more than 370,000 real estate agents and over 38,000 brokerage stores on our platform, representing 252 real estate brokerage brands, as compared to over 163,000 agents, 15,800 stores and 116 brands as of December 31, 2018.

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 environment promoted by ACN, the thorough platform rules 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 consummate transactions.

***Our ability to increase cooperation with real estate developers***

The increasing sales commission revenue earned from real estate developers for our new home transaction services contributed significantly to our total revenue growth in 2019. The GTV generated from new home transactions on our platform increased significantly from RMB280.8 billion in 2018 to approximately RMB747.6 billion in 2019.

As the supply and demand dynamics in China's residential real estate 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. We have established business relationships with leading real estate developers in China, including all of the top 100 real estate developers in terms of contracted sales in 2019, according to the CIC Report. In 2019, we facilitated approximately 533,000 new home transactions, as compared to approximately 196,000 transactions in 2018.

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, 2019, there were more than 350,000 real estate agents and 37,000 brokerage stores on our platform, facilitating over 2.2 million housing transactions in 2019. 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 will in turn increase their stickiness to our service offerings, and potentially further increase their income and result 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 plan to further expand our offerings into areas such as home renovation, financial services and VR technology. 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. We managed to improve operating efficiency and reduce the cost related to stores from RMB3.5 billion in 2017, to RMB3.4 billion in 2018, and further to RMB3.1 billion (US\$0.4 billion) in 2019 while still delivering a growth of commission revenue. Our cost related to stores decreased slightly from RMB738 million in the three months ended March 31, 2019 to RMB718 million (US\$101 million) in the three months ended March 31, 2020. Our operating expenses increased year-on-year for the past three years as we launched and expanded our platform in 2018 and 2019 and we incurred significant share-based compensation in 2019 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 26.9% in 2018 to 21.9% in 2019. We expect the absolute amount of operating expenses to continue increasing as we keep on investing and improving our infrastructure and due to the additional expenses associated with maintaining as a public company after this offering.

We believe our massive scale, coupled with the network effect of our platform, will allow us to benefit more from substantial economies of scale. The infrastructure cost associated with the operation of our platform does not increase at the same pace as our GTV and revenue growth, because a significant portion of our platform infrastructure cost was incurred when we initially set up local operations in various cities and is generally fixed, and we do not require a proportional increase in the size of our workforce to support our growth. As our business further grows, we believe we will be able to take advantage of economies of scale to further improve our operational efficiency over time.

## Key Components of Results of Operations

### Net revenues

Our revenues consist of revenues from existing home transaction services, new home transaction services, and emerging and other services. The following table breaks down our total revenues in absolute amounts and as percentages of total revenues for the periods presented:

|                                    | For the Year Ended December 31,        |              |                   |              |                   |                  | For the Three Months Ended March 31, |                  |              |                  |                  |              |
|------------------------------------|--|--------------|-------------------|--------------|-------------------|------------------|--------------------------------------|------------------|--------------|------------------|------------------|--------------|
|                                    | 2017                                   |              | 2018              |              | 2019              |                  |                                      | 2019             |              | 2020             |                  |              |
|                                    | RMB                                    | %            | RMB               | %            | RMB               | US\$             | %                                    | RMB              | %            | RMB              | US\$             | %            |
|                                    | (in thousands, except for percentages) |              |                   |              |                   |                  |                                      |                  |              |                  |                  |              |
| <b>Net revenues</b>                |  |              |                   |              |                   |                  |                                      |                  |              |                  |                  |              |
| Existing home transaction services | 18,461,231                             | 72.4         | 20,154,642        | 70.4         | 24,568,508        | 3,469,736        | 53.4                                 | 6,019,381        | 73.8         | 3,375,332        | 476,688          | 47.4         |
| New home transaction services      | 6,419,251                              | 25.2         | 7,471,924         | 26.1         | 20,273,860        | 2,863,216        | 44.1                                 | 1,964,521        | 24.1         | 3,452,735        | 487,619          | 48.5         |
| Emerging and other services        | 625,216                                | 2.4          | 1,019,933         | 3.5          | 1,172,538         | 165,594          | 2.5                                  | 175,855          | 2.1          | 291,692          | 41,195           | 4.1          |
| <b>Total net revenues</b>          | <b>25,505,698</b>                      | <b>100.0</b> | <b>28,646,499</b> | <b>100.0</b> | <b>46,014,906</b> | <b>6,498,546</b> | <b>100.0</b>                         | <b>8,159,757</b> | <b>100.0</b> | <b>7,119,759</b> | <b>1,005,502</b> | <b>100.0</b> |

*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 completed by us.

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

Costs related to stores mainly includes rent, decoration, and utility bills for real estate brokerage stores under our *Lianjia* brand.

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

|  | For the Year Ended December 31,        |             |                   |             |                   |                  | For the Three Months Ended March 31, |                  |             |                  |                |             |
|--|--|-------------|-------------------|-------------|-------------------|------------------|--------------------------------------|------------------|-------------|------------------|----------------|-------------|
|  | 2017                                   |             | 2018              |             | 2019              |                  |                                      | 2019             |             | 2020             |                |             |
|  | RMB                                    | %           | RMB               | %           | RMB               | US\$             | %                                    | RMB              | %           | RMB              | US\$           | %           |
|  | (in thousands, except for percentages) |             |                   |             |                   |                  |                                      |                  |             |                  |                |             |
| <b>Cost of revenues:</b>               |  |             |                   |             |                   |                  |                                      |                  |             |                  |                |             |
| Commission — split                     | 933,162                                | 3.7         | 1,393,167         | 4.9         | 11,154,698        | 1,575,344        | 24.2                                 | 542,255          | 6.6         | 2,140,436        | 302,287        | 30.1        |
| Commission and compensation — internal | 15,663,301                             | 61.4        | 15,767,582        | 55.0        | 19,444,127        | 2,746,035        | 42.3                                 | 4,644,561        | 56.9        | 3,554,617        | 502,008        | 49.9        |
| Cost related to stores                 | 3,543,781                              | 13.9        | 3,400,545         | 11.9        | 3,078,672         | 434,792          | 6.7                                  | 738,267          | 9.1         | 717,662          | 101,353        | 10.1        |
| Others                                 | 597,397                                | 2.3         | 1,215,229         | 4.2         | 1,069,365         | 151,023          | 2.3                                  | 134,699          | 1.7         | 205,512          | 29,024         | 2.9         |
| <b>Total cost of revenues</b>          | <b>20,737,641</b>                      | <b>81.3</b> | <b>21,776,523</b> | <b>76.0</b> | <b>34,746,862</b> | <b>4,907,194</b> | <b>75.5</b>                          | <b>6,059,782</b> | <b>74.3</b> | <b>6,618,227</b> | <b>934,672</b> | <b>93.0</b> |

## Operating Expenses

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

|                                     | For the Year Ended December 31,        |             |                  |             |                   |                  | For the Three Months Ended March 31, |                  |             |                  |                |             |
|-------------------------------------|--|-------------|------------------|-------------|-------------------|------------------|--------------------------------------|------------------|-------------|------------------|----------------|-------------|
|                                     | 2017                                   |             | 2018             |             | 2019              |                  |                                      | 2019             |             | 2020             |                |             |
|                                     | RMB                                    | %           | RMB              | %           | RMB               | US\$             | %                                    | RMB              | %           | RMB              | US\$           | %           |
|                                     | (in thousands, except for percentages) |             |                  |             |                   |                  |                                      |                  |             |                  |                |             |
| <b>Operating Expenses:</b>          |  |             |                  |             |                   |                  |                                      |                  |             |                  |                |             |
| Sales and marketing expenses        | 998,575                                | 3.9         | 2,489,692        | 8.7         | 3,105,899         | 438,637          | 6.7                                  | 634,031          | 7.8         | 577,095          | 81,501         | 8.1         |
| General and administrative expenses | 4,281,571                              | 16.8        | 4,927,367        | 17.2        | 8,376,531         | 1,182,992        | 18.2                                 | 1,054,310        | 12.9        | 1,105,029        | 156,060        | 15.6        |
| Research and development expenses   | 251,802                                | 1.0         | 670,922          | 2.3         | 1,571,154         | 221,889          | 3.4                                  | 312,050          | 3.8         | 450,761          | 63,660         | 6.3         |
| <b>Total operating expenses</b>     | <b>5,531,948</b>                       | <b>21.7</b> | <b>8,087,981</b> | <b>28.2</b> | <b>13,053,584</b> | <b>1,843,518</b> | <b>28.3</b>                          | <b>2,000,391</b> | <b>24.5</b> | <b>2,132,885</b> | <b>301,221</b> | <b>30.0</b> |

**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 and (iv) travel, reception and related expenses. We expect our sales and marketing expenses to stay stable or maintain a modest growth in absolute amounts going forward, as we will continue to engage in sales and marketing activities to attract housing customers and real estate brokerage stores to our platform.

**General and administrative expenses.** Our general and administrative expenses mainly consist of (i) salaries, including share-based compensation, 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, and (vii) depreciation and amortization expenses related to general corporate activities. Excluding the impact of the share-based compensation expenses that we expect to incur upon the completion of this public offering, when a number of options that are currently outstanding will become vested, we expect that our general and administrative expenses to increase modestly in the near future, as we will incur additional expenses related to the anticipated growth of our business and our operations as a public company after the completion of this offering.

**Research and development expenses.** Our research and development expenses mainly consist of payroll and related expenses for the personnel engaged in research and development

activities, depreciation and amortization of our technology infrastructure, and 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 data capabilities.

### Contribution Margin and Non-GAAP Metrics

We also review contribution margin to measure segmental profitability, and adjusted net income (loss) and adjusted EBTIDA, two non-GAAP measures, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions.

#### Contribution margin

The table below sets forth the contribution margin for each of our business lines for the periods indicated.

|  | For the Year Ended December 31, |           |           |           | For the Three Months Ended March 31, |         |        |
|--|---------------------------------|-----------|-----------|-----------|--------------------------------------|---------|--------|
|  | 2017                            | 2018      | 2019      |           | 2019                                 | 2020    |        |
|  | RMB                             | RMB       | RMB       | US\$      | RMB                                  | RMB     | US\$   |
| (in thousands, except for percentages)                   |                                 |           |           |           |                                      |         |        |
| Contribution (existing home transaction services)        | 5,635,332                       | 7,731,846 | 9,554,244 | 1,349,317 | 2,224,328                            | 548,611 | 77,479 |
| Contribution margin (existing home transaction services) | 30.5%                           | 38.4%     | 38.9%     | 38.9%     | 37.0%                                | 16.3%   | 16.3%  |
| Contribution (new home transaction services)             | 2,866,263                       | 3,027,822 | 4,918,700 | 694,653   | 617,565                              | 629,607 | 88,917 |
| Contribution margin (new home transaction services)      | 44.7%                           | 40.5%     | 24.3%     | 24.3%     | 31.4%                                | 18.2%   | 18.2%  |
| Contribution (emerging and other services)               | 407,640                         | 726,082   | 943,137   | 133,196   | 131,048                              | 246,488 | 34,811 |
| Contribution margin (emerging and other services)        | 65.2%                           | 71.2%     | 80.4%     | 80.4%     | 74.5%                                | 84.5%   | 84.5%  |

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 revenue, for each of the periods indicated:

|                                    | For the Year Ended December 31, |              |              |             | For the Three Months Ended March 31, |             |           |
|------------------------------------|---------------------------------|--------------|--------------|-------------|--------------------------------------|-------------|-----------|
|                                    | 2017                            | 2018         | 2019         |             | 2019                                 | 2020        |           |
|                                    | RMB                             | RMB          | RMB          | US\$        | RMB                                  | RMB         | US\$      |
|                                    | (in thousands)                  |              |              |             |                                      |             |           |
| Existing home transaction services |                                 |              |              |             |                                      |             |           |
| Net revenues                       | 18,461,231                      | 20,154,642   | 24,568,508   | 3,469,736   | 6,019,381                            | 3,375,332   | 476,688   |
| Less: Commission and compensation  | (12,825,899)                    | (12,422,796) | (15,014,264) | (2,120,419) | (3,795,053)                          | (2,826,721) | (399,209) |
| Contribution                       | 5,635,332                       | 7,731,846    | 9,554,244    | 1,349,317   | 2,224,328                            | 548,611     | 77,479    |
| New home transaction services      |                                 |              |              |             |                                      |             |           |
| Net revenues                       | 6,419,251                       | 7,471,924    | 20,273,860   | 2,863,216   | 1,964,521                            | 3,452,735   | 487,619   |
| Less: Commission and compensation  | (3,552,988)                     | (4,444,102)  | (15,355,160) | (2,168,563) | (1,346,956)                          | (2,823,128) | (398,702) |
| Contribution                       | 2,866,263                       | 3,027,822    | 4,918,700    | 694,653     | 617,565                              | 629,607     | 88,917    |
| Emerging and other services        |                                 |              |              |             |                                      |             |           |
| Net revenues                       | 625,216                         | 1,019,933    | 1,172,538    | 165,594     | 175,855                              | 291,692     | 41,195    |
| Less: Commission and compensation  | (217,576)                       | (293,851)    | (229,401)    | (32,398)    | (44,807)                             | (45,204)    | (6,384)   |
| Contribution                       | 407,640                         | 726,082      | 943,137      | 133,196     | 131,048                              | 246,488     | 34,811    |

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 service business grew from 30.5% in 2017, to 38.4% and 38.9% in 2018 and 2019 respectively, because we started to serve 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 service business decreased from 37.0% in the three months ended March 31, 2019 to 16.3% in the three months ended March 31, 2020. The compensation to our internal agents and sales professionals is comprised of both fixed salary and floating commissions; as the fixed salary remained relatively stable despite the impact of the COVID-19 pandemic, the total commission and compensation decreased in a slower pace than the decrease of revenue, which was primarily due to the COVID-19 pandemic.

The contribution for new home transaction service business grew significantly from RMB3.0 billion in 2018 to RMB4.9 billion (US\$0.7 billion) in 2019, and from RMB618 million in the three months ended March 31, 2019 to RMB630 million (US\$89 million) in the three months ended March 31, 2020, as a fast growing number of real estate developers resort to us for effective marketing solutions. With the launch of our *Beike* platform, an increasing percentage of new home transactions has been facilitated by connected agents and sales channels. This structural change

led to a decreased contribution margin from 40.5% in 2018 to 24.3% in 2019 and further to 18.2% in the first quarter of 2020, but we have been able to generate incremental contribution from new home sales by leveraging our established infrastructure.

Building from our housing transaction infrastructure and close connections to real estate agents, home owners and buyers, we have also tapped into other market opportunities, such as financial services and home renovation. These emerging and other services can efficiently utilize our infrastructure in place of technologies and connections to clients, 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 increased from 65.2% in 2017 to 71.2% in 2018, 80.4% in 2019, and further to 84.5% in the first quarter of 2020.

***Adjusted net income (loss) and adjusted EBITDA***

In addition to net income (loss), we also use adjusted net income (loss) and adjusted EBITDA to evaluate our business. We have included these non-GAAP financial measures in this prospectus because they are key measures used by our management to evaluate our operating performance. Accordingly, we believe that they provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team and board of directors. Our calculation of these non-GAAP financial measures may differ from similarly-titled non-GAAP measures, if any, reported by our peer companies. They should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with U.S. GAAP.

We define adjusted net income (loss) as net income (loss), excluding (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions and business cooperation agreement, (iii) changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration, and (iv) the tax effects of the above adjustments. We expand our business through acquisitions along the value chain of housing transactions, including the acquisition of Zhonghuan Real Estate Agency in 2019, a regional real estate brokerage firm. We also entered into a business cooperation agreement with Tencent in 2018, which grants us the access to its advertising resources and allows us to use Tencent's cloud services. Amortization of intangible assets arising from these acquisitions and the business cooperation agreement with Tencent is excluded as item (ii) above when adjusted net income (loss) is calculated.

We define adjusted EBITDA as net income (loss), excluding (i) interest income, net, (ii) income tax expenses (benefit), (iii) depreciation of property and equipment, (iv) amortization of intangible assets, (v) share-based compensation expenses, and (vi) changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration.

Investors should note that some adjustment expenses are related to assets that contribute to revenue generation.

The following table presents a reconciliation of net loss to adjusted net income and adjusted EBITDA for each of the periods indicated:

|  | For the Year Ended December 31, |                |                  |                | For the Three Months Ended March 31, |                    |                  |
|--|---------------------------------|----------------|------------------|----------------|--------------------------------------|--------------------|------------------|
|  | 2017                            | 2018           | 2019             |                | 2019                                 | 2020               |                  |
|  | RMB                             | RMB            | RMB              | US\$           | RMB                                  | RMB                | US\$             |
|  | (in thousands)                  |                |                  |                |                                      |                    |                  |
| Net income (loss)  | (537,621)                       | (427,681)      | (2,180,127)      | (307,893)      | 165,760                              | (1,231,387)        | (173,905)        |
| Add (less):  |                                 |                |                  |                |                                      |                    |                  |
| Share-based compensation expenses  | 475,783                         | 382,196        | 2,955,590        | 417,409        | —                                    | —                  | —                |
| Amortization of intangible assets resulting from acquisitions and business cooperation agreement                       | 133,481                         | 127,825        | 450,413          | 63,610         | 13,791                               | 153,047            | 21,614           |
| Changes in fair value from long term investments, loan receivable measured at fair value and contingent consideration  | 4,015                           | 52,801         | 428,422          | 60,505         | (48,641)                             | (12,723)           | (1,797)          |
| Tax effects on non-GAAP adjustments <sup>(1)</sup>   | (5,003)                         | (4,339)        | 1,705            | 241            | 430                                  | 695                | 98               |
| <b>Adjusted net income (loss)</b>  | <b>70,655</b>                   | <b>130,802</b> | <b>1,656,003</b> | <b>233,872</b> | <b>131,340</b>                       | <b>(1,090,368)</b> | <b>(153,990)</b> |
| Net income (loss)  | (537,621)                       | (427,681)      | (2,180,127)      | (307,893)      | 165,760                              | (1,231,387)        | (173,905)        |
| Add (less):  |                                 |                |                  |                |                                      |                    |                  |
| Interest income, net   | (81,171)                        | (121,374)      | (230,339)        | (32,530)       | (55,361)                             | (78,209)           | (11,045)         |
| Income tax expenses (benefit)  | 399,283                         | (71,384)       | 904,363          | 127,720        | 90,901                               | (148,861)          | (21,023)         |
| Depreciation of property and equipment   | 674,202                         | 653,376        | 561,995          | 79,369         | 137,176                              | 114,364            | 16,151           |
| Amortization of intangible assets  | 137,001                         | 138,918        | 477,323          | 67,411         | 17,445                               | 157,481            | 22,241           |
| Share-based compensation expenses  | 475,783                         | 382,196        | 2,955,590        | 417,409        | —                                    | —                  | —                |
| Changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration | 4,015                           | 52,801         | 428,422          | 60,505         | (48,461)                             | (12,723)           | (1,797)          |
| <b>Adjusted EBITDA</b>   | <b>1,071,492</b>                | <b>606,852</b> | <b>2,917,227</b> | <b>411,991</b> | <b>307,280</b>                       | <b>(1,199,335)</b> | <b>(169,378)</b> |

Note:

(1) Tax effects on non-GAAP adjustments primarily consist of tax effects relating to the amortization of intangible assets resulting from acquisitions.

## Taxation

### Cayman Islands

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

### British Virgin Islands

Our subsidiaries incorporated in the British Virgin Islands are not subject to income or capital gains tax under the current laws of the British Virgin Islands. In addition, payment of dividends by

the British Virgin Islands subsidiaries to their respective shareholders who are not resident in the British Virgin Islands, if any, is not subject to withholding tax in the British Virgin Islands.

### **Hong Kong**

Our wholly-owned subsidiaries in Hong Kong are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong. 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 "software enterprise", which is reassessed annually, is entitled to favorable income tax rate of 0% for the first two years after qualification, and 12.5% for the subsequent three years. In addition, a "high and new technology enterprise", which is reassessed every three years, is entitled to favorable income tax rate of 15%. Certain PRC subsidiaries and consolidated variable interest entities are currently enjoying favorable tax rates as software enterprise or 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 "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 "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, both in absolute amount and as a percentage of our revenues for the periods presented. This information should be read together with our consolidated financial statements and

related notes included elsewhere in this prospectus. The results of operations in any particular period are not necessarily indicative of our future trends.

|   | For the Year Ended December 31, |               |                     |               |                     |                    | For the Three Months Ended March 31, |                    |               |                    |                    |               |
|---|---------------------------------|---------------|---------------------|---------------|---------------------|--------------------|--------------------------------------|--------------------|---------------|--------------------|--------------------|---------------|
|   | 2017                            |               | 2018                |               | 2019                |                    | 2019                                 |                    | 2020          |                    |                    |               |
|   | RMB                             | %             | RMB                 | %             | RMB                 | US\$               | %                                    | RMB                | %             | RMB                | US\$               | %             |
| <b>Net revenues:</b>  |                                 |               |                     |               |                     |                    |                                      |                    |               |                    |                    |               |
| Existing home transaction services  | 18,461,231                      | 72.4          | 20,154,642          | 70.4          | 24,568,508          | 3,469,736          | 53.4                                 | 6,019,381          | 73.8          | 3,375,332          | 476,688            | 47.4          |
| New home transaction services   | 6,419,251                       | 25.2          | 7,471,924           | 26.1          | 20,273,860          | 2,863,216          | 44.1                                 | 1,964,521          | 24.1          | 3,452,735          | 487,619            | 48.5          |
| Emerging and other services   | 625,216                         | 2.4           | 1,019,933           | 3.5           | 1,172,538           | 165,594            | 2.5                                  | 175,855            | 2.1           | 291,692            | 41,195             | 4.1           |
| <b>Total net revenues</b>   | <b>25,505,698</b>               | <b>100.0</b>  | <b>28,646,499</b>   | <b>100.0</b>  | <b>46,014,906</b>   | <b>6,498,546</b>   | <b>100.0</b>                         | <b>8,159,757</b>   | <b>100.0</b>  | <b>7,119,759</b>   | <b>1,005,502</b>   | <b>100.0</b>  |
| <b>Cost of revenue</b>  |                                 |               |                     |               |                     |                    |                                      |                    |               |                    |                    |               |
| Commission — split  | (933,162)                       | (3.7)         | (1,393,167)         | (4.9)         | (11,154,698)        | (1,575,344)        | (24.2)                               | (542,255)          | (6.6)         | (2,140,436)        | (302,287)          | (30.1)        |
| Commissions and compensation — internal   | (15,663,301)                    | (61.4)        | (15,767,582)        | (55.0)        | (19,444,127)        | (2,746,035)        | (42.3)                               | (4,644,561)        | (56.9)        | (3,554,617)        | (502,008)          | (49.9)        |
| Cost related to stores  | (3,543,781)                     | (13.9)        | (3,400,545)         | (11.9)        | (3,078,672)         | (434,792)          | (6.7)                                | (738,267)          | (9.1)         | (717,662)          | (101,353)          | (10.1)        |
| Others  | (597,397)                       | (2.3)         | (1,215,229)         | (4.2)         | (1,069,365)         | (151,023)          | (2.3)                                | (134,699)          | (1.7)         | (205,512)          | (29,024)           | (2.9)         |
| <b>Total cost of revenues</b>   | <b>(20,737,641)</b>             | <b>(81.3)</b> | <b>(21,776,523)</b> | <b>(76.0)</b> | <b>(34,746,862)</b> | <b>(4,907,194)</b> | <b>(75.5)</b>                        | <b>(6,059,782)</b> | <b>(74.3)</b> | <b>(6,618,227)</b> | <b>(934,672)</b>   | <b>(93.0)</b> |
| <b>Gross profit</b>   | <b>4,768,057</b>                | <b>18.7</b>   | <b>6,869,976</b>    | <b>24.0</b>   | <b>11,268,044</b>   | <b>1,591,352</b>   | <b>24.5</b>                          | <b>2,099,975</b>   | <b>25.7</b>   | <b>501,532</b>     | <b>70,830</b>      | <b>7.0</b>    |
| Sales and marketing expenses  | (998,575)                       | (3.9)         | (2,489,692)         | (8.7)         | (3,105,899)         | (438,637)          | (6.7)                                | (634,031)          | (7.8)         | (577,095)          | (81,501)           | (8.1)         |
| General and administrative expenses <sup>(1)</sup>  | (4,281,571)                     | (16.8)        | (4,927,367)         | (17.2)        | (8,376,531)         | (1,182,992)        | (18.2)                               | (1,054,310)        | (12.9)        | (1,105,029)        | (156,060)          | (15.6)        |
| Research and development expenses   | (251,802)                       | (1.0)         | (670,922)           | (2.3)         | (1,571,154)         | (221,889)          | (3.4)                                | (312,050)          | (3.8)         | (450,761)          | (63,660)           | (6.3)         |
| <b>Total operating expenses</b>   | <b>(5,531,948)</b>              | <b>(21.7)</b> | <b>(8,087,981)</b>  | <b>(28.2)</b> | <b>(13,053,584)</b> | <b>(1,843,518)</b> | <b>(28.3)</b>                        | <b>(2,000,391)</b> | <b>(24.5)</b> | <b>(2,132,885)</b> | <b>(301,221)</b>   | <b>(30.0)</b> |
| <b>Loss from operations</b>   | <b>(763,891)</b>                | <b>(3.0)</b>  | <b>(1,218,005)</b>  | <b>(4.2)</b>  | <b>(1,785,540)</b>  | <b>(252,166)</b>   | <b>(3.8)</b>                         | <b>99,584</b>      | <b>1.2</b>    | <b>(1,631,353)</b> | <b>(230,391)</b>   | <b>(23.0)</b> |
| Interest income, net  | 81,171                          | 0.3           | 121,374             | 0.4           | 230,339             | 32,530             | 0.5                                  | 55,361             | 0.7           | 78,209             | 11,045             | 1.1           |
| Share of results of equity investees  | 12,832                          | 0.1           | 1,762               | 0.0           | 11,382              | 1,607              | 0.0                                  | 4,132              | 0.1           | (3,090)            | (436)              | (0.1)         |
| Fair value changes in investments, net  | 75,357                          | 0.3           | (39,176)            | (0.1)         | (109,193)           | (15,421)           | (0.2)                                | 55,244             | 0.7           | (104,195)          | (14,715)           | (1.4)         |
| Foreign currency exchange gain (loss), net  | (3)                             | (0.0)         | 224                 | 0.0           | (54,052)            | (7,634)            | (0.1)                                | 7,007              | 0.1           | 5,491              | 775                | 0.1           |
| Other income, net   | 456,196                         | 1.8           | 634,756             | 2.2           | 431,300             | 60,911             | 0.9                                  | 35,333             | 0.3           | 274,690            | 38,794             | 3.9           |
| <b>Income (loss) before income tax expense</b>  | <b>(138,338)</b>                | <b>(0.5)</b>  | <b>(499,065)</b>    | <b>(1.7)</b>  | <b>(1,275,764)</b>  | <b>(180,173)</b>   | <b>(2.7)</b>                         | <b>256,661</b>     | <b>3.1</b>    | <b>(1,380,248)</b> | <b>(194,928)</b>   | <b>(19.4)</b> |
| Income tax benefit (expense)  | (399,283)                       | (1.6)         | 71,384              | 0.2           | (904,363)           | (127,720)          | (2.0)                                | (90,901)           | (1.1)         | 148,861            | 21,023             | 2.1           |
| <b>Net income (loss)</b>  | <b>(537,621)</b>                | <b>(2.1)</b>  | <b>(427,681)</b>    | <b>(1.5)</b>  | <b>(2,180,127)</b>  | <b>(307,893)</b>   | <b>(4.7)</b>                         | <b>165,760</b>     | <b>2.0</b>    | <b>(1,231,387)</b> | <b>(173,905)</b>   | <b>(17.3)</b> |
| <b>Weighted average number of ordinary shares used in computing net loss per share, basic and diluted</b> | <b>269,038,865</b>              |               | <b>272,513,176</b>  |               | <b>275,647,105</b>  | <b>275,647,105</b> |                                      | <b>275,981,181</b> |               | <b>294,033,338</b> | <b>294,033,338</b> |               |
| <b>Net loss per share attributable to ordinary shareholders</b>   |                                 |               |                     |               |                     |                    |                                      |                    |               |                    |                    |               |
| —Basic  | (5.36)                          |               | (8.76)              |               | (14.69)             | (2.08)             |                                      | (0.86)             |               | (6.54)             | (0.92)             |               |
| —Diluted  | (5.36)                          |               | (8.76)              |               | (14.69)             | (2.08)             |                                      | (0.86)             |               | (6.54)             | (0.92)             |               |

Note:

- (1) Including share-based compensation expenses of RMB476 million, RMB382 million, RMB2,956 million (US\$417 million), nil and nil for 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020, respectively.

### Three Months ended March 31, 2020 Compared to Three Months ended March 31, 2019

#### Net revenues

Our revenues decreased by 12.7% from RMB8.2 billion in the three months ended March 31, 2019 to RMB7.1 billion (US\$1.0 billion) in the three months ended March 31, 2020, primarily attributable to the decrease in revenues from existing home transaction services due to the negative impact of the COVID-19 outbreak, partially offset by the increase in revenues from new home transaction services.

*Existing home transaction services.* Our revenues from existing home transaction services decreased by 43.9% from RMB6.0 billion in the three months ended March 31, 2019 to

RMB3.4 billion (US\$0.5 billion) in the three months ended March 31, 2020, primarily as a result of the decrease in commission revenue from RMB5.8 billion to RMB3.1 billion (US\$0.4 billion). GTV of existing home transactions served by our *Lianjia* brand decreased from RMB219.8 billion in the three months ended March 31, 2019 to RMB114.5 billion in the three months ended March 31, 2020, during which our business operations were adversely impacted by the COVID-19 pandemic.

However, 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 33.3% from RMB195 million in the three months ended March 31, 2019 to RMB260 million (US\$37 million) in the three months ended March 31, 2020, as the GTV of existing home transactions served by connected agents on our *Beike* platform increased from RMB52.7 billion to RMB81.2 billion. This is a result of the substantial growth in the number of connected brokerage stores and agents on our platform, which increased from approximately 11,000 stores and approximately 193,000 agents respectively as of March 31, 2019 to approximately 31,000 stores and over 370,000 agents as of March 31, 2020, which overrode the negative impact of the COVID-19 pandemic.

**New home transaction services.** Our revenues from new home transaction services increased by 75.8% from RMB2.0 billion in the three months ended March 31, 2019 to RMB3.5 billion (US\$0.5 billion) in the three months ended March 31, 2020, primarily attributable to an increase in the GTV for new home transactions from RMB76.2 billion in the three months ended March 31, 2019 to RMB116.5 billion in the three months ended March 31, 2020, within which RMB32.0 billion and RMB27.1 billion respectively were served by our *Lianjia* brand. This was in turn driven by the number of new home transactions completed on our platform increasing from approximately 52,000 in the three months ended March 31, 2019 to approximately 87,400 in the three months ended March 31, 2020 and the number of brokerage stores, both *Lianjia* and connected brokerage stores, on our platform increasing from approximately 18,300 as of March 31, 2019 to 38,848 as of March 31, 2020. The improvement of average commission rate from 2.58% in the first quarter of 2019 to 2.96% in the first quarter of 2020 also contributed to the fast revenue growth. Although most of the brokerage stores on our platform were subject to lockdown and low activity level in the first quarter of 2020 due to the COVID-19 pandemic, the significantly increased capacity of our platform for new home transactions still brought about a decent revenue growth over the first quarter of 2019.

**Emerging and other services.** Our revenues from emerging and other services increased by 65.9% from RMB176 million in the three months ended March 31, 2019 to RMB292 million (US\$41 million) in the three months ended March 31, 2020. The increase was primarily attributable to an increase of RMB78 million in revenues from real estate financial services.

### **Cost of revenues**

Our cost of revenues increased by 9.2% from RMB6.1 billion in the three months ended March 31, 2019 to RMB6.6 billion (US\$0.9 billion) in the three months ended March 31, 2020, primarily attributable to the increase in split commission to connected agents and other sales channels.

- **Commission — split.** Our cost of revenues for commissions to connected agents and other sales channels increased significantly by 294.7% from RMB0.5 billion in the three months ended March 31, 2019 to RMB2.1 billion (US\$0.3 billion) in the three months ended March 31, 2020, 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 35,400 in the three months ended March 31, 2019 to around 72,800 in the three months ended March 31, 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 commissions and compensation decreased by 23.5% from RMB4.6 billion in the three months ended March 31, 2019 to RMB3.6 billion (US\$0.5 billion) in the three months ended March 31, 2020, which was primarily attributable to the decrease in the number of existing home transactions completed through our *Lianjia* brand under the impact of the COVID-19 pandemic.
- *Cost related to stores.* Our cost related to stores decreased by 2.8% from RMB738 million in the three months ended March 31, 2019 to RMB718 million (US\$101 million) in the three months ended March 31, 2020 mainly attributable to the decrease in utility expenses as a result of reduced store usage during the COVID-19 pandemic.

Please see "— Contribution Margin and Non-GAAP Metrics" for the analysis of our segmental profitability.

### **Operating expenses**

*Sales and marketing expenses.* Our sales and marketing expenses decreased by 9.0% from RMB634 million in the three months ended March 31, 2019 to RMB577 million (US\$82 million) in the three months ended March 31, 2020. The decrease was primarily attributable to (i) a decrease of RMB161 million (US\$23 million) in payroll expenses as a result of our effort to optimize our business development function and (ii) a decrease of RMB34 million (US\$5 million) in advertising and promotion expenses for the same reason, partially offset by an increase of RMB134 million (US\$19 million) in depreciation and amortization expenses related to the business cooperation agreement with Tencent.

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 increased by 4.8% from RMB1,054 million in the three months ended March 31, 2019 to RMB1,105 million (US\$156 million) in the three months ended March 31, 2020. The increase was primarily attributable to an increase of RMB105 million (US\$15 million) in provision for credit losses due to our expansion in new home transaction services and the impact of COVID-19 pandemic on certain real estate developers, which was partially offset by a decrease of RMB57 million (US\$8 million) in payroll expenses mainly as a result of relief on payment to government-mandated employee welfare benefit plans.

*Research and development expenses.* Our research and development expenses increased by 44.5% from RMB312 million in the three months ended March 31, 2019 to RMB451 million (US\$64 million) in the three months ended March 31, 2020. The increase was primarily attributable to an increase of RMB126 million (US\$18 million) in payroll and related expenses as a result of the increased number of our research and development personnel.

### **Income tax expense (benefit)**

We recorded an income tax benefit of RMB149 million (US\$21 million) in the three months ended March 31, 2020, compared to an income tax expense of RMB91 million in the three months ended March 31, 2019.

**Net income (loss)**

As a result of the foregoing, we recorded a net loss of RMB1,231 million (US\$174 million) in the three months ended March 31, 2020, compared to a net income of RMB166 million in the three months ended March 31, 2019. Excluding the impact of certain non-cash items, most importantly share-based compensation expenses, our adjusted net income decreased from RMB131 million in the three months ended March 31, 2019 to an adjusted net loss of RMB1,090 million (US\$154 million) in the three months ended March 31, 2020, and our adjusted EBITDA decreased from RMB307 million in the three months ended March 31, 2019 to a negative adjusted EBITDA of RMB1,199 million (US\$169 million) in the three months ended March 31, 2020. Please see "— Contribution Margin and Non-GAAP Metrics" for the reconciliation of net income (loss), adjusted net income (loss) and adjusted EBITDA.

**Year ended December 31, 2019 Compared to Year ended December 31, 2018****Net revenues**

Our revenues increased by 60.6% from RMB28.6 billion in 2018 to RMB46.0 billion (US\$6.5 billion) in 2019, primarily attributable to the increases in revenues from both existing and new home transaction services as a result of the expansion of our *Beike* platform nationwide.

*Existing home transaction services.* Our revenues from existing home transaction services increased by 21.9% from RMB20.2 billion in 2018 to RMB24.6 billion (US\$3.5 billion) in 2019, which was primarily attributable to the increase of GTV for existing home transactions from RMB822 billion in 2018 to RMB1,297 billion in 2019.

Commission revenue, which increased by 15.3% from RMB20.0 billion in 2018 to RMB23.0 billion (US\$3.2 billion) in 2019, contributed most of the growth in our existing home transaction service revenue. GTV of existing home transactions served by our *Lianjia* brand grew significantly from RMB784 billion in 2018 to RMB855 billion in 2019, and the average commission rate improved from 2.49% in 2018 to 2.56% in 2019.

Additionally, the revenue derived from platform service, franchise service and other value-added services, which are mostly charged to connected agents on our platform, also grew significantly from RMB194 million in 2018 to RMB1,547 million (US\$219 million) in 2019. We launched our *Beike* platform in April 2018 and have experienced a substantial growth in the number of transactions and connected brokerage stores and agents on our platform. The number of connected brokerage stores and agents on our platform increased from 8,136 stores and approximately 60,900 agents as of December 31, 2018, to 29,592 stores and approximately 232,800 agents as of December 31, 2019. The number of existing home sales handled by connected agents on our *Beike* platform increased from approximately 29,000 in 2018 to 313,000 in 2019.

*New home transaction services.* Our revenues from new home transaction services increased by 171.3% from RMB7.5 billion in 2018 to RMB20.3 billion (US\$2.9 billion) in 2019, primarily attributable to an increase in the GTV for new home transactions from RMB280.8 billion in 2018 to RMB747.6 billion in 2019, within which RMB142.4 billion and RMB201.7 billion respectively were served by our *Lianjia* brand. This was in turn driven by the number of new home transactions completed on our platform increasing from approximately 196,000 in 2018 to 533,000 in 2019 and the number of brokerage stores, both *Lianjia* and connected brokerage stores, on our platform increasing from 15,809 as of December 31, 2018 to 37,514 as of December 31, 2019.

*Emerging and other services.* Our revenues from emerging and other services increased by 15.0% from RMB1.0 billion in 2018 to RMB1.2 billion (US\$0.2 billion) in 2019.



## Cost of revenues

Our cost of revenues increased by 59.6% from RMB21.8 billion in 2018 to RMB34.7 billion (US\$4.9 billion) in 2019, primarily attributable to the increases in compensation to internal agents and sales professionals, and split commission to connected agents and other sales channels.

- *Commission — split.* Our cost of revenues for commissions to connected agents and other sales channels increased significantly by 700.7% from RMB1.4 billion in 2018 to RMB11.2 billion (US\$1.6 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 114,400 in 2018 to around 426,500 in 2019.
- *Commission and compensation — internal.* Our cost of revenues for internal commissions and compensation increased by 23.3% from RMB15.8 billion in 2018 to RMB19.4 billion (US\$2.7 billion) in 2019, which was primarily attributable to the increase in the number of transactions completed through our *Lianjia* brand from approximately 856,000 in 2018 to 972,000 in 2019.
- *Cost related to stores.* Our cost related to stores decreased by 9.5% from RMB3.4 billion in 2018 to RMB3.1 billion (RMB0.4 billion) in 2019 — while in the meantime revenue kept a healthy growth — as we took efforts to optimize our store network and store size and improve the efficiency of each store.

## Operating expenses

*Sales and marketing expenses.* Our sales and marketing expenses increased by 24.8% from RMB2.5 billion in 2018 to RMB3.1 billion (US\$0.4 billion) in 2019. The increase was primarily attributable to (i) an increase of RMB378 million (US\$53 million) in payroll expenses due to the growth of our sales and marketing team and (ii) an increase of RMB325 million (US\$46 million) in depreciation and amortization expenses related to the business corporation agreement with Tencent, which was partially offset by a decrease of RMB364 million (US\$51 million) in advertising and promotional expenses.

We invested heavily to promote our *Beike* platform after its launch in 2018, including aggressive online and offline advertising efforts. As our *Beike* platform gained recognition among housing customers and the brokerage agency community, we gradually scaled back our marketing efforts, which resulted in the decrease of RMB364 million (US\$51 million) in advertising and promotional expenses.

*General and administrative expenses.* Our general and administrative expenses increased by 70.0% from RMB4.9 billion in 2018 to RMB8.4 billion (US\$1.2 billion) in 2019. The increase was primarily attributable to an increase of RMB2.9 billion (US\$0.4 billion) in payroll expenses due to an increase in general and administrative personnel including a lump sum recognition of the share-based compensations to our senior management. To attract and retain talents to build the *Beike* platform business, we granted a package of share awards to our management and recorded a share-based compensation of RMB2.5 billion (US\$0.4 billion) in 2019, compared to only RMB0.3 billion in 2018.

*Research and development expenses.* Our research and development expenses increased by 134.2% from RMB671 million in 2018 to RMB1,571 million (US\$222 million) in 2019. The increase was primarily attributable to (i) an increase of RMB731 million (US\$103 million) in payroll and related expenses as a result of the increased number of our research and development personnel; and (ii) an increase of RMB89 million (US\$13 million) in technological service fees.

**Income tax expense (benefit)**

We recorded an income tax expense of RMB904 million (US\$128 million) in 2019, compared to an income tax benefit of RMB71 million in 2018. We greatly increased our advertising and marketing expenses to promote *Beike* and rapidly expand our operation geographically after the launch of *Beike* platform in 2018. The large advertising expenses and the loss from some of our newly established local operation led to taxable loss in China of RMB143 million in 2018 while we generated a taxable income of RMB2.4 billion (US\$0.3 billion) from China operation in 2019 after we scaled down our advertising spending and many of our local operation turned to profitable. Our operation, particularly the share-based compensation expenses, at Cayman level has no impact on our income tax expense (benefit).

**Net loss**

As a result of the foregoing, we recorded a net loss of RMB2,180 million (US\$308 million) in 2019, compared to a net loss of RMB428 million in 2018. Excluding the impact of certain non-cash items, most importantly share-based compensation expenses, our adjusted net income increased significantly from RMB131 million in 2018 to RMB1,656 million (US\$234 million) in 2019, and our adjusted EBITDA increased from RMB607 million in 2018 to RMB2,917 million (US\$412 million) in 2019. Please see "— Contribution Margin and Non-GAAP Metrics" for the reconciliation of net income (loss), adjusted net income (loss) and adjusted EBITDA.

**Year ended December 31, 2018 Compared to Year ended December 31, 2017****Net revenues**

Our revenues increased by 12.3% from RMB25.5 billion in 2017 to RMB28.6 billion in 2018, primarily attributable to the increases in revenues from both existing and new home transaction services as a result of the launch of our *Beike* platform and the growth of our *Lianjia* brand, as well as an increase in revenues from emerging and other services.

*Existing home transaction services.* Our revenues from existing home transaction services increased by 9.2% from RMB18.5 billion in 2017 to RMB20.2 billion in 2018, primarily as a result of the growth in commission revenue, which in turn was mainly attributable to the increase of average commission rate. We launched our *Beike* platform in 2018, which also started to contribute to the growth. We recorded an increase of RMB168 million for platform service, franchise service and other value-added services in 2018 as compared to 2017.

*New home transaction services.* Our revenues from new home transaction services increased by 16.4% from RMB6.4 billion in 2017 to RMB7.5 billion in 2018, which was primarily attributable to an 8.0% increase of the average price of new home transactions completed on our platform. The commission rate of our new home transaction services increased from approximately 2.54% in 2017 to 2.66% in 2018, which also contributes to the revenue growth.

*Emerging and other services.* Our revenues from emerging and other services increased by 63.1% from RMB625 million in 2017 to RMB1,020 million in 2018, which was primarily attributable to a 70.3% increase in revenues from real estate financial services from RMB449 million in 2017 to RMB764 million in 2018. We offered many low-interest-rate products in 2017 as a promotional strategy, and subsequently adjusted the interest rate to a higher level in 2018, which resulted in a quick increase in financial services revenue.

**Cost of revenues**

Our cost of revenues increased by 5.0% from RMB20.7 billion in 2017 to RMB21.8 billion in 2018, primarily attributable to the significant increase in split commission to connected agents and other sales channels.

- *Commission — split.* Our cost of revenues for commissions increased significantly by 49.3% from RMB933 million in 2017 to RMB1,393 million in 2018, which was primarily attributable to the significant increase in the number of transactions connected agents and other sales channels assisted us to complete.
- *Commission and compensation — internal.* Our cost of revenues for commission and compensation paid to internal agents and sales professionals largely stayed stable in 2017 and 2018 at RMB15.7 billion and RMB15.8 billion.
- *Cost related to stores.* Our cost related to stores decreased slightly from RMB3.5 billion in 2017 to RMB3.4 billion in 2018 as we worked to optimize our store network. The number of *Lianjia* stores changed from 7,941 as of December 31, 2017 to 7,673 as of December 31, 2018.

**Operating expenses**

*Sales and marketing expenses.* Our sales and marketing expenses increased by 149.3% from RMB999 million in 2017 to RMB2,490 million in 2018. The increase was primarily attributable to an increase of RMB940 million in advertising and promotional expenses and an increase of RMB570 million in payroll expenses due to our efforts to launch our *Beike* platform in 2018.

*General and administrative expenses.* Our general and administrative expenses increased by 15.1% from RMB4.3 billion in 2017 to RMB4.9 billion in 2018. The increase was primarily attributable to (i) an increase of RMB451 million in payroll expenses due to an increased number of our general and administrative personnel; and (ii) an increase of RMB91 million in recruiting and training expenses due to the growth of our personnel.

*Research and development expenses.* Our research and development expenses increased by 166.3% from RMB252 million in 2017 to RMB671 million in 2018. The increase was primarily attributable to an increase of RMB345 million in payroll and related expenses as a result of the increased number of our research and development personnel.

**Income tax expense (benefit)**

We recorded an income tax benefit of RMB71 million in 2018, compared to an income tax expense of RMB399 million in 2017. The reason behind the taxable loss from China operation in 2018 is explained above.

**Net loss**

As a result of the foregoing, we recorded a net loss of RMB428 million in 2018, compared to RMB538 million in 2017. Excluding the impact of certain non-cash items, most importantly share-based compensation, our adjusted net income increased from RMB71 million in 2017 to RMB131 million in 2018, and our adjusted EBITDA was RMB607 million in 2018, compared to RMB1,071 million in 2017. Please see "— Contribution Margin and Non-GAAP Metrics" for the reconciliation of net income (loss), adjusted net income (loss) and adjusted EBITDA.

## Seasonality

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.

## 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 term deposit and investments in wealth management products issued by financial institutions. These products normally offer returns higher than bank deposits, maintain relatively low risk, and provide sufficient liquidity as they are redeemable upon short notice. We therefore consider such wealth management products part of our cash management program.

The total amount increased significantly from RMB15.2 billion as of December 31, 2018 to RMB33.5 billion (US\$4.7 billion) as of December 31, 2019, because we completed a large size private equity financing and syndicate loan transaction in the fourth quarter of 2019. We believe our healthy liquidity and capital resources help us navigate through unexpected events such as the COVID-19 pandemic. The total amount decreased from RMB33.5 billion (US\$4.7 billion) as of December 31, 2019 to RMB29.5 billion (US\$4.2 billion) as of March 31, 2020, which was mainly attributable to the cash used in operation.

### ***Accounts receivable, net of allowance for credit losses***

Our accounts receivable, net of allowance for credit losses was RMB2.7 billion, RMB3.4 billion and RMB8.1 billion (US\$1.1 billion) as of December 31, 2017, 2018 and 2019, respectively. A significant portion of accounts receivable was due from real estate developers for our new home transaction services. The accounts receivable increased significantly in 2019 as we greatly expanded our new home transaction service business. Our accounts receivable, net of allowance for credit losses decreased from RMB8.1 billion (US\$1.1 billion) as of December 31, 2019 to RMB7.3 billion (US\$1.0 billion) as of March 31, 2020, as we continued to collect receivables from real estate developers and control our credit risk exposure.

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. Our accounts receivable turnover days for new home transaction services were 93 days in 2017, 117 days in 2018, 96 days in 2019 and 198 days in the first quarter of 2020, while the accounts receivable turnover days for existing home transaction service, where our clients are individual housing customers and brokerage firms on our platform, were 13 days in 2017, 14 days in 2018, 10 days in 2019 and 17 days in the first quarter of 2020. The increase of accounts receivable turnover days for new home transaction services to 198 days in the first quarter of 2020 was result of the slowdown in revenue growth and collection activities due to the COVID-19 pandemic.

Accounts receivable turnover days for a given period are equal to average balances of accounts receivable, net of allowance for credit losses, 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 RMB265 million, RMB197 million, RMB2,560 million (US\$362 million) and RMB2,433 million (US\$344 million) as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively. We entered into a business cooperation agreement with Tencent in late 2018, which grants us the access to the advertising resources from Tencent's products, and allows us to use Tencent's cloud services. We started utilizing such resources and services in early 2019, and therefore recorded a large increase in carrying amount of intangible assets (business cooperation agreement) as of December 31, 2019 compared to December 31, 2018.

### Long-term investments, net

Our long-term investments was RMB380 million, RMB418 million, RMB2,334 million (US\$330 million) and RMB2,348 million (US\$332 million) as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively. We invest regularly into the value chain of housing transactions. Along with our transition to build *Beike* platform, we started to make investments into key industry players in 2018. Consequently the long-term investment increased significantly from RMB418 million as of December 31, 2018 to RMB2,348 million (US\$332 million) as of March 31, 2020.

### Goodwill

Our goodwill was RMB711 million, RMB1,135 million, RMB2,477 million (US\$350 million) and RMB2,477 million (US\$350 million) as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively. The rapid increase of goodwill in 2019 was the result of acquisition of Zhonghuan Real Estate Agency, a regional real estate brokerage firm that focuses operation in Southern China.

### Prepayments, receivables and other assets

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

|                                      | As of December 31, |                  |                  |                | As of March 31,  |                |
|--------------------------------------|--------------------|------------------|------------------|----------------|------------------|----------------|
|                                      | 2017               | 2018             | 2019             |                | 2020             |                |
|                                      | RMB                | RMB              | RMB              | US\$           | RMB              | US\$           |
|                                      | (in thousands)     |                  |                  |                |                  |                |
| <b>Current:</b>                      |                    |                  |                  |                |                  |                |
| Advances to suppliers                | 82,134             | 157,210          | 254,534          | 35,947         | 369,694          | 52,211         |
| Deposits paid to new home developers | 2,476,640          | 277,766          | 3,311,371        | 467,655        | 3,027,492        | 427,565        |
| Prepaid rental and other deposits    | 339,989            | 393,850          | 439,775          | 62,108         | 526,128          | 74,303         |
| Staff advances                       | 258,833            | 282,316          | 247,353          | 34,933         | 255,519          | 36,086         |
| Receivables from equity investors    | —                  | 3,000,000        | —                | —              | —                | —              |
| Receivables from escrow account      | —                  | 139,590          | 18,982           | 2,681          | 17,989           | 2,541          |
| Interests receivable                 | 6,245              | 15,224           | 93,950           | 13,268         | 31,737           | 4,482          |
| VAT-input deductible                 | 151,351            | 280,868          | 608,958          | 86,001         | 532,179          | 75,158         |
| Others                               | 278,873            | 318,190          | 318,073          | 44,920         | 326,489          | 46,109         |
| <b>Total</b>                         | <b>3,594,065</b>   | <b>4,865,014</b> | <b>5,292,996</b> | <b>747,514</b> | <b>5,087,227</b> | <b>718,455</b> |
| <b>Non-current:</b>                  |                    |                  |                  |                |                  |                |
| Prepayment for advertising resources | —                  | 2,745,280        | 145,806          | 20,592         | —                | —              |
| Deferred tax asset                   | 147,535            | 672,622          | 520,292          | 73,479         | 530,164          | 74,873         |
| Others                               | 1,136              | 109              | 59,452           | 8,396          | 91,994           | 12,992         |
| <b>Total</b>                         | <b>148,671</b>     | <b>3,418,011</b> | <b>725,550</b>   | <b>102,467</b> | <b>622,158</b>   | <b>87,865</b>  |

Deposits paid to real estate developers represents the earnest deposits we pay to developers for new home sales agency service contracts, and will be collected back after we meet our service commitment. The significant increase in 2019 was due to our expanding cooperation with developers for new home transaction services. 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 business cooperation agreement with Tencent, which granted us the right to use advertising resources provided by Tencent, was executed in December 2018. We issued our preferred shares as consideration. We had not activated our rights to utilize the resources thereunder as of December 31, 2018. Therefore, the value of the consideration we paid was recorded as our prepayment, for relevant advertising resources.

We were in the process of reorganization and established our Cayman holding company structure in 2018, which required all shareholders then to make payment offshore into our Cayman holding entity. These offshore payment obligations resulted in an RMB3.0 billion of receivables from equity investors as of December 31, 2018, which was fully settled in January 2019.

### **Accounts payable**

Our accounts payable was RMB370 million, RMB1,468 million, RMB4,213 million (US\$595 million) as of December 31, 2017, 2018 and 2019, respectively. This rapid increase was primarily the result of increasing payables of advertising fees and commission to connected agents and other sales channels. Commission payable related to new home transaction business increased rapidly from RMB255 million as of December 31, 2017, to RMB761 million as of December 31, 2018, and to RMB3,528 million (US\$498 million) as of December 31, 2019, as increasingly more brokerage firms joined and transacted on our *Beike* 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, as a result of our effort to promote our *Beike* platform after its launch in 2018. Our accounts payable decreased from RMB4,213 million (US\$595 million) as of December 31, 2019 to RMB3,404 million (US\$481 million) as of March 31, 2020, primarily due to the slowdown of our new home transaction service business in the first quarter of 2020 and consequently reduced cost of commission-split to connected agents and other sales channels.

### **Borrowings**

Our long-term borrowings was nil, RMB113 million, RMB4,890 million (US\$691 million) and RMB4,886 million (US\$690 million) as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively. The significant increase of borrowing as of 2019 year end was the result of a US\$675 million syndicate loan and a RMB103 million bank loan completed in October 2019.

As of December 31, 2017, 2018 and 2019 and March 31, 2020, our short-term borrowings was RMB250 million, RMB210 million, RMB720 million (US\$102 million) and RMB420 million (US\$59 million).

## 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, |             |             |           | For the Three Months Ended March 31, |              |             |
|--|---------------------------------|-------------|-------------|-----------|--------------------------------------|--------------|-------------|
|  | 2017                            | 2018        | 2019        |           | 2019                                 | 2020         |             |
|  | RMB                             | RMB         | RMB         | US\$      | RMB                                  | RMB          | US\$        |
|  | (in thousands)                  |             |             |           |                                      |              |             |
| <b>Selected Consolidated Cash Flow Data</b>                                  |                                 |             |             |           |                                      |              |             |
| Net cash (used in) provided by operating activities                          | (6,456,226)                     | 3,216,797   | 112,626     | 15,906    | (1,000,933)                          | (4,089,101)  | (577,492)   |
| Net cash (used in) provided by investing activities                          | (2,783,562)                     | 2,609,149   | (3,873,722) | (547,074) | (348,181)                            | (5,176,363)  | (731,042)   |
| Net cash provided by (used in) financing activities                          | 9,576,284                       | (1,282,408) | 23,026,396  | 3,251,948 | 3,934,414                            | (898,389)    | (126,877)   |
| Effect of exchange rate change on cash, cash equivalents and restricted cash | (330)                           | 416         | (94,922)    | (13,406)  | (94,336)                             | 131,392      | 18,556      |
| Net increase (decrease) in cash, cash equivalents and restricted cash        | 336,166                         | 4,543,954   | 19,170,378  | 2,707,374 | 2,490,964                            | (10,032,461) | (1,416,855) |
| Cash, cash equivalents and restricted cash at the beginning of the period    | 7,880,078                       | 8,216,244   | 12,760,198  | 1,802,085 | 12,760,198                           | 31,930,576   | 4,509,459   |
| Cash, cash equivalents and restricted cash at the end of the period          | 8,216,244                       | 12,760,198  | 31,930,576  | 4,509,459 | 15,251,162                           | 21,898,115   | 3,092,604   |

To date, we have financed our operating and investing activities through cash flows from operations and cash generated by historical equity and debt financing activities. As of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively, our cash, cash equivalents and restricted cash were RMB8.2 billion, RMB12.8 billion, RMB31.9 billion (US\$4.5 billion) and RMB21.9 billion (US\$3.1 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 our variable interest entities and their subsidiaries, we only have access to the assets or earnings of our variable interest entities and their subsidiaries through our contractual arrangements with our variable interest entities and their shareholders. See "Corporate History and Structure — Contractual Arrangements with Our 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 this offering to make loans or capital contributions to our PRC subsidiaries. We expect to invest substantially all of the proceeds from this offering in our PRC operations for general corporate purposes within the business scopes of our PRC subsidiaries and our VIEs. See "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 this offering to make loans or additional capital contributions to our PRC subsidiaries and to make loans to our VIEs, which could materially and adversely affect our liquidity and our ability to fund and expand our business".

### ***Operating activities***

Net cash used in operating activities in the three months ended March 31, 2020 was RMB4,089 million (US\$577 million). The difference between net cash used in operating activities and net loss of RMB1,231 million (US\$174 million) in the same period was the result of RMB3,281 million (US\$463 million) used for additional working capital, partially offset by the effect of adding back RMB445 million (US\$63 million) for adjustments of non-cash items.

The adjustment of non-cash items primarily consisted of RMB157 million (US\$22 million) in amortization of intangible assets and RMB114 million (US\$16 million) in depreciation expenses.

The additional cash used for working capital was the result of a RMB3,087 million (US\$436 million) decrease in employee compensation and welfare payable, a RMB809 million (US\$114 million) decrease in accounts payable and a RMB790 million (US\$112 million) decrease in income taxes payable, partially offset by a RMB734 million (US\$104 million) increase in customer deposits payable and a RMB720 million (US\$102 million) decrease in accounts receivable.

Net cash provided by operating activities in 2019 was RMB113 million (US\$16 million). The difference between net cash provided by operating activities and net loss of RMB2,180 million (US\$308 million) in the same period was the result of adding back RMB4,159 million (US\$587 million) for adjustments of non-cash items, removing RMB105 million (US\$15 million) of realized gain on short-term investments, which is by nature an investing activity, and deducting RMB1,761 million (US\$249 million) used for working capital.



The adjustment of non-cash items primarily consisted of RMB2,956 million (US\$417 million) in share-based compensation expense, RMB562 million (US\$79 million) in depreciation expenses, RMB477 million (US\$67 million) in amortization of intangible assets and RMB382 million (US\$54 million) in net impairment losses on financial assets.

The additional cash used for working capital was the result of a RMB5,041 million (US\$712 million) increase in accounts receivable, a RMB3,401 million (US\$480 million) increase in prepayments, receivables and other assets, partially offset by a RMB2,720 million (US\$384 million) increase in accounts payable and a RMB1,589 million (US\$224 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.

Net cash provided by operating activities in 2018 was RMB3,217 million. The difference between net cash provided by operating activities and net loss of RMB428 million in the same period was the result of adding back RMB824 million for adjustments of non-cash items, removing RMB258 million in realized gain on short-term investments, which is by nature an investment activity, and adding another RMB3,079 million released from working capital.

The adjustment of non-cash items primarily consisted of RMB653 million in depreciation of property and equipment, RMB515 million in deferred tax benefits, RMB382 million in share-based compensation, and RMB139 million in amortization of intangible assets.

The cash released from working capital was the result of a RMB1,746 million decrease in prepayments, receivables and other assets, a RMB1,098 million increase in accounts payable and a RMB909 million increase in employee compensation and welfare payable, partially offset by a RMB769 million increase in accounts receivable and a RMB338 million increase in amounts due from related parties. The increase in amounts due from related parties was mainly the result of deepening cooperation in home rental referrals with rental platform Ziroom.

Net cash used in operating activities in 2017 was RMB6,456 million. The difference between net cash used in operating activities and net loss of RMB538 million in the same period was the result of adding back RMB1,195 million for adjustments of non-cash items, removing RMB256 million in realized gain on short-term investments, which is by nature an investment activity, and deducting RMB6,857 million used for working capital.

The adjustment of non-cash items primarily consisted of RMB674 million in depreciation of property and equipment and RMB476 million in share-based compensation.

The additional cash used for working capital was the result of a RMB2,400 million decrease in customer deposits payable, a RMB2,008 million decrease in accrued expenses and other current liabilities, a RMB1,419 million decrease in employee compensation and welfare payable, a RMB703 million increase in amounts due from related parties and a RMB700 million decrease in accounts payable, partially offset by a RMB861 million decrease in prepayments, receivables and other assets. The increase in amounts due from related parties was mainly the result of growing cooperation with rental platform Ziroom.

### ***Investing activities***

Net cash used in investing activities in the three months ended March 31, 2020 was RMB5.2 billion (US\$0.7 billion), consisting primarily of (i) RMB9.6 billion (US\$1.4 billion) used to purchase short-term investments, offset by RMB3.8 billion (US\$0.5 billion) maturities of short-term investments, and (ii) RMB4.1 billion (US\$0.6 billion) of financing receivables originated, offset by RMB4.8 billion (US\$0.7 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 (US\$0.5 billion), consisting primarily of (i) RMB16.2 billion (US\$2.3 billion) of financing receivables originated in our financing service, offset by RMB14.8 billion (US\$2.1 billion) of financing receivables collected, (ii) RMB10.4 billion (US\$1.5 billion) used in purchases of short-term investments, offset by RMB11.1 billion (US\$1.6 billion) maturities of short-term investments, and (iii) RMB1.9 billion (US\$0.3 billion) of cash paid on long-term investments and time deposit.

Net cash provided by investing activities in 2018 was RMB2.6 billion, consisting primarily of (i) RMB46.3 billion of maturities of short-term investments, offset by RMB41.0 billion used to purchase short-term investments, and (ii) RMB15.8 billion of financing receivables collected, offset by RMB15.6 billion of financing receivables originated in our financing service.

Net cash used in investing activities in 2017 was RMB2.8 billion, consisting primarily of (i) RMB56.1 billion of purchases of short-term investments, offset by RMB55.5 billion received out of maturities of short-term investments, and (ii) RMB2.7 billion of financing receivables originated, offset by RMB1.4 billion of financing receivables collected.

### ***Financing activities***

Net cash used in financing activities in the three months ended March 31, 2020 was RMB898 million (US\$127 million), consisting primarily of (i) RMB1,483 million (US\$209 million) of repayment of funding debt and (ii) RMB300 million (US\$42 million) of repayment of short-term borrowings, partially offset by RMB842 million (US\$119 million) of proceeds from funding debt.

Net cash provided by financing activities in 2019 was RMB23.0 billion (US\$3.2 billion), consisting primarily of (i) RMB15.8 billion (US\$2.2 billion) of proceeds from issuance of preferred shares, (ii) RMB9.9 billion (US\$1.4 billion) of reinjection of capital from preferred shareholders and (iii) RMB4.9 billion (US\$0.7 billion) of proceeds from long-term borrowings, partially offset by (i) RMB6.9 billion (US\$1.0 billion) of repatriation of capital to preferred shareholders to facilitate reorganization, (ii) RMB2.6 billion (US\$0.4 billion) of repayment of funding debt and (iii) RMB2.4 billion (US\$0.3 billion) of payment for preferred share buyback.

Net cash used in financing activities in 2018 was RMB1.3 billion, consisting primarily of (i) RMB3.0 billion of repatriation of capital to preferred shareholders to facilitate reorganization and (ii) RMB2.5 billion of repayment of funding debt, partially offset by (i) RMB2.6 billion of proceeds from issuance of preferred shares and (ii) RMB2.3 billion of proceeds from funding debt.

Net cash provided by financing activities in 2017 was RMB9.6 billion, consisting primarily of RMB8.7 billion of proceeds from issues of preferred shares and RMB1.1 billion of proceeds from funding debt.

### ***Capital expenditures***

Our capital expenditures were RMB575 million in 2017, RMB543 million in 2018, RMB703 million (US\$99 million) in 2019 and RMB149 million (US\$21 million) in the three months ended March 31, 2020. Capital expenditures represent cash paid for purchase of property and equipment and intangible assets. We intend to fund our future capital expenditures with our existing cash balance and proceeds from this offering. We will continue to make capital expenditures to meet the expected growth of our business.

**Contractual obligations**

The following table sets forth our contractual obligations as of December 31, 2019:

|                                       | Total     | Less than<br>1 year | 1 - 3 years | 3 - 5 years | More than<br>5 years |
|---------------------------------------|-----------|---------------------|-------------|-------------|----------------------|
| Operating lease and other commitments | 575,000   | 200,367             | 267,244     | 94,340      | 13,049               |
| Borrowing                             | 5,610,030 | 720,000             | 4,787,250   | —           | 102,780              |
| Lease liability obligations           | 5,517,868 | 2,385,706           | 2,513,627   | 571,317     | 47,218               |

As of December 31, 2019, our total contractual obligations included RMB5 million in obligation to purchase property, plant and equipment, RMB2 million in obligation to purchase services, RMB11 million in investment commitment, and RMB557 million in operating lease commitments.

We did not have any other significant capital and other commitments, long-term obligations or guarantees as of December 31, 2019.

**Off-Balance Sheet Commitments and 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.

**Critical Accounting Policies, Judgments and Estimates**

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are uncertain and requires significant judgment at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements.

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this prospectus. When reviewing our financial statements, you should consider (i) our selection of

critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

### ***Reorganization***

The reorganization consists of transferring our business including existing and new home sales, home rentals, home renovation, financial services and other services, collectively referred as the Beike Business to our Group which is owned by the shareholders of Beijing Lianjia and Yiju immediately before and after the Reorganization. The shareholding percentages and rights of each shareholder of our Group are substantially the same in Beijing Lianjia, Yiju and in the Company immediately before and after the Reorganization. Accordingly, the Reorganization is accounted for in a manner similar to a common control transaction because of the high degree of common ownership, and it is determined that the transfers lack economic substance. Therefore, the accompanying consolidated financial statements are prepared as if the corporate structure of our group after the reorganization had been in existence since inception. Accordingly, the effect of the ordinary shares and the preferred shares issued by our Company pursuant to the reorganization have been retrospectively presented as of the beginning of the earliest period presented on the consolidated financial statement or the original issue date, whichever is later.

### ***Basis of consolidation***

Our consolidated financial statements include the financial statements of our company, our subsidiaries, our VIE and its subsidiaries for which we are the ultimate primary beneficiary.

Subsidiaries are those entities in which we, directly or indirectly, control more than one half of the voting power, or have the power to appoint or remove the majority of the members of the board of directors, or cast a majority of votes at the meeting of the board of directors, or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which we have, or our subsidiary has, through contractual arrangements, the power to direct the activities that most significantly impact the entity's economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the entity, and therefore is the primary beneficiary of the entity.

All intercompany transactions and balances between ourselves, our subsidiaries, our VIE and subsidiaries of the VIE have been eliminated upon consolidation.

### ***Revenue recognition***

We adopted ASC 606, Revenue from Contracts with Customers, for all periods presented. According to ASC 606, revenues from contracts with customers are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services, after considering reductions by estimates for refund allowances, price concession, discount and Value Added Tax ("VAT").

### ***Existing home transaction services***

We generate revenue from existing home transaction services primarily by earning commissions from housing customers for sales or leases transactions facilitated by our own *Lianjia* brand where we act as the principal agent, or split of commissions with other brokerage firms acting as the principal agents in cooperation with us to complete transactions. In these transactions, the principal agent signs a housing agency service contract with housing customers

and is responsible for fulfilling the obligations to provide the agency services under the contract. The *Beike* platform requires platform agreements to be signed by all brokerage firms registered with the platform. The platform agreements establish a cooperative relationship between the principal agent and all participating brokerage firms, which allows the principal agent to combine and control services provided by the participating agent. The platform agreements also set the principal agent's role and responsibility for overall agency services and a fee allocation structure for various standard cooperating roles of agency services. For each successful transaction completed through the platform, the platform will calculate commissions for each participating agent in accordance with the platform agreements and settle them through the platform's payment system.

When we sign the housing agency service contracts with housing customers and split commissions with other brokerage firms who cooperate with us to complete the housing transactions in accordance with the platform agreement, we are considered to be the principal agent as we have the right to determine the service price and to define the service performance obligations, we have control over services provided and we are fully responsible for fulfilling the agency services pursuant to the housing agency service contracts it signed with the housing customers. Accordingly, we account for the commissions from these agency service contracts on a gross basis, with any commissions paid to other brokerage firms recorded as a cost of revenue.

When other brokerage firms on *Beike* platform sign the housing agency service contracts with housing customers and split commissions with us in accordance with platform agreement for cooperation services by us in completing the housing transactions, we are considered as a participating agent who provides services to the principal agents as we are not the primary obligor for the agency service contract and do not have the right to determine the service price. Accordingly, we account for the commissions from these agency service contracts on a net basis which is the split commission.

For agency commissions earned by us, either as the principal agent or participating agent, after deducting estimated potential refunds due to a terminated transaction, we recognize them 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.

We also generate revenue from existing home transaction services by earning (i) platform service fees from real estate brokerage firms on the *Beike* platform as a percentage of the transaction commissions earned on the platform for using our ACN and SaaS systems, (ii) franchise fees from brokerage firms as a percentage of the transaction commissions earned under our franchise brands such as *Deyou* brand, and (iii) other service fees for various services offered by *Beike* platform, such as transaction closing service through our transaction center.

For platform service and franchise fees, we recognize the estimated fees that it expects to receive as revenues when we obtain the right to payment at the time the housing customers sign the housing sale and purchase agreements or the lease agreements.

For other service fees, we recognize them as revenues when the services are provided.

#### ***New home transaction services***

We generate revenues from new home transaction services principally by earning sales commissions from real estate developers for new home sales facilitated by us. We sign new home agency service contracts with real estate developers in which the terms and conditions for sales commission earned are defined. We recognize sales commissions as revenues when the confirmations that terms and conditions for commissions earned are met are received from real estate developers or upon cash receipts of service fees if collection of the commissions are not considered probable at that time.

We subcontract with other brokerage firms to fulfil our agency services contracts with the real estate developers and split commissions with these brokerage firms. We are considered as the principal agent for the agency service contracts signed with the developers as we have the right to determine the service price and to define the service performance obligations, we have control over the services provided by the other brokerage firms and we are fully responsible for fulfilling agency services pursuant to the new home agency service contracts signed with the real estate developers. Accordingly, we account for such agency service contracts on a gross basis and recognize split commissions to collaborating brokerage firms as cost of revenues.

### ***Employee benefits***

Our full-time employees in mainland China are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurances, medical insurances, unemployment benefits and housing fund plans through a PRC government-mandated defined contribution plan. Chinese labor regulation requires that we make payments to the government for these benefits based on a certain percentage of the employees' salaries, up to a maximum amount specified by the local government. We have no legal obligation for the benefits beyond making the required contributions.

Historically, the contributions made by us for employees might have been insufficient under the PRC laws and regulations, for which we made provisions based on its best estimates considering general administrative practice, historical precedent cases, legal advice and other factors. The provisions made are to be reversed if a) the potential exposures that the provisions were made for do not occur for a period of time and b) we believe that the probability that such exposures would materialize in the future is remote based on most recent developments. The balances of the provisions are included in employee compensation and welfare payable.

### ***Allowance for credit losses***

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.

We maintain an allowance for credit losses to reserve for potentially uncollectible receivable amounts. The allowance for credit losses is estimated based upon the Company'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.

### ***Share-based compensation***

We grant share options to eligible employees and account for these share-based awards in accordance with ASC 718 Compensation — Stock Compensation.

Employees' share-based awards are classified as equity awards and are measured at the grant date fair value of the awards and recognized as expenses a) immediately at grant date if no vesting conditions are required, or b) using a straight-line method over the requisite service period, which is the vesting period.

For share options granted which require both service conditions and the completion of an initial public offering ("IPO"), cumulative share-based compensation expenses for options that have satisfied the service conditions will be recorded upon the completion of the IPO. All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

We adopt 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, exercise multiple, risk free interest rates and expected dividends. In accordance with ASU 2016-09, we make an entity-wide accounting policy election to account for forfeitures when they occur.

The fair value of each option granted by us was estimated on the date of each grant using the binomial option pricing model with the assumptions (or ranges thereof) in the following table:

|   | For the Years Ended<br>December 31 |               | For the Three Months Ended<br>March 31, |
|---|------------------------------------|---------------|---|
|   | 2018                               | 2019          | 2020                                    |
| Expected price volatility of the company's shares | 50.6% ~ 51.5%                      | 50.8% ~ 52.6% | 51.8%                                   |
| Expected dividend yield                           | 0%                                 | 0%            | 0%                                      |
| Risk-free interest rate                           | 3.4% ~ 3.7%                        | 2.3% ~ 3.5%   | 1.3%                                    |
| Expected term — years                             | 10                                 | 10            | 10                                      |
| Fair value of ordinary shares (US\$)              | 13.63 ~ 15.17                      | 15.21 ~ 18.85 | 18.86                                   |

The risk-free interest rate is estimated based on the daily treasury long term rate of U.S. Department of the Treasury with a maturity period close to the expected term of the options. The expected volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies with a time horizon close to the expected term. Expected term is the contract life of the options. We have never declared or paid any cash dividends on our capital stock, and we do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future.

#### ***Fair value of ordinary shares***

Prior to this offering, we have been a private company with no quoted market prices for our ordinary shares. We therefore need to make estimates of the fair value of our ordinary shares at various dates for the purposes of (i) at the date of issuance of convertible instruments as one of the inputs in determining the intrinsic value of the beneficial conversion feature; and (ii) at the date of grant of a share-based award to our employees or non-employees as the only input to determine the grant date fair value of the award.

The following table sets forth the fair value of our ordinary shares estimated at different times with the assistance from an independent valuation firm.

| <u>Date</u> | <u>Fair Value<br/>per Share</u> | <u>Discount Rate</u> | <u>DLOM</u> |
|-------------|---------------------------------|----------------------|-------------|
|             | <b>US\$</b>                     |                      |             |
| 2017/1/1    | 7.7                             | 22%                  | 20%         |
| 2017/9/30   | 10.1                            | 21%                  | 15%         |
| 2017/12/31  | 10.6                            | 21%                  | 15%         |
| 2018/6/30   | 13.6                            | 21%                  | 10%         |
| 2018/9/30   | 14.7                            | 21%                  | 10%         |
| 2018/12/28  | 15.2                            | 20%                  | 10%         |
| 2019/2/28   | 15.2                            | 20%                  | 10%         |
| 2019/5/31   | 15.2                            | 19%                  | 10%         |
| 2019/8/31   | 15.2                            | 19%                  | 10%         |
| 2019/11/15  | 18.9                            | 18%                  | 10%         |
| 2020/3/31   | 18.9                            | 19%                  | 10%         |

In determining the fair value of our ordinary shares, we applied the income approach/discounted cash flow analysis as the primary approach based on our projected cash flow using our best estimate as of the valuation date. The determination of the fair value of our ordinary shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts. Our revenues and earnings growth rates, as well as major milestones that we have achieved, contributed to the increase in the fair value of our ordinary shares from January 1, 2017 to March 31, 2020. However, these fair values are inherently uncertain and highly subjective. The assumptions used in deriving the fair values are consistent with our business plan. These assumptions include: our ability to retain competent management, key personnel and staff to support our ongoing operations; and no material deviation in market conditions from economic forecasts. These assumptions are inherently uncertain. The risk associated with achieving our forecasts were assessed in selecting the appropriate discount rates, which ranged from 18% to 22%.

The option-pricing method was used to allocate equity value of our company to preferred and ordinary shares, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid. This method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of our company or an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board and management.

The other major assumptions used in calculating the fair value of ordinary shares include:

*Discount rates.* The discount rates listed in the table above were based on the weighted average cost of capital, which was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systemic risk factors.

*Comparable companies.* In deriving the weighted average cost of capital used as the discount rates under the income approach, certain publicly traded companies were selected for reference as our guideline companies. The guideline companies were selected based on the following criteria: (i) they operate in the real estate brokerage and financial services industry and (ii) their shares are publicly traded in the United States or Hong Kong.



*Discount for lack of marketability, or DLOM.* DLOM listed in the table above was quantified by the Finnerty's Average Strike put options mode. Under this option-pricing method, which assumed that the put option is struck at the average price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM. This option pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors like timing of a liquidity event, such as an initial public offering, and estimated volatility of our shares. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. If the DLOM is used for the valuation is lower the determined fair value of the ordinary shares is higher.

Fair value of our ordinary shares increased from US\$7.7 as of January 1, 2017 to US\$18.9 as of November 15, 2019 primarily due to:

- the growth in our business;
- our successful completion of four rounds of financing in 2017, 2018 and 2019, which provided us with the funding needed for our expansion,
- as we progressed further towards this offering, we increased our estimated probability of a successful initial public offering. As our preferred shares would be automatically converted into ordinary shares upon the completion of a qualified offering, the increase in estimated probability of initial public offering success results in allocation of a higher portion of our business enterprise value to ordinary shares; and
- the decrease of the DLOM from 20% as of January 1, 2017 to 10% as of November 15, 2019.

The fair value of our ordinary shares remains at US\$18.9 as of November 15, 2019 to March 31, 2020 due to the growth in our business and the progress towards this offering was mitigated by the ongoing uncertainty regarding the COVID-19.

### ***Income tax***

Current income tax is recorded in accordance with the laws of the relevant tax jurisdictions.

We apply the assets and liabilities method of income taxes in accordance of ASC 740, Income Taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are provided based on temporary differences arising between the tax bases of assets and liabilities and financial statements, using enacted tax rates that will be in effect in the period in which the differences are expected to reverse.

Deferred tax assets are recognized to the extent that these assets are more-likely-than-not to be realized. In making such a determination, we consider all positive and negative evidence, including results of recent operations and expected reversals of taxable incomes. Valuation allowances are established to offset deferred tax assets if it is considered more-likely-than-not that amount of the deferred tax assets will not be realized.

### ***Uncertain tax positions***

In order to assess uncertain tax positions, we apply a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not, that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. We recognize interest and

penalties related to income tax matters, if any, in income tax expense. We did not have any significant unrecognized uncertain tax positions as of December 31, 2017, 2018 and 2019 nor did we recognize any related interest and penalties.

#### ***Fair Value Determination Related to the Accounting for Business Combinations***

A component of our growth strategy has been to acquire and integrate complementary businesses into our ecosystem. We complete business combinations from time to time which require us to perform purchase price allocations. In order to recognize the fair value of assets acquired and liabilities assumed, mainly consisting of intangible assets and goodwill, as well as the fair value of any contingent consideration to be recognized, we use valuation techniques such as discounted cash flow analysis and ratio analysis in comparison to comparable companies in similar industries under the income approach, market approach and cost approach. Major factors considered include historical financial results and assumptions including future growth rates, an estimate of weighted average cost of capital and the effect of expected changes in regulation. Most of the valuations of our acquired businesses have been performed by independent valuation specialists under our management's supervision. We believe that the estimated fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that market participants would use. However, these assumptions are inherently uncertain and actual results could differ from those estimates.

#### ***Impairment Assessment on Goodwill and Intangible Assets***

Goodwill is tested for impairment on an annual basis and in between annual tests when an event occurs, or circumstances change that could indicate that the asset might be impaired. We early adopted ASU No. 2017-04, Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, and in accordance with the FASB, a company first has the option to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. If we decide, as a result of our qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount of each reporting unit exceeds its fair value, an impairment loss equal to the difference will be recorded. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit. We perform goodwill impairment testing at the reporting unit level on December 31 annually, and between annual tests whenever a triggering event occurs. No impairment of goodwill was recognized for the years ended December 31, 2017, 2018 and 2019, respectively. The COVID-19 outbreak adversely affected our business in the first quarter of 2020. Nevertheless, based on our business performance in April and May, we believe that the impact from COVID-19 is temporary and there will be no material impact on our long-term forecast. Therefore, no impairment of goodwill was recognized for the three months ended March 31, 2020. We will continue to monitor and evaluate the fair value of goodwill for each reporting unit. Should facts and circumstances change, a non-cash impairment charge could be recorded in the future.

Separately identifiable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for identifiable intangible assets is based on the amounts by which the carrying amounts of the assets exceed the fair values of the assets. Changes in these estimates and assumptions could materially affect our financial condition and results of operations.

## **Holding Company Structure**

KE Holdings Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and our variable interest entities 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 our VIEs pursuant to the exclusive business cooperation agreement with our VIEs. Our VIEs collectively held 23.5% of our group's cash, cash equivalents and restricted cash and 23.6% of our group's total assets as of December 31, 2019, and contributed 11.6% of our group's total revenue for 2019. The relatively large asset holding of our VIEs is the result of operating everything under these entities prior to our reorganization in 2018. As we now limit the operation of our VIEs to only the areas that are not open to foreign-invested enterprises, including the value-added telecommunication services and certain financial services, we expect the portion of asset held and revenue generated by our VIEs to continue to decrease in the future.

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 our variable interest entities 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 our variable interest entities 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 the SAFE. 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.

## **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 2017, 2018 and 2019 were increases of 1.8%, 1.9% and 4.5%, 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.

## **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 and have not used any derivative financial instruments to hedge exposure to such 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.

As of March 31, 2020, we had Renminbi-denominated cash balance of RMB17.0 billion and U.S. dollar-denominated cash balance of US\$1.8 billion. Assuming we had converted RMB17.0 billion into U.S. dollars at the exchange rate of RMB7.0808 for US\$1.00 as of March 31, 2020, our U.S. dollar cash balance would have been US\$4.2 billion. If the Renminbi had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US\$3.9 billion instead. Assuming we had converted US\$1.8 billion into Renminbi at the exchange rate of RMB7.0808 for US\$1.00 as of March 31, 2020, our Renminbi cash balance would have been RMB29.5 billion. If the Renminbi had depreciated by 10% against the U.S. dollar, our Renminbi cash balance would have been RMB30.8 billion instead.

### ***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.

Assuming all other variables were remained constant and the balances of outstanding debts at the end of the each reporting period had been outstanding for the entire year, an increase (decrease) in the interest rate by 0.25% would have resulted in a decrease (increase) in the net income before tax for the years ended December 31, 2017, 2018 and 2019 by RMB nil, RMB0.3 million and RMB12 million (US\$2 million), respectively.

### **Internal Control Over Financial Reporting**

Prior to this offering, we have been a private company with limited reporting and accounting personnel and other resources with which we address our internal control over financial reporting. In connection with the audits of our consolidated financial statements as of and for the year ended December 31, 2019, 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 financial reporting and accounting personnel with appropriate knowledge and (i) to establish and implement key controls over period end closing and financial reporting and (ii) to handle complex accounting issues and to properly prepare and review financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirements.

To remediate the identified material weakness, we are currently in the process of establishing clear rules and responsibilities for accounting and financial reporting staffs to address complex accounting and financial reporting issues. Furthermore, we are in the process of hiring additional qualified financial and accounting personnel with working experience with U.S. GAAP and SEC reporting requirements. In addition, we plan to:

- implement regular U.S. GAAP and SEC financial reporting training programs for our accounting and financial personnel;
- develop and implement a comprehensive set of period-end financial reporting policies and procedures, especially for non-recurring and complex transactions to ensure consolidated financial statements and related disclosures are in compliance with U.S. GAAP and SEC reporting requirements; and
- conduct regular and continuous U.S. GAAP accounting and financial reporting programs and send our financial staff to attend external U.S. GAAP training courses. We also intend to hire additional resources to strengthen the financial reporting function and set up a financial and system control framework.

The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to devote significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligation. However, we cannot assure you that all these measures will be sufficient to remediate our material weakness in time, or at all. See "Risk Factors — Risks Related to Our Business and Industry — We have identified a material weakness in our internal control over financial reporting. If we do not adequately remediate this material weakness, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, or comply with the accounting and reporting requirements applicable to public companies, which may adversely affect investor confidence in us and the market price of our ADSs".

#### **Recently Issued Accounting Pronouncements**

A list of recently issued accounting pronouncements that are relevant to us is included in "Summary of Significant Accounting Policies — 2.34" of our consolidated financial statements included elsewhere in this prospectus.

## INDUSTRY

The information presented in this section has been derived from an industry report and a survey commissioned by us and prepared by China Insights Industry Consultancy Limited, an independent research firm, regarding our industry and our market position in China. The survey was conducted in March 2020 with 500 consumers who have used online real estate platforms in China during the past two years. We refer to this report as "CIC Report" and the survey as "CIC Survey".

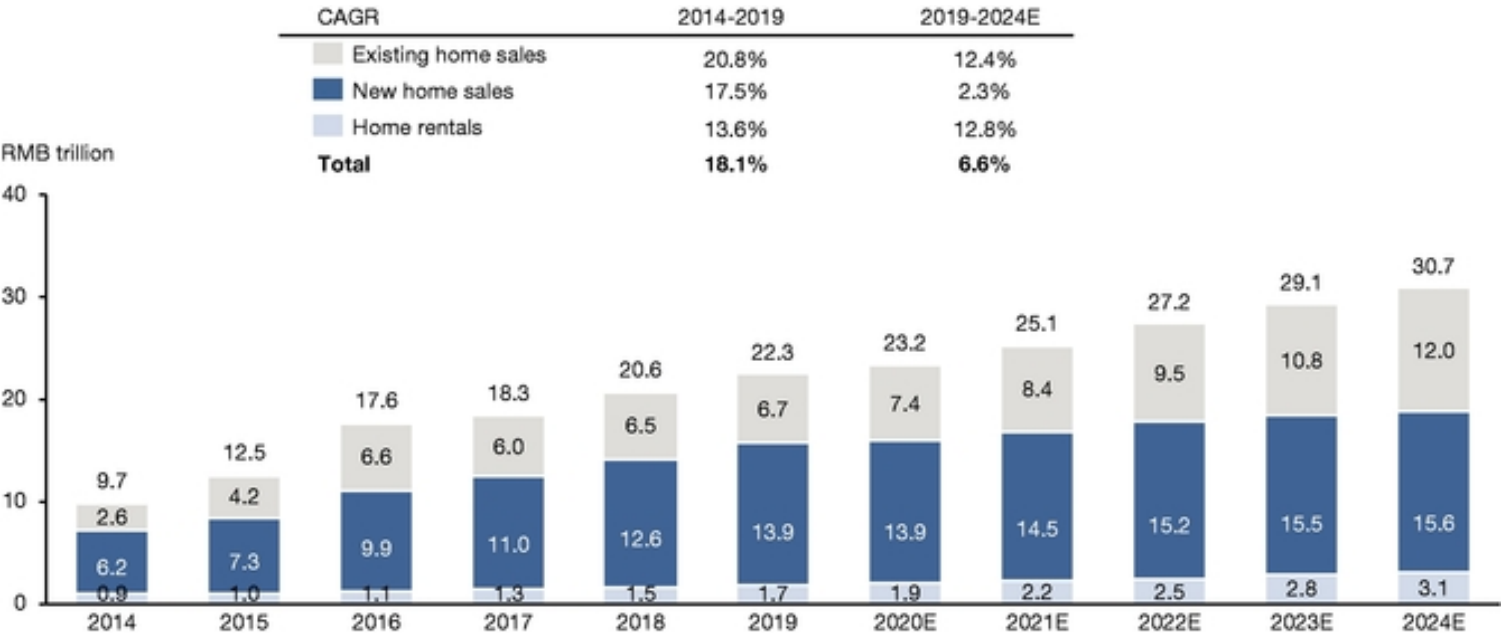
### Massive Residential Real Estate Market in China with Favorable Trends

China has the largest housing market in the world in terms of the GTV and number of transactions of existing and new home sales and home rentals in 2019, according to the CIC Report. The total existing and new home sales and home rentals market reached RMB22.3 trillion in 2019 from RMB0.5 trillion in 2000 and is expected to further grow at a CAGR of 6.6% to RMB30.7 trillion by 2024, according to the CIC Report. The housing market in China has experienced prolonged expansion and is expected to enter into a new phase of steady growth, underpinned by continuous urban development, Chinese consumers' demand for quality housing and a stable policy environment. The growth of housing transactions in China also provides opportunities for other home-related services. China's residential real estate market, which includes existing and new home sales, home rentals and other home-related services, is poised to experience a robust growth.

- *Continuous urbanization.* China's urbanization rate reached 60.6% in 2019 and is expected to increase to approximately 70% by 2030, adding at least another 150 million urban population during the same period, according to the CIC Report. China's ongoing development of the 19 city clusters in its 13th Five-Year Plan is expected to drive a new wave of infrastructure development, which can greatly improve connectivity and labor mobility within and across the city clusters. The incoming urban population is expected to lead to additional housing demand and further propel the growth of housing activities. In addition, peripheral cities within a city cluster are expected to benefit from the spillover housing demand, as land supply remains limited and residential property prices remain relatively high in the more developed centers in the city cluster.
- *Demand for quality housing.* As of December 31, 2019, close to 20% of the existing homes in urban areas in China were built before 1990, according to the CIC Report. Many of these buildings are poorly maintained or suffer from inherent quality issues. In addition, approximately 15% of China's households still share common function rooms such as kitchen with others, according to the CIC Report. In China, the annual per capita disposable income in urban area is expected to grow at a CAGR of 7.7% to approximately RMB61.4 thousand by 2024. As the disposable income per capita continues to increase, Chinese consumers are gradually shifting from simply owning a home to having quality housing and upgraded living conditions. According to the CIC Report and Survey, approximately 25% of housing transactions in the past two years in China were motivated by housing upgrades, especially in first-tier cities where the percentage was 39.7%. The demand for upgraded housing quality and living conditions is expected to continue to drive the growth of China's residential real estate market.
- *Stable policy environment.* Along with the rapidly growing residential real estate market in China, there were several rounds of policy cycles aimed at taming the market fluctuations in the past. Since 2016, the Chinese government has emphasized that "houses are for living, not for speculation" to discourage speculative market behaviors. The government will continue to adopt "different policies in different cities as appropriate to their local

conditions", which is expected to continue to guide the market towards more stable development and steady growth.

GTV of China's Housing Market, 2014-2024E



Source: the CIC Report

Existing Home Transactions Gaining More Importance

After over 20 years of rapid development, China's residential real estate market has accumulated around 33.9 billion square meters of floor area in urban areas as of December 31, 2019. The high volume of existing homes, coupled with population inflow and limited land supply in urban areas is expected to underpin the growth of existing home sales and home rentals in China.

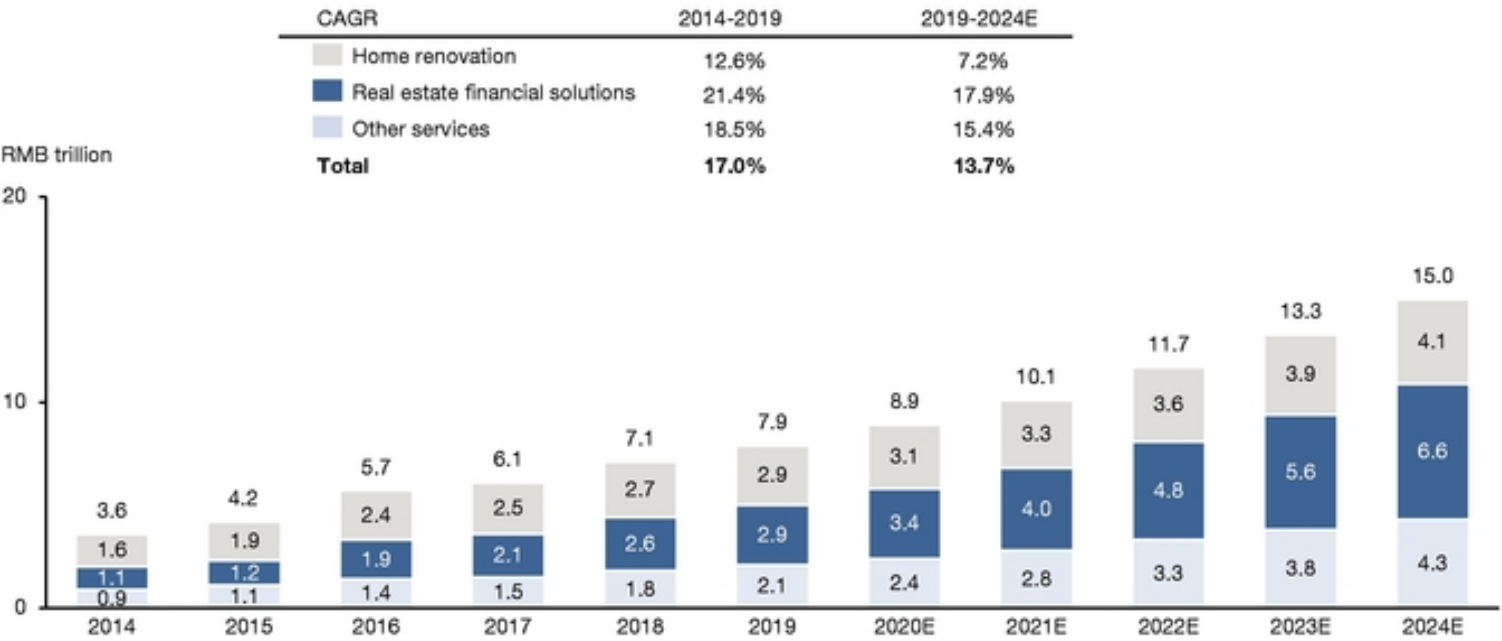
*Existing home sales.* The average housing turnover rate for existing homes in China, defined as the number of existing home sales over the total number of existing homes, was 1.1% in 2019, compared to approximately 3.8% in the United States, according to the CIC Report. Approximately 88.3% of the 6.0 million home sales in the United States were of existing homes in 2019, according to the CIC report, compared to 23.8% in China. The disparity indicates a significant growth potential in existing home sales in China. In 2019, existing home sales already surpassed new home sales in terms of number of transactions in 19 Chinese cities, and approximately 69.3% of the total home sales were of existing homes in Beijing. It is expected that the number of existing home sales as a percentage of total home sales in China will continue to increase from 23.8% in 2019 to 34.7% in 2024, according to the CIC Report.

*Home rentals.* Home rentals in China has also started to play a more significant role. The relatively high residential property prices have made rentals in urban China a more economically affordable solution, especially in top-tier cities that typically have a large population of immigrants. Approximately 13.3% of the population in China rented a home in 2019, and the percentage is expected to increase to 14.9% by 2024, according to the CIC Report.

*New home sales.* After 20 years of significant growth, the GTV of new home sales is expected to increase from RMB0.3 trillion in 2000 to RMB13.9 trillion in 2019 and is expected to increase moderately with a CAGR of 2.3% to RMB15.6 trillion in 2024, according to the CIC Report.

Increasing Demand for Other Home-related Services

GTV of China's Other Home-related Services Market, 2014-2024E



Source: the CIC Report

The growth of housing transactions in China and increasing demand for quality living provide significant opportunities for other home-related services, such as home renovation, real estate financial solutions and other services. According to the CIC Report, market size of other home-related services in China reached approximately RMB7.9 trillion in 2019 and is expected to increase to approximately RMB15.0 trillion in 2024. The home renovation market, which is defined as the total spending on renovating existing and new homes, is expected to grow from approximately RMB2.9 trillion in 2019 to RMB4.1 trillion in 2024. The real estate financial solutions market mainly includes financial services for closing, commission factoring for new home sales, home equity loans, personal loans to agents, working capital loans to brokerage store managers, home renovation loans, and rental loans. The size of real estate financial solutions market is estimated at RMB2.9 trillion in 2019, and is expected to increase to RMB6.6 trillion in 2024 with increasing demand from housing customers and brokerage service providers for convenient and reliable financial solutions. In addition to the RMB2.9 trillion real estate financial solutions market, the total market size of escrow services reached RMB3.7 trillion in 2019 and is expected to grow to RMB6.9 trillion by 2024. In addition, high population density in local communities and demand for quality living also pave the way for a wide range of other home-related services such as repair and maintenance, smart community, property management and community care services. The market size for such services was estimated at approximately RMB0.9 trillion in 2014, and grew to approximately RMB2.1 trillion in 2019. The market size is expected to further increase to RMB4.3 trillion in 2024 at a CAGR of 15.4%, according to the CIC report.

The Growing Housing Transactions and Services Market

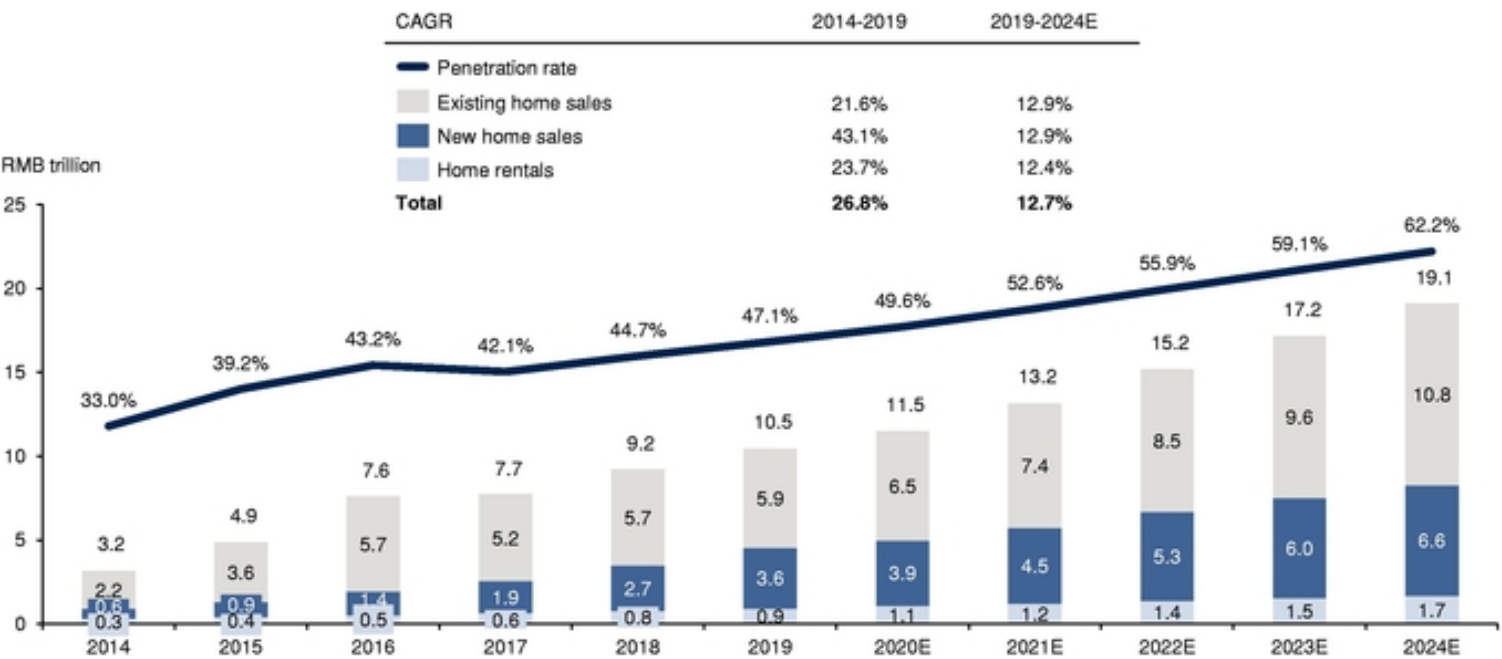
As the residential real estate market in China enters a new phase of steady growth, the structural changes of the industry are expected to bring market supply and demand closer to balance, generating significant demand for brokerage services that efficiently match home buyers with home sellers. The high value and complex nature of housing transactions in China make real estate brokerage services indispensable to guide home buyers and sellers through the transaction process. Real estate agents in China also provide a broad range of services from initial engagement to closing, such as settlement, referring financial solutions and title transfer, making



them a crucial component of the housing transactions and services market. As home buyers' search process lengthens, reliable information and professional services ranging from finding suitable options to valuation and negotiation are becoming critical and increasingly valued by home buyers in making home purchase decisions. Home sellers, real estate developers and landlords also look to brokerage service providers to effectively locate potential home buyers and tenants, and close transactions more smoothly.

The total GTV of homes sold and leased through brokerage services in China increased from RMB3.2 trillion in 2014 to RMB10.5 trillion in 2019 and is estimated to reach RMB19.1 trillion in 2024, according to the CIC Report. The penetration rate of brokerage services in all housing transactions, including existing and new home sales and home rentals, in China, in terms of GTV, increased from 33.0% to 47.1% from 2014 to 2019, and will further grow to 62.2% in 2024, according to the CIC Report. In particular, the expansion of China's existing home sales market is expected to drive the GTV of existing homes sold through brokerage services from RMB5.9 trillion in 2019 to RMB10.8 trillion in 2024. On the other hand, the expected growth in the penetration rate of brokerage services in new home sales from 25.5% in 2019 to 42.5% in 2024 is expected to further drive the GTV of new homes sold through brokerage services from RMB3.6 trillion in 2019 to RMB6.6 trillion in 2024.

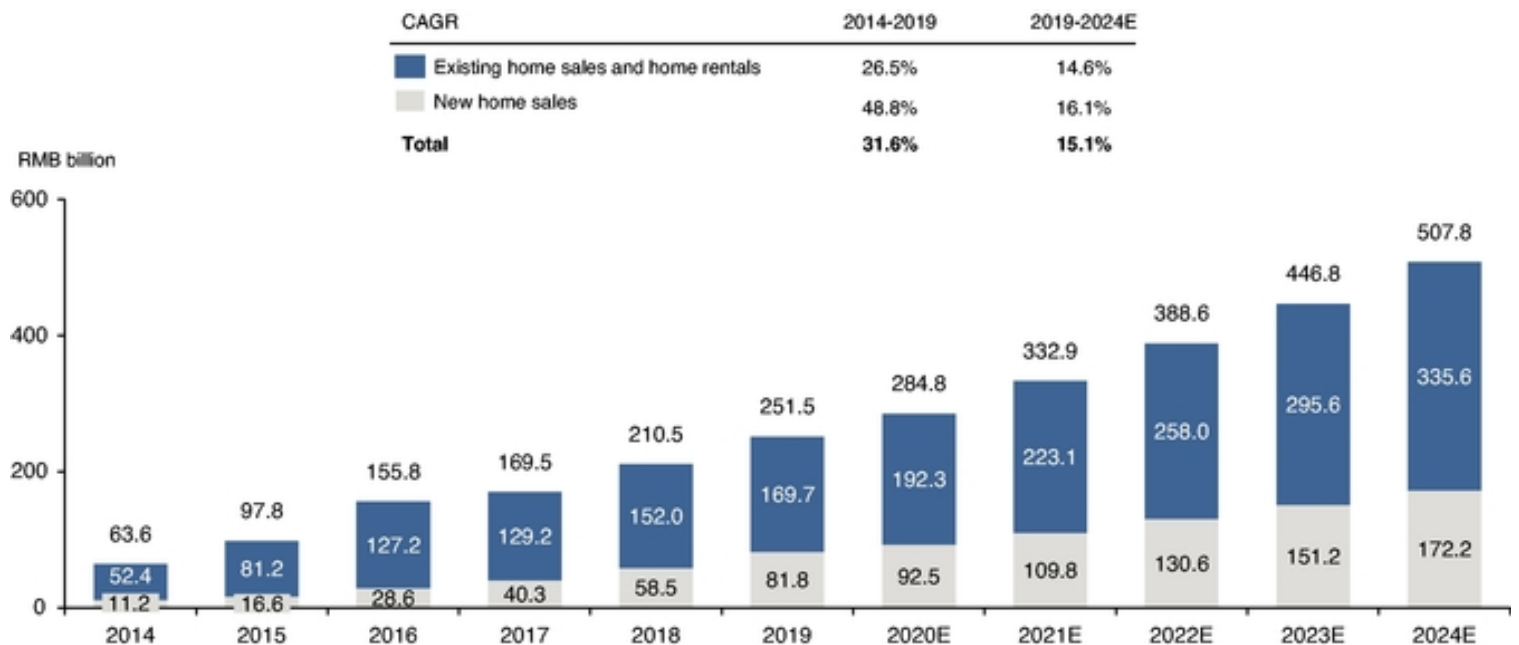
GTV of Homes Sold and Leased through Brokerage Services, 2014-2024E



Source: the CIC Report

As the penetration rate of and the GTV of homes sold and leased through brokerage services increased, the commission revenue of brokerage services also grew from RMB63.6 billion in 2014 to RMB251.5 billion in 2019, and is expected to further increase to RMB507.8 billion in 2024.

# Commission Revenue of Brokerage Services in China, 2014-2024E



## Notes:

- (1) Commission revenue from existing home sales and home rentals represents brokerage commissions paid by housing customers.
- (2) Commission revenue from new home sales represents brokerage commissions paid by real estate developers.

Source: the CIC Report

**Existing home sales and home rentals.** Due to the complex nature of the business, the penetration rate for brokerage services in China's existing home sales and home rentals market is high. In 2019, approximately 88.0% of existing home sales and 54.4% home rentals in China were conducted through brokerage service providers in terms of GTV, according to the CIC Report. Along with the rapid growth of China's existing home sales and home rentals market, the total GTV of existing home sales and home rentals conducted through brokerage services rapidly grew from RMB2.6 trillion in 2014 to RMB6.9 trillion in 2019, and is expected to further grow to RMB12.5 trillion in 2024. As market supply and demand move closer to balance and the average sales period lengthens, existing home buyers and sellers increasingly rely on brokerage service providers to enhance results through matching, negotiation and other capabilities. In China, the commission is typically paid by home buyers, while an increasing number of home sellers are willing to pay for brokerage services. Commission from existing home sales ranges from 1.0% to 3.0% of the total transaction value in China, and is expected to increase with improving service quality and customer experience. According to the CIC Report, in the United States, the commission rate for existing home sales was approximately 5% in 2019. The commission from home rentals in China normally ranges from half to one month of the rent.

**New home sales.** Real estate developers in China have traditionally mainly deployed internal sales personnel and outsourced on-site sales service teams to engage with potential home buyers. As land supply becomes constrained in the more developed areas in city clusters, it is expected that the average size of new home projects will decrease, making it less economically viable for real estate developers to maintain a large full-time sales team. New home projects are increasingly located in the peripheral cities within a city cluster, making it difficult to target perspective home buyers in the more developed centers who have the upgraded demand. The shifting supply and demand dynamics in the new home sales market also make it more important for real estate developers to efficiently locate and convert customers to shorten their sales cycle. They are

increasingly turning to brokerage service providers for their extensive network coverage, precise customer recommendations and effective customer conversion. In China, the penetration rate of brokerage services in new home sales increased from 10.0% in 2014 to 25.5% in 2019, compared to approximately 70% in the United States in 2019. Total GTV of new home sales generated through brokerage services amounted to RMB3.6 trillion in 2019. The outsourced on-site sales service team commission and other external marketing fees incurred by real estate developers were RMB44.8 billion and RMB170.5 billion respectively in 2019 and are expected to be RMB46.7 billion and RMB140.7 billion respectively in 2024. Total commission revenue for brokerage services in new home sales in China reached RMB81.8 billion in 2019, and is expected to further increase to RMB172.2 billion in 2024, according to the CIC report. As brokerage services have been playing a more important role in new home sales, the average commission rate of brokerage services in new home sales in China also increased from approximately 2.1% in 2017 to 2.2% and 2.3% in 2018 and 2019, respectively, while the average commission rate of outsourced sales service team decreased from approximately 0.88% in 2017 to 0.86% and 0.83% in 2018 and 2019, respectively.

### Challenges in the Housing Transactions and Services Industry

Despite the relatively high penetration rate of brokerage services in housing transactions, various challenges exist in China's housing transactions and services market:

- *Lack of Infrastructure for the Industry.* In China, the infrastructure for the housing transactions and services market had been significantly underdeveloped. For example, the lack of an industry-wide listing inventory similar to the Multiple Listing Service ("MLS") in the United States makes it challenging for housing customers and agents to easily access reliable and authentic property listings. As a result, duplicate or fraudulent property listings with inaccurate or outdated property and pricing information are common in the market. In addition, without an industry-wide infrastructure, there had been neither established mechanisms for service providers to collaborate nor widely recognized service standards. This hinders the improvement on service quality and leads to a general lack of trust from housing customers. As a result, it is not uncommon for housing customers to engage multiple agents for one housing transaction to ensure better access to high-quality property listings and services, which could greatly hamper transaction efficiency.
- *Lack of Cooperation Mechanisms for Agents.* China's housing transactions and services market is highly fragmented. According to the CIC Report, there were approximately 2 million agents in China and over 250 thousand brokerage stores as of December 31, 2019, with a large number of regional players with limited presence and resources. Brokerage stores and real estate agents in China are often confined to a small geographic area and engage in fierce competition for listing and customer resources. Without effective mechanisms for agents to share the commission revenue and be properly incentivized based on their respective roles, agents are less likely to cooperate, which jeopardizes the overall efficiency and the delivery of high-quality services.
- *Lack of Experienced Brokerage Service Providers.* Due to the intense competition in a highly fragmented market, productivity of agents in China is low compared to that of more developed markets, which leads to lower and less stable average income and higher turnover rate. The monthly turnover rate of agents in China was approximately 12%, which is significantly higher than that of the United States in 2019, and the median industry experience of agents in China was less than two years in 2019, compared to approximately eight years for agents in the United States, according to the CIC Report. Agents in China are also much younger with a median age of approximately 30, compared to approximately 55 in the United States in 2019, according to the CIC Report. Lack of experience, relevant training and coaching has contributed to inconsistent agency service quality in the industry.

- *Lack of Effective Marketing Solutions for Real Estate Developers.* Real estate developers in China are heavily dependent on pre-sale revenue to secure cash flows, partially due to their highly levered business model. The average cash ratio, defined as cash over short-term debt, of real estate developers in China, decreased from approximately 2.2x in 2018 to approximately 1.8x in 2019, according to the CIC Report. However, sales channels had been limited and available marketing services had failed to target customers in a more precise and cost-efficient manner to help shorten the sales cycle.

The lack of an industry-wide infrastructure, cooperation mechanisms among agents and limited access to experienced brokerage service providers, as well as the ineffective marketing channels have made it challenging for agents to deliver services with satisfying quality and establish trust with housing customers and for real estate developers to achieve satisfying new home sell-through. This, in turn, has led to low conversion rate and inefficiency in the market. Agents' productivity in China was only about 28% of that of the active agents of the United States, as measured by GTV of existing home sales per agent in 2018, according to the CIC Report. The industry thus calls for empowering solutions that can help service providers identify and address housing customers' evolving needs, and further enhance customer experience and trust, as well as operational efficiency.

### **Emergence of an Integrated Housing Transactions and Services Platform**

Similar to how increasing internet penetration rate and technology development have reshaped other industries in China, digitalization is also gradually taking place in the housing transactions and services market and presents significant potential. Continuous industry digitalization can efficiently complement and optimize offline operations and provide elevated customer experience with a more efficient, secure and transparent transaction process. Housing customers increasingly embark their journeys online. Furthermore, the emergence of new technology, such as online virtual reality (VR) property showing, helps enhance decision-making efficiency, minimize the costs of physical home tours and further elevate the transaction experience for customers.

In recent years, various platforms have emerged in China's housing transactions and services market with different business models and value propositions to brokerage service providers and housing customers. Some platforms focus on directing online traffic to agents with property listing resources and monetize through advertising revenue or membership fees. Other online platforms can facilitate certain steps of a housing transaction for commission revenue or membership fees. Meanwhile, an integrated online and offline platform with holistic solutions that meet the demand of housing customers and service providers has emerged to address the inherent pain points of the housing transactions and services market and create additional revenue opportunities.

By implementing an effective agent cooperation mechanism with transparent and role-specific commission allocation, cross-store and cross-brand collaborations have become possible. As a result, housing customers no longer need to engage multiple agents for one housing transaction. Reliable and authentic property listings and online solutions offered by such platform also lead to improved transaction efficiency and elevated customer experience. In addition, such platform provides value-added services including SaaS systems and training services to brokerage brands, store managers and agents on the platform. Higher productivity and overall income of agents are expected to lead to more willingness to pay a portion of their collected commission revenue to the platform. At the same time, as the platform assumes more roles and responsibilities in a housing transaction, its share of commission revenue is also expected to increase accordingly.

The integrated housing transactions and services platform also acts as a more effective channel for real estate developers, leveraging a vast network of offline stores to discover potential

home buyers and generate new home sales. It is expected that an increasing portion of the sales and marketing spending of real estate developers will be paid to such platform, according to the CIC Report.

### **Key Success Factors**

The following are key factors to a successful integrated housing transactions and services platform in China:

- *Scale and quality of agent and store network.* Agents and physical stores are fundamental to China's housing transactions and services market, playing a key role in helping brokerage service providers capture potential customers by serving as a gateway into local communities. It is important to build an extensive agent and store network across brokerage brands. The platform's strong and unique value propositions to agents and store not only increase their stickiness to the platform, but also empower them to meet housing customers' evolving needs and establish trust with customers. An extensive agent and store network with an effective and efficient collaboration mechanism allows the platform to maintain close relationships with both housing customers and other industry participants such as real estate developers and other home-related service providers.
- *Brand recognition and customer experience.* Given the high-value characteristic of housing transactions, brand recognition is a vital factor for housing customers to choose their brokerage service providers. Superior customer experience increases trust, word-of-mouth effect and cross-sell capabilities, which is crucial to grow the platform's customer base. More housing customers on the platform further enhances the platform's value to brokerage service providers and other industry participants.
- *Technology infrastructure and data capabilities.* The lack of an industry-wide infrastructure including authentic listing inventory is a fundamental challenge faced by China's housing transactions and services market. Extensive authentic property listing inventory can only be accomplished by a platform with strong offline presence and access to comprehensive property information. In addition, advanced technology and data analysis capabilities of the platform also enable agents and other service providers to scale their business.
- *Abundant service offerings and business opportunities.* Housing customers are increasingly looking beyond basic brokerage services. The markets for other home-related services such as home renovation and real estate financial solutions are expected to grow at a fast pace in the future. Also, in addition to the large customer base, value-added service offerings can bring more industry participants to the platform. The platform then enjoys a strong network effect that creates value, propels growth, and strengthens the trust and connections among customers, industry participants and the platform.

## BUSINESS

### Our Belief

We founded our company with the belief that we can transform the housing transactions and services industry in China by improving the quality and efficiency of service providers and enhancing customer experience. We remain excited and maintain a long-term view in pursuing our mission by leveraging our people, data insights, technology and platform.

### Our Vision

We aspire to provide comprehensive and trusted housing services to 300 million families.

### Overview

#### Who We Are

*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 consummate housing transactions, ranging from existing and new home sales, home rentals, to home renovation, real estate financial solutions, 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 2019, we generated a GTV of RMB2,128 billion (US\$300.5 billion), and facilitated over 2.2 million housing transactions on our platform, making us China's largest housing transactions and services platform, and the second largest commerce platform across all industries, according to the CIC Report. As of March 31, 2020, our platform had 252 real estate brokerage brands, over 38,000 community-centric stores and over 370,000 agents across 103 economically vibrant cities in China.

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 18 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 and practical solutions.

#### Challenges Facing Our Industry

According to the CIC Report, China's housing market reached RMB22.3 trillion in 2019 and is expected to grow to RMB30.7 trillion by 2024, at a CAGR of 6.6%. Despite the massive market size, the housing transactions and services industry has been struggling with low efficiency.

In China, it is common for a home seller to contact multiple brokerage stores and agents as there is no industry framework for exclusive engagement. On the other hand, a home buyer has to deal with a number of stores and agents in the decision making process. Without an assurance mechanism for their economic interests, brokerage stores and agents are unwilling to share information and resources. Over time, information isolation and vicious competition in customer acquisition become prevalent in the industry. In addition, the industry is short of professional agents with experiences and tenure due to the historical lack of respect for the housing brokerage profession. These challenges hinder service efficiency and lead to lack of trust from housing customers.

## Our Solutions — ACN and Beyond

We believe the key to solving these industry challenges lies in the ability to build an industry-wide infrastructure that fundamentally solves the underlying conflicts within the industry. To that end, we introduced Agent Cooperation Network, or ACN, as the operating system underpinning our infrastructure, to redefine relationships among industry participants. We believe that ACN, from its inception, is similar to the Multiple Listing Service, or MLS, in the United States. Through over 18 years of refinement and evolution under *Lianjia* and *Beike*, ACN has grown beyond MLS and enabled us to foster a culture of transparency, collaboration and shared success.

ACN has been transforming the housing transactions and services industry in China through the following three reinventions: (i) fostering information and resources sharing among service providers to demolish the walls among isolated information islands, (ii) assigning cooperative roles 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.

Leveraging ACN's principles, we have built our core competencies that level up the industry playfield:

- To effectively motivate agents to share information and resources, ACN redefines relationships among industry participants by promoting clearly-defined and role-specific collaborations. With effective governance mechanisms, agents respect and actively follow the rules in our ACN and timely post property listings on our platform without hesitation. ACN also prescribes various roles for agents in a housing transaction, which creates more opportunities for agents to participate in a transaction and earn allocated commission, increases transaction efficiency, shortens the lead conversion cycle and enhances agents retention.
- We have invested significant resources to build and enrich our "*Housing Dictionary*" containing authentic and unique property listings since 2008. Our *Housing Dictionary* covered approximately 220 million homes as of March 31, 2020 and was the most comprehensive residential housing database in China, according to the CIC Report.
- For over a decade, we spent tremendous efforts on implementing a series of digitalization and standardization efforts focused on data (including data for property, housing customers and agents), transaction process, and service quality.
- We are also committed to investing in agents and enhancing the service quality in this industry. *Lianjia* has made relentless efforts in recruiting agents with college education and implemented multiple service commitments for our customers.

As agents serving home buyers and sellers, or landlords and tenants, are connected through our ACN under same protocols and rules, these housing customers at different locations can be efficiently matched through collective efforts propelled by ACN. As our scale grows, we enjoy a network effect that improves efficiency, draws more participants to our ACN, and allows us to capture more transactions and greater opportunities for revenue growth. After pioneering a prototype ACN in Beijing and became the leading brand locally, *Lianjia* extended the power of ACN to Shanghai and other first and second tier cities in China and achieved leading positions in local markets.

Built on the success of our time-tested ACN, we horizontally extended the core competencies of *Lianjia* to *Beike* platform in April 2018 and there were 252 real estate brokerage brands, over 38,000 community-centric stores and over 370,000 agents on our platform across 103 economically vibrant cities in China as of March 31, 2020. Our efficiency, as calculated by GTV of existing home

transactions per store, was 1.6 times of the industry average in 2019, according to the CIC Report, and the efficiency of our connected brokerage stores were RMB20.3 million per store in the six months ended December 31, 2019, compared to RMB10.9 million per store in the same period in 2018. The rapid expansion of *Beike* platform has proven the scalability of our ACN and resulted in amplified network effect, as illustrated by our success in new home transactions. Leveraging our extensive community-centric store network, we are able to connect with more families and gain access to a large pool of housing customers, which allows us to act as a powerful sales channel for real estate developers and help them improve sell-through and cash cycle. At the same time, we share a substantial portion of commissions from real estate developers with brokerage brands and stores on our platform. Our exceptional value proposition to both ends increases their stickiness to our platform and makes us a partner of choice in the new home transaction market. Our GTV from new home transactions increased significantly from RMB280.8 billion in 2018 to RMB747.6 billion in 2019 while our GTV from existing home transactions grew from RMB821.9 billion in 2018 to RMB1,297 billion in 2019, demonstrating our ability to successfully expand service offerings through a self-reinforcing virtuous cycle.

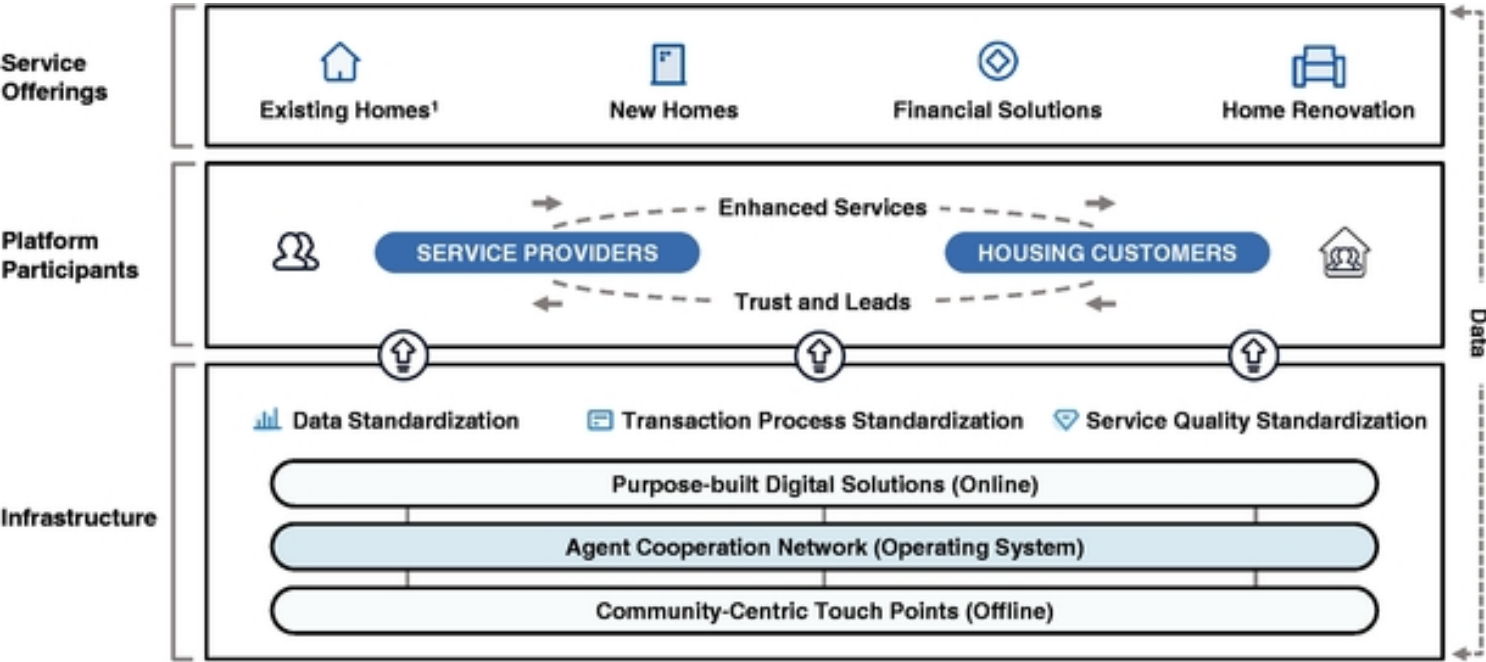
### ***Our Data Insights and Technology***

We believe our data insights and technology are our key edges. We collate and harness extensive amounts of unique data on our platform from our years of online and offline operations, which gives us unparalleled insight into the entire housing transactions and services value chains. We further utilize our vast data volume to run our proprietary algorithms to optimize products and solutions, guide efficient operations and develop local market insights for service providers on our platform. We also enhance customer experience and service efficiency through new technologies, such as virtual reality, artificial intelligence, big data and Internet-of-Things to create and develop real-life use cases and applications that benefit all platform participants. For example, we apply big data and artificial intelligence algorithms to analyze transactional and behavioral data to recommend quality listings that are more likely to be successfully sold, leading to more high-quality data collected that can further enhance our recommendation accuracy and fasten the transaction cycle. We also collect agent activity data and build various data models for agents to improve their lead conversion efficiency.

### ***Our Platform***

The diagram below illustrates the major components and synergistic benefits of our data-driven *Beike* platform.





<sup>1</sup> Existing homes include existing home sales and existing home rentals.

**Our Scale and Financial Performance**



(1) As of March 31, 2020.

(2) In terms of number and GTV of existing and new home sales in 2019, according to CIC Report.

(3) Average mobile monthly active users, or MAU, in the three months ended March 31, 2020.

We generate revenue mainly from fees and commissions in housing transactions and services. We have experienced substantial growth since the commencement of our operations, and our management team has a strong track record of executing our strategies. Our revenue increased by 60.6% from RMB28.6 billion in 2018 to RMB46.0 billion (US\$6.5 billion) in 2019.

## Market Opportunities

According to the CIC Report, China has the largest housing market in the world in terms of GTV and number of transactions of existing and new home sales and home rentals in 2019. After a period of significant growth, the market is expected to enter an era of steady growth. It is expected that the existing home transactions market will gain more importance and grow with a CAGR of 12.4%, from RMB8.4 trillion in 2019 to RMB15.1 trillion in 2024, according to the CIC Report. As the supply and demand in China's housing market become more balanced, it is expected that significant market opportunities for real estate brokerage services will be generated. The total home sales and rental GTV through real estate brokerage services in China is expected to grow from RMB10.5 trillion in 2019 to RMB19.1 trillion by 2024, representing a growing penetration rate of brokerage services from 47.1% in 2019 to 62.2% in 2024. The penetration rate of brokerage services for new home sales in China in terms of GTV is expected to increase from 25.5% in 2019 to 42.5% in 2024, as real estate developers increasingly turn to brokerage service providers to better target and convert customers, according to the CIC Report.

## Our Strengths

### ***Largest integrated online and offline platform for housing transactions and services***

We are China's largest housing transactions and services platform and second largest commerce platform across all industries, both in terms of GTV in 2019, according to the CIC Report. In 2019, our platform generated over 2.2 million housing transactions and our GTV reached RMB2,128 billion (US\$300.5 billion), representing a year-on-year growth of 84.5%.

We have built and operated the only integrated online and offline housing transactions and services platform at scale in China, according to the CIC Report. ACN, together with other modules in our infrastructure, collectively reconstruct and streamline complex housing transactions and services and seamlessly integrate our offline and online operations:

- **Offline.** There were over 38,000 community-centric stores and over 370,000 agents affiliated with these stores across 103 economically vibrant cities in China in our extensive offline network as of March 31, 2020. Our unparalleled know-hows and capabilities, developed through our success with *Lianjia*, have been transparently extended to support hundreds of selected brokerage brands joining our platform to help them grow and succeed. Our offline stores serve as an entry point for our customers to our platform as they are conveniently located within the communities and at the same time have become our competitive advantage in the industry.
- **Online.** Our platform is significantly complemented by our online operations that drive efficiency and engagement among participants through data insights and technology. It is designed to share knowledge, mobilize resources and allow agents to track, manage and complete the transaction process from online contract signing to title clearance and transfer. Our purpose-built technologies and operational expertise allow us to expand efficiently, while maintaining our unwavering commitment to service quality.

As a result, our extensive presence, both online and offline, brings us closer to housing customers and communities, allowing service providers on our platform to effectively hone deeper local market expertise, generate leads and win trust from customers. Our extensive store coverage allows our platform to amass housing information offline and gain local insights in customer needs and property features, providing solid basis for our data insights and technology to empower stores and agents. The connections between customers and agents through our online platform allow customers to quickly find the tangible touchpoints offline for speedy and efficient service delivery. The seamless integration of digitalized online operations and community-centric offline network

distinguishes our infrastructure in the industry. As a result, our market share for existing and new home sales and home rentals through brokerage services, in terms of GTV, in China increased from 11.5% in 2018 to 19.2% in 2019. We believe we are uniquely positioned to further grow our market share and create more monetization opportunities as we continue to unleash the power of our integrated online and offline operational capabilities and lead the evolution of China's housing transactions and services industry.

***Pioneer in developing industry infrastructure and promoting digitalization and standardization across data, transaction process and service quality***

Our infrastructure reshapes the landscape of China's housing transactions and services industry and we made it available to all industry participants along with our launch of *Beike* platform. This critical step in our business evolution was driven by our goal to maximize the efficiency and transparency of housing transactions and services industry for the benefit of all industry participants. In building this infrastructure, we endeavor to digitalize and standardize three key components, namely, data, transaction process and service quality, on our platform.

***Data***

We have digitalized and standardized both property data and qualifications of service providers to help housing customers make intelligent decisions. "Authentic property listings", an industry standard that we introduced and advocated in China first, manifests our commitment to eradicating low transaction efficiency and untrustworthy customer services in our industry resulting from information asymmetry related to false, duplicate or outdated property data. The "*Housing Dictionary*" that we built has made authentic property listings possible. This extensive and real-time database contained comprehensive information on approximately 220 million housing units as of March 31, 2020, the most comprehensive residential housing database in China, according to the CIC Report. As a result of years of substantial investment and efforts, our database provides multi-dimensional information with highest granularity in China to aid agents' operation and customers' decision making, according to the CIC Report. By building and maintaining the *Housing Dictionary*, we are able to quickly verify the authenticity of existing home listings posted and displayed on our platform. As of March 31, 2020, we had approximately 2.8 million authentic property listings for existing homes, the largest in the industry in China, according to the CIC Report.

We have invented a multi-factor agent evaluation framework called "*Beike score*", which quantifies agent's performance and service quality and is visible to platform participants to promote transparency. We are also quickly advancing our technological capabilities in artificial intelligence, virtual reality, or VR, and Internet-of-Things, and further enhancing the accessibility and richness of data available to platform participants.

***Transaction Process***

We have digitalized and standardized the transaction process through ACN, an operating system that not only fosters reciprocity and bonding among various service providers, but also enables them to enhance efficiency and service quality through collaborative efforts and commission allocation. In particular, ACN allows multiple agents to work on one transaction and receive commissions based on their roles and contributions, resulting in more frequent cross-store and cross-brand collaborations. We believe that we have effectively created a system that is comparable to the MLS in the United States and refined it with technology to target the unique market dynamics in China. Leveraging our in-depth understanding of our industry and insights in market trends, we have been constantly implementing new initiatives and protocols in ACN to optimize the transaction process.

In addition, we are also a pioneer in the industry to enhance transaction experience through migrating transaction steps and services online and promoting technological innovations such as personalized search, VR property showing, and real-time smart chat, a characteristic that has now become iconic to *Beike* and followed by our peers.

### *Service Quality*

Low operating efficiency and rapid turnover of personnel in the residential real estate industry make it challenging to retain agents with experience or local market expertise and cultivate professionalism. We tackle these industry pain points through motivating and empowering our agents to be more productive, so they are better rewarded in terms of career development, resulting in higher level of professionalism, self-esteem at work and service quality.

Leveraging our profound understanding of China's residential real estate market accumulated throughout our 18-year operation of *Lianjia*, we offer our SaaS systems and various other toolkits for store managers and agents to seamlessly follow our ACN and support their entire workflows. In addition, carefully designed platform governance mechanisms, along with bespoke training programs, are in place to incentivize store managers and agents to constantly enhance service quality, productivity and collaboration. The full supportive nature of our platform empowers store managers to build and manage larger teams of agents and increase operational efficiency at store level. As a result, our stores and agents consistently deliver outstanding performance in terms of productivity and service quality, and our platform has a higher agent retention rate within the industry.

To mitigate transaction risks and create a more secure transaction experience for housing customers, we roll out multiple commitments for transactions and services facilitated on our platform. Agents are encouraged to participate in these commitments, which are viewable from customer front end to promote high standard of service quality. Our endeavors have resulted in higher customer satisfaction rate among housing platforms in China, according to the CIC Survey.

We believe our infrastructure is instrumental to the shared success of our business and our industry. As we achieve higher digitalization and standardization across data, transaction process and service quality, we are able to mobilize resources and align interests among agents better and place them to more appropriate roles and responsibilities, and match listings more precisely for customers. As a result, we and the industry participants on our platform benefit from higher lead conversion, transaction efficiency and enhanced customer satisfaction.

### ***Brand of choice for industry participants***

Service quality is the foundation of our success and, guided by this principle, we aim to bring ultimate satisfaction to our housing customers, and growth and success to brokerage brands, stores and their affiliated agents on our platform. Over the past 18 years, our management built *Lianjia* from scratch to a household name synonymous with trust, integrity and experience. *Lianjia* has been recognized as "China's Famous Brand". Our profound understanding of China's residential real estate market and goodwill accumulated throughout our operation of *Lianjia* has led to the fast development of our *Beike* platform through a broad spectrum of service offerings made available by us and the service providers on our platform.

- *Goodwill among housing customers.* Housing transactions feature high average transaction value, and therefore invoke great emphasis on service quality and transparency. These attributes correlate with the strong preference of housing customers to work with brokerage brands with proven track record. As we gain trust from customers through existing and new home sales and home rentals, they often refer us to their families, friends and social contacts, or return to our platform when they have other home-related needs, be it home

renovation, real estate financial solutions or other services. To uphold our brand image and further enhance our service quality, we are constantly investing in people and upgrading our operating paradigm to deliver a consistent and satisfactory experience under *Beike*. Our endeavors have resulted in high customer satisfaction rate.

- *Validation from platform participants.* Our commitment to the true openness and vision to elevate the entire housing industry have also made *Beike* the partner of choice. Since the inception of *Beike*, we have successfully attracted a large number of recognizable real estate brokerage brands in the industry. We have established business relationships with leading real estate developers, including all of the top 100 developers in terms of contracted sales in 2019 in China according to the CIC Report. We generated a GTV of RMB747.6 billion for new home sales in the year ended December 31, 2019, making us China's largest new home sales platform in terms of revenue and GTV, according to the CIC Report.

### ***Proprietary technology platform built on powerful data insights and applications***

We have invested significantly in data insights and technology and made them our core competencies. The substantial volume of property listings and housing transactions, multi-layer agent-customer engagement through offline and online interfaces, as well as the broad participation of various parties on our platform, necessitate a reliable and scalable technology architecture.

We generate large amounts of unique data from our platform's day-to-day operation. This includes the multi-dimensional housing data, user behavioral data, transactional and pricing data as a result of our extensive platform scale and high transaction volume. We believe this gives us unparalleled insight into the entire housing transactions and services value chain, which could be further utilized to feed our proprietary algorithms to optimize products and solutions, guide the efficient operation of our offline network and enhance the local market insights of agents on our platform.

We aspire to lead the innovations in the new era of China's housing transactions and services industry by leveraging our data insights and technology. Therefore, we have been enhancing customer experience and platform efficiency through using new technology, such as virtual reality, artificial intelligence, big data and Internet-of-Things, to create and develop real-life use cases and applications and benefit all platform participants. For example,

- Our VR property showing function allows customers to visit properties remotely using advanced VR technology, achieving an immersive real-time experience with on-demand real-time agent interaction, therefore significantly enhancing decision-making efficiency and minimizing the costs of physical home tours. In 2019, we had approximately 420 million views of VR property showing and our housing customers have aggregately spent 23 million hours on VR property showing. We had on average approximately 205,000 VR property showings guided by agents per day in the three months ended March 31, 2020, compared to an average of approximately 4,800 such VR property showings per day in the three months ended March 31, 2019.
- Leveraging our proprietary technology, we have digitalized and standardized key work streams of our agents. Through our comprehensive SaaS systems, agents can post authentic property listings, interact with housing customers in real time, manage existing housing customers, cooperate with other agents through referrals and recommendations, browse for leads assigned or in the sharing pool, and access to visualized transaction process management.

- By introducing "*Beike's Pick*", we apply big data and artificial intelligence to analyze transactional and behavioral data to recommend quality listings that are more likely to be successfully sold, leading to higher quality data collected that can further enhance our recommendation accuracy and fasten the transaction cycle.
- By further developing financial solutions such as electronic wallets, knowledge graphs, and credit scoring, we are able to streamline services such as secure payment, escrow, mortgage facilitation services, title clearance and guarantee, bridge loans and other financial solutions to provide customers with the best in class financial services.

***Robust platform with significant network effects to serve the ecosystem***

Our platform brings us close to a variety of participants in our ecosystem and industry, including housing customers, brokerage brands and their affiliated store managers and agents, real estate developers, strategic partners such as Tencent and other service providers.

The rapid adoption of our platform has proven the compatibility of our infrastructure in empowering other brands and service providers. As we extend our reach to serve the entire industry, our platform has also attracted additional industry participants to leverage *Beike's* infrastructure to improve their own businesses, service quality and efficiency, such as real estate developers and financial institutions. As more service providers and industry participants are drawn to our platform, ACN enables them to collaborate for better service quality and higher efficiency, which in turn improve customer experience, enhance our brand and attract more customers in a self-reinforcing virtuous cycle. While we aim to foster the shared success and growth of our industry players, they collectively contribute to the network effects of our own scaling platform.

Our success with new home sales is a compelling example. Leveraging our established infrastructure and trust with housing customers, we are able to act as a powerful sales channel for real estate projects. We have established business relationships with leading real estate developers, including all of the top 100 developers in China in terms of contracted sales in 2019 according to the CIC Report. As of December 31, 2018 and 2019, we had 3,486 and 7,769 new home projects on sale on our platform, respectively, representing approximately 9% and 22% of the total new home projects on sale in China at the time, respectively, according to the CIC Report. Our revenue from new home sales grew rapidly from RMB7.5 billion in 2018 to RMB20.3 billion in 2019 and grew from RMB2.0 billion in the three months ended March 31, 2019 to RMB3.5 billion (US\$0.5 billion) in the three months ended March 31, 2020, demonstrating our exceptional value proposition to real estate developers and our ability to successfully expand service offerings on the platform. As we further digitalize and standardize data, transaction process and service quality, we believe we can reconstruct the value chain and transform the way real estate developers discover and interact with home buyers. Expansion of monetization avenues in this nature testifies our ability to scale our platform and infrastructure to reach more growth areas in the residential real estate industry efficiently and effectively.

***Visionary management team with proven track record of innovations and execution***

Self-driven transformation is our core DNA.

Led by our visionary founder and chairman Mr. ZUO Hui, we have transformed into a data-driven open platform and have gained a tremendous amount of industry and operational know-hows through 18 years of execution excellence. Mr. Zuo is the leader in our innovation and self-transformation efforts. In his chairman capacity, Mr. Zuo has 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.

Our senior management team has been with us for an average of more than ten years. Key members of our management team include Messieurs. PENG Yongdong, our executive director and chief executive officer who co-founded *Beike* with Mr. Zuo, SHAN Yigang, our executive director, XU Tao, our executive director and chief financial officer, XU Wangang, our executive director and co-chief operating officer, and WANG Yongqun, co-chief operating officer. Many of them have gone through rotations among different managerial roles and functions within our company and developed a holistic and deep understanding of our business and share our core values. In addition, substantially all of our regional captains are home grown and have local expertise and knowledge that are central to our success.

## **Our Strategies**

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

### ***Continue to develop our infrastructure to enhance efficiency and customer experience***

We intend to implement this strategy in the following directions:

#### ***Further expand our platform coverage***

We will continue to connect more brokerage brands and their affiliated stores and agents on our platform, strategically expanding our store network in new markets. We aim to continue to leverage the extensive reach of our platform to drive up volumes of cross-brand and cross-store home tours and transactions. We believe that a deeper penetration of our platform, more active participation from agents and brokerage brands, and the increasing number of property listings will add to the network effect that makes our platform more efficient and versatile in serving broader needs.

Consistent with our past practice, refined operational know-hows, standards, and management programs from *Lianjia* will be further rolled out across our platform and shared with other brands and stores on our platform for the benefit of all agents and participants.

#### ***Deepen our penetration***

We intend to further penetrate in our existing markets, especially in the upcoming major cities where we already have a strong foothold. Regional or local incumbent players joining the platform are excited to share the industry know-hows, platform standards and protocols and technology available on *Beike* platform that increase the efficiency of platform participants. With the assistance of our infrastructure and data insights, we aim to help brokerage stores and agents joining our platform to further build local market expertise and relationship with the designated community they are responsible for. With our financial solutions, we are able to help stores to provide title clearance, escrow, and other financial solutions in an integrated end-to-end customer experience.

#### ***Continue to invest in our technology and enhance our data insights***

We will continue to invest in data insights and technology that empower our one-stop services to platform participants, and to make housing transactions fundamentally more efficient. We will further upgrade the proprietary technology that we developed, including adding more useful features to, and improving the functionalities of, existing applications for customers and agents, enhancing our algorithms for applications such as smart chat and VR property showing. We plan to further extend the breadth of our data analytics efforts and deepen our data insights. Through improved analytic capabilities, including AI and big data algorithms, we will be able to enhance our operations through improved matching accuracies, more robust listing authenticity verification and



recommendation, better user interface, targeted marketing, and more tailored and secure financial services.

#### ***Further enhance our service quality and invest in talents***

While we enlarge our scale and broaden our service offerings, we will also relentlessly solidify our *Beike* brand by continuing to enhance service quality. With customers' needs on transaction security and efficiency and service reliability in mind, we will continue to improve our platform infrastructure to enhance customer experience. We intend to continue to assess and enhance our ACN to make sure that the transactions on our platform are done in the most efficient way. We also target to continue to promote authentic property listings and stick to our service standards and commitment to our customers.

We will keep recruiting and retaining the top-talent agents and provide continuous training programs to ensure consistently high-quality service. We will continue to invest in our career development and training system for the agents on our platform and further implement related initiatives such as operating the brokerage academies and providing online training courses.

#### ***Expand service offerings***

We endeavor to provide one-stop solutions that address customers' demand along the home ownership lifecycle. To this end, we are increasing product and service offerings available on our platform by leveraging our infrastructure and standards.

For example, by cooperating with more real estate developers, we are including more new home projects on our platform. We are also constantly replenishing our authentic property listings inventory for existing homes. We are broadening our product categories and have rolled out pilot programs in Beijing and other cities to test our home renovation services. Aside from housing customers, we care about the needs of our agents and store managers and have been providing supply chain finance products and credit loans catered to their needs. We will further optimize the products to appeal to more agents and store managers.

#### ***Selectively pursue strategic investments and acquisitions***

We made strategic acquisitions of real estate brokerage brands in Shanghai, Chengdu and Shenzhen in the past as part of our long-term strategy to selectively pursue acquisition and consolidation opportunities. We intend to explore acquisitions that would allow us to extend our market leadership position. We also intend to focus on alliances, investments and acquisitions that can attract new participants to our platform and broaden our service offerings. In addition, we plan to continue to invest in companies that are complementary to our platform business that can improve overall transaction efficiency.

#### **Our Path of Evolution**

Driven by our mission and vision, we have gone through the following evolutionary paths in our business:

- 2001 to 2009: *Lianjia* grew into the largest real estate brokerage brand in Beijing according to the CIC Report, which enabled us to accumulate unparalleled know-hows and valuable human capital.
- 2010 to 2014: With the launch of *Lianjia Online* and *Lianjia.com*, we became a leading real estate brokerage brand with integrated online and offline operations.
- 2015 to 2018: We expanded nationwide to 29 cities in China.

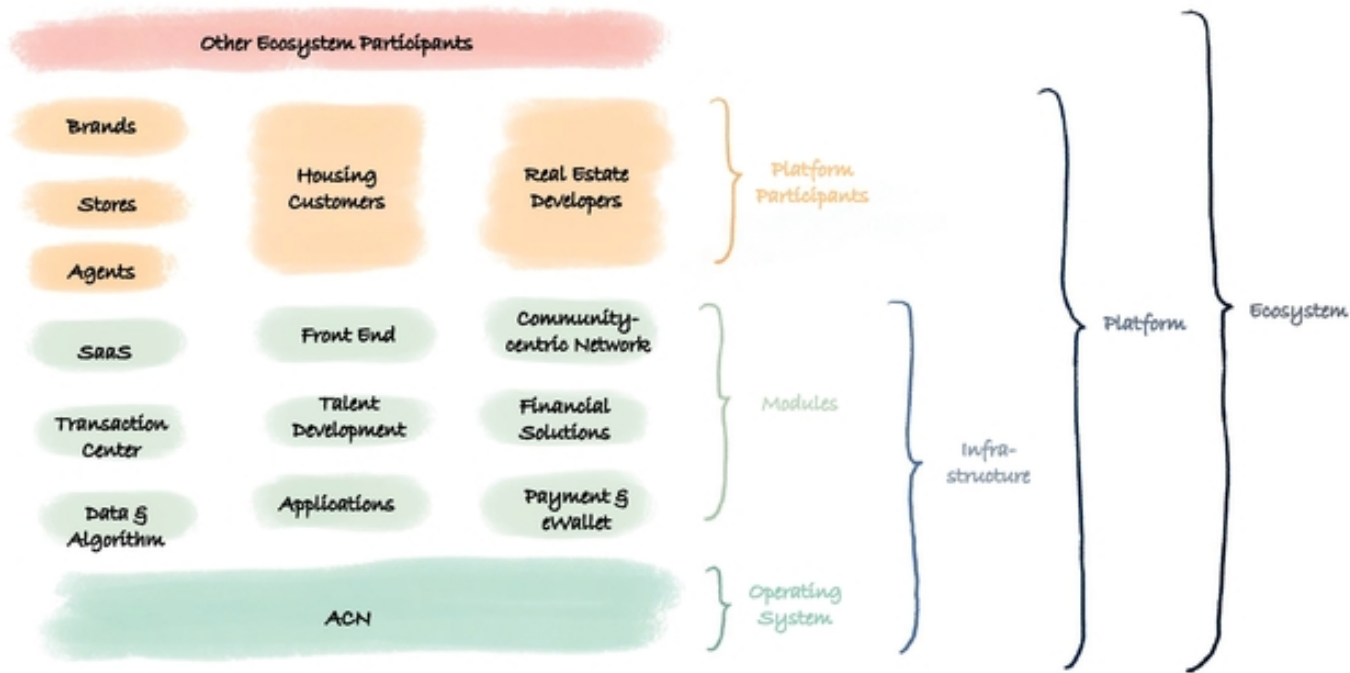
- April 2018 to present: We launched and expanded our *Beike* platform to cover the broad residential real estate ecosystem and provide information, services and solutions to our platform participants.

## Our Platform

We launched our *Beike* platform in 2018. Today, *Beike* is the leading integrated online and offline platform for housing transactions and services. In 2019, we generated a GTV of RMB2,128 billion (US\$300.5 billion), and facilitated over 2.2 million housing transactions on our platform, making us China's largest housing transactions and services platform, and the second largest commerce platform across all industries, according to the CIC Report.

We are a pioneer in building the industry infrastructure and standards in China to reinvent how service providers and housing customers efficiently navigate and consummate housing transactions, ranging from existing and new home sales, home rentals, to home renovation, real estate financial solutions, and other 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, data 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, data, 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 residential real estate 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 and financial institutions to benefit from our data insights and technology as well as 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 platform 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 store network, data insights and technology applications, financial services, training and recruiting programs and transaction service centers.

Our service offerings to platform 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 and financial services that include secure payment, escrow, mortgage facilitation services, title clearance and guarantee, bridge loans and other financial solutions; and (3) home renovation services such as interior designer referrals and home finishing and furnishing jobs. 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 three 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, data insights and technology, training and recruiting, signing-to-closing service, among other things; (2) branding services, which allow small brokerage stores to join reputable brokerage brands and benefit from better quality control and lead conversion, and (3) financial services such as business loans to help in the day-to-day management of the businesses.
- *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 stores in collaboration with *Lianjia* agents to complete transactions, (ii) from 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 home-related services, such as financial services and home renovation-related 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.

### **Our Value Propositions to Platform and Ecosystem Participants**

Through our platform, we bring values to housing customers, agents, real estate brokerage brands and store managers, real estate developers and many other parties that are united by our platform.

#### ***Value Proposition to Housing Customers***

- *Integrated online and offline access to largest authentic property listing inventory.* We offer housing customers the largest authentic property listing inventory in China with detailed and real-time data on property information, floor plan and visual presentation, and neighborhood information.
- *Trusted professional services setting industry standards.* Our housing customers are served by a growing pool of over 370,000 agents as of March 31, 2020 who are trained to possess high professional qualifications and empowered by our infrastructure and its various modules. We also use artificial intelligence and data analytics to recommend suitable agents based on customers' needs.

- *Transparent and informed decision-making process.* Our rich housing transaction know-hows and standardized transaction service help housing customers make informed decisions and navigate around common pitfalls in housing transactions.
- *Convenient and secure transaction experience.* We offer convenient online services to our customers leveraging multiple online access points and also allow them to enter our platform through extensive offline store network. We also digitalized many transaction steps to achieve convenient, secure and cost-effective transaction experience.
- *Seamless signing to closing services.* We offer clearance and custodian solutions including secured payment, escrow, mortgage services, title clearance and guarantee facilitation services, bridge loans and other financial solutions.

#### **Value Proposition to Agents**

- *Effective customer matching and information sharing.* We help agents enhance their performance with lead referrals and customer matching services, and provide them with access to the largest authentic property listing inventory in China. Thanks to cross-brand and cross-store collaborations, an agent has access to and can sell listings posted or managed by other agents on our platform, making customer matching more efficient, resulting in more transactions and shorter transaction cycles on the platform.
- *Technology solutions to enhance operational efficiency.* Our data-driven platform allows agents to conduct and track transaction steps online and target customer needs with precision, and provides advanced solutions and products such as customer and lead recommendation, smart chat and VR property showing to increase transaction efficiency for the agents.
- *Collaboration among agents.* We actively promote and encourage cross-brand and cross-store collaborations among agents throughout the transaction stages. Each transaction generally involves multiple agents, each performing a clearly defined role with pre-allocated commissions, creating more opportunities for the agents to facilitate transactions and resulting in more stable income streams.
- *Abundant training and development opportunities.* We share our accumulated operational know-hows and industry insights with agents on our platform to build their professional skills and capabilities through online training courses and offline training camps.

#### **Value Proposition to Real Estate Brokerage Brands and Store Owners**

- *Abundant resources and solutions for business growth.* We offer data insights based on advanced AI and data analytic algorithms that allow brokerage brand owners and store managers to better understand their business operations. We also provide access to our largest authentic property listing inventory in China and customer leads and significantly broaden their business opportunities. Brokerage brands and store managers can also benefit from operational and managerial know-hows we have accumulated from the operation of *Lianjia*, thereby building a larger and more productive team of agents. We also provide account management solutions for brokerage brands and store managers to track their billing and earnings using our self-developed SaaS systems.
- *Other value-added services to enable better customer services.* We offer training programs for agents to enhance their service quality so that other brokerage brands can benefit from customer service skills we have accumulated from the operation of *Lianjia*. To further alleviate the operational burden for brokerage brands and store managers, we have also

established one-stop transaction service centers that allow agents to complete cumbersome post-signing procedures for housing customers to deliver smooth transaction experience.

- *Revenue source diversification and cash cycle management.* Small brokerage brands and stores normally do not have access to new home projects. Even when they do, they generally have relatively low bargaining power with real estate developers, resulting in prolonged cash cycles and poor liquidity. Our *Beike* platform effectively collaborates with real estate developers and provides brokerage brands and store managers with access to high-quality new home projects, which can boost the revenues of brokerage brands and stores and shorten their cash cycle.

#### **Value Propositions to Real Estate Developers**

- *Effective marketing channels to shorten sales cycle.* We offer real estate developers access to our extensive and high-quality agent base across brokerage brands and stores. We also provide advanced technologies such as VR property showing which brings home tours at customers' fingertips to efficiently promote new home projects.
- *Precise matching of housing customers.* Empowered by artificial intelligence, we deploy agents with relevant expertise that suits the attributes of property listings and the needs of housing customers to achieve optimized sales results. This technology also brings more leads to the developers.

#### **Value Propositions to Other Participants**

- *Quality referrals.* Leveraging our access to our broad customer base, we provide referrals of quality customers to other industry participants such as rental companies.
- *Effective customer acquisition.* Leveraging our close relationship with our housing customers, we are able to effectively bring customers to other home-related businesses, such as home renovation and real estate financial solutions.

#### **Agent Cooperation Network (ACN)**

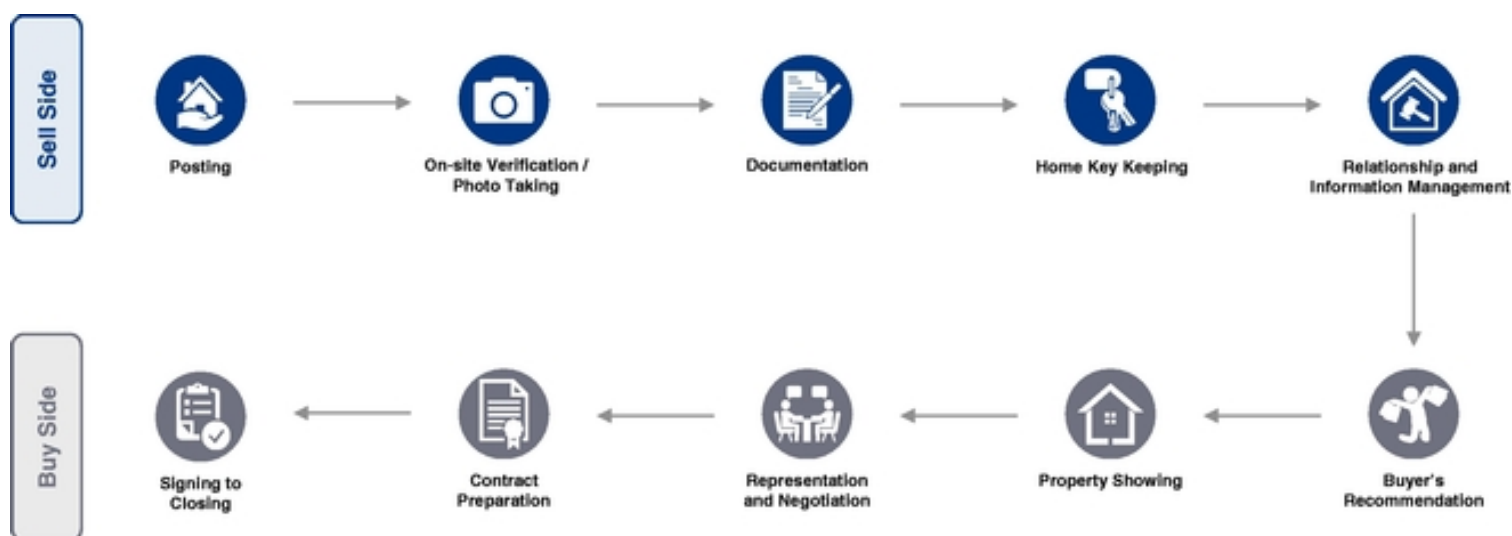
At the core of our infrastructure is ACN, an operating system that not only fosters reciprocity and bonding among various service providers, but also enables them to enhance service efficiency and customer experience through collaborative efforts and commission allocation. We designed our ACN to radically solve the underlying challenges faced by our industry. It serves as the operating system on *Beike* platform that consists rules and protocols 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 residential real estate market and goodwill accumulated throughout our 18-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 2019, over 70% of the existing home transactions completed on our platform involve cross-store cooperation following our ACN.

The graph below illustrates the transaction flow in ACN:



For example, a home seller can be served by a group of agents, each performing different roles including posting, relationship and information management, documentation, field work, and key keeping. The agent filling a role for the home seller may share a portion of the commissions with the percentages specified under ACN rules. To post a new listing, the agent needs to fill in information such as whether it is for sale or for rent, the detailed address, floor plan, floor area, and target price, as well as information relating to the homeowner. The agent who posts the listing into the SaaS systems becomes the posting agent of this property. The information required to post a new listing is relatively preliminary and a managing agent is required to further enrich the property listing by supplementing and updating information related to the property and its owner. Among other things, this includes the preferred timeslots for property showing, price range and tax limitation, mortgage and title, description from the homeowner, facilities and other features of the property. The posting agent may refer the property listing to other agents for relationship and information management. In addition, a document agent needs to procure the deed and other certificates of the property and documentations of the homeowner and upload them into the system. Photographers may be booked through our SaaS systems to visit the property and collect visual data in forms of picture, video and virtual reality, and the agent who uploads the visual data into the system becomes the field agent. Based on the location and nature of the property, an agent, who works in a real estate brokerage store with relationship and information management rights to such property, will be appointed to keep and manage the key to the property.

Our ACN encourages connection and collective work in conducting housing transactions by agents from both buy side and sell side on our platform. A home buyer's initiating agent can choose to cooperate with other buy-side agents who have more relevant transaction expertise or resources, and share commissions with the agent who closes the transaction. Agents may specify the commission allocation ratio upfront or share the commission based on the pre-agreed allocation ratio automatically, via our financial services.

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



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

Platform Governance Mechanisms

We implement detailed rules to incentivize agents to follow our ACN and stick to the high standards of professionalism in service delivery, and offer them privileged access if they perform well. We have implemented the following platform governance mechanisms to encourage compliance with our ACN:

- Beike score.* We have established *Beike score* indicating the agent's performance and service quality to encourage more proactive cooperation and behaviors on our platform. A comprehensive multi-factor evaluation system is implemented to derive the *Beike score*, with attributes of agents such as professional qualifications, customer complaints, customer conversion rates and records of collaborative teamwork with other agents among these factors. Agents with higher *Beike score* can enjoy certain privileges, such as higher exposure to property listings, customized agent profile featured on customer front end, access to offline training camps and coupons for our online courses. Housing customers can view agents' *Beike score* on customer front end.



- Beike coins.* An agent on our platform has *Beike coins* which can be earned in many ways including through various promotional events to encourage compliance with ACN. With *Beike coins*, agents may purchase utilities relating to their brokerage job and agent display spots of their responsible property listings on our customer front end to increase their exposure, bring more leads from *Beike* customer front end, and enhance transaction probabilities.



- *Credit points.* We have established a credit point system to encourage honest cooperation and fair competition on our platform. Agents begin to maintain their own credit points once they join our platform and there will be credit point deduction for ACN rule violations and inappropriate actions. Depending on the accumulated credit point deduction, the agent may be alerted, or restricted or barred from accessing our platform for a specific time period.

### **Store Qualification and Ranking System**

The conduct of real estate brokerage stores may affect the reputation of *Beike* platform and our business in general. As such, we have established standards and procedures for brokerage stores joining our platform. For example, in addition to compliance with basic regulatory requirements to which they are subject, stores are also required to maintain a minimum number of agents and we adjust this threshold based on the location of the stores. We believe that stores maintaining sufficient qualified agents tend to be more productive and efficient statistically in providing customer service.

We rolled out a ranking system to reward high-performing brokerage stores on our platform. Through the ranking system, we believe that stores are more incentivized to engage in our platform and follow our standardized transaction procedures, thereby increasing efficiency and promoting collaborations across stores and brands.

### **Authentic Property Listings**

We believe that authentic property listing is the foundation of agent cooperation as effective collaboration among agents require valid and reliable listing information. Authentic property listing encourages information transparency and trust from housing customers, increases agents' operating efficiency, enhances transaction experience, and strengthens our brand image.

An authentic property listing on our platform should meet the following requirements:

- *Truly existing.* The property should truly exist in our *Housing Dictionary* and meet various verification requirements on our platform.
- *Truly available for sale or for rent.* The owner's intention is either proved by a valid agency agreement which clearly specifies the scope of agency services, or verified through online and offline communication with the owner.
- *Verified address and property related data.* The property address of the listing should be the true physical and title address. The agents should make sure that floor area, transfer right, ownership and floor plan are accurate for property. The pictures and VR data should be real and taken on-site.
- *Authentic price.* The owner should have confirmed and agreed with the most updated price on the platform, and the owner can adjust the price.

We monitor and verify the authenticity of property listings on our platform and timely update or delete unqualified listings through customer callback, physical visits and big data analysis. When an agent is posting a new property listing in our SaaS systems, information of the listing is checked against *Housing Dictionary* to ensure authenticity of the listing. Floor plan and other visual and environmental data can be automatically populated in the listing based on the data in *Housing Dictionary* to enhance the quality of the listing. We strive to maintain the authenticity and accuracy of our property listings through strict enforcement of authentic property listing rules, under which agents who are found to have posted fraudulent information could be fined or penalized through our credit point system.

We believe that we have a leading authenticity rate for our property listing inventory in the industry and will continue to devote sufficient resources to fortify this key strength of ours. See "Risk Factors — Risks Related to Our Business and Industry — If our platform is unable to continue to offer comprehensive authentic property listings, our business, financial condition and results of operations could be materially and adversely affected."

## Modules in Our Infrastructure

Based on our ACN, we have been constantly innovating and building various modules to supplement our infrastructure that serves participants on our platform, such as agents, brokerage stores and brands, housing customers, and real estate developers. Examples of modules include SaaS systems for agents and store managers, *Beike* front end for housing customers, data insights and applications as the foundation of our platform, virtual reality technology that benefits agents, housing customers and real estate developers, community-centric store 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 home-related services offered on our platform.

## SaaS Systems

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.

## Smart Property Listing

We have established the mechanism of collecting property data on our platform and agents are also encouraged to update the listing in a timely manner. Our system automatically compares the property listing information with existing data in our *Housing Dictionary* to spot inconsistency, and alerts the posting agent if the price is unreasonable according to local property pricing policies and guidance, if any. With the enormous and organized housing data stored in our *Housing Dictionary*, information such as neighborhood maps and pictures, floor plans and adjacent facilities may be automatically populated to provide complete and consistent introduction of properties in the same neighborhood.

We implement a verification procedure in our SaaS systems to ensure the reliability and authenticity of any new listing information. In addition to cross-verification with *Housing Dictionary*, our SaaS systems also arrange automatic call-backs and short messages to confirm with owners regarding the listings. A property listing will be visible in our SaaS systems and on *Beike* customer front end after it is verified, normally within 24 hours of posting. Once the property listing is visible, agents on our platform may start to introduce the listing to their customers and initiate dialogues for potential transactions.

### *Efficient Lead Recommendation and Referrals*

We aim to provide high-quality customer services and our SaaS systems track agents' interaction with customers to ensure timely communication. In general, a housing customer initially engaged by a particular agent is visible to that agent and his or her store manager. However, if the agent fails to follow up, the customer will become visible in the "sharing pool" where other agents in the same store can proactively take ownership. The store manager may also assign customers in the sharing pool to a particular agent in the store.

Agents can always actively seek for new leads of housing customers in our SaaS systems, including browsing the sharing pool and engaging with platform assigned customers. Agents may initiate contacts with customers in the sharing pool using a system-generated phone number to protect customer privacy, subject to anti-spam rules to limit interaction frequency with a particular customer. When a customer provides contact information on *Beike* front end, including *ke.com* website, *Beike* app and *Beike* Weixin mini program, and/or through an instant message system, customer service hotline or other online interfaces, our platform will automatically assign the customer to an agent. The assignment is based on the neighborhood ranking that takes into account agent's transaction history, lead conversion and home tours in the neighborhood. The selected agent will be informed through the instant message system, and the agent is required to respond to the customer within 24 hours. The incoming customer is initially visible to the assigned agent as a private customer lead and will subsequently fall into the sharing pool if the customer is not timely contacted.

### *Cooperative and Intelligent Customer Relationship Management*

Agents can manage housing customer information through our SaaS systems and initiate cooperation with other agents to maximize the possibility of a successful transaction. An agent may record a housing customer by filling in information such as name, phone number, source of customer, customer's demand and degree of interest. Through our SaaS systems, agents may conveniently search for customers visible to them using filtering and ranking functions. In addition, our SaaS systems will also tag certain customers as "high potential" based on intelligent analysis on customers' browsing and searching behavior on our platform so that agents can efficiently prioritize.

Agents may review follow-up interactions with a customer, including the customer's feedback and home tours history. Customer's online browsing and following actions are automatically logged from *Beike* customer front end into the SaaS systems through phone number matching, subject to the acceptance of our data privacy policies by such customer. Preferences and queries of the customers will be recorded for reference during agents' follow-ups. Through the mobile application of the SaaS systems, agents may also communicate with housing customers using an instant message system.

We deploy technology to effectively interact with the customers and maximize lead conversion. For example, our SaaS systems contribute to customer conversion through compiling recommended property listings ranked by big data analytics for the agents to present to customers. We also use algorithms to detect fraudulent home tour record input by agents to ensure honest performance. We now support virtual reality property showing where the agent can directly communicate with the customer in virtual reality domain and introduce the listing using the mobile application of our SaaS systems.

### *Standardized Transaction Procedures*

One aspect of our efforts to digitalize and standardize housing transaction process is reflected in the transaction facilitation functions of our SaaS systems. For example, we provide template

contracts for home sales, home rentals, deposit and other related activities. Agents may easily prepare contracts in our system by choosing the type of contract and relevant property listing. Information related to the property will be automatically populated in the draft contracts. Our system will also alert the agents if any fee or commission in the contract exceeds the range specified in local rules and ordinances. The draft contract then needs to be reviewed by the store manager and a legal professional on duty before the agent can arrange signing. After the customer signs the contract, the agent will upload the contract into the system for record.

We also offer a visualized transaction management system that allows agents to track, manage and complete the transaction process from online contract signing, payment, escrow, mortgage, to title clearance, transfer and pledge. Once the transaction is completed and after the confirmation of the store manager, commissions may be distributed according to the agents' roles in the transaction automatically.

#### *Insightful Operation Statistics for Store Managers*

We aim to increase efficiency of the housing transactions and services industry through promoting efficient operation management by store managers on our platform. Through our SaaS systems, store managers can easily access summary operating data including instant message response rate, customer service hotline taking and responding rate, conversion rate at various steps from posting to contract signing, and statistics on revenues and commissions. Our SaaS systems also allow store managers to review and manage transaction and administrative records. Store managers can examine property listing details and customer engagement records maintained by agents.

To promote a reliable and cooperative system, stores have their own credit points based on the credit points of their agents. The store managers can review their agent's credit points and the activities triggering the change of credit points. Credit point is one factor for determining the ranking of the store, which may result in limitations or rights on our platform. We believe that the incentive system on store level allows store managers to foster the sustainable and healthy development of a store and its agents.

#### ***Beike Customer Front End***

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

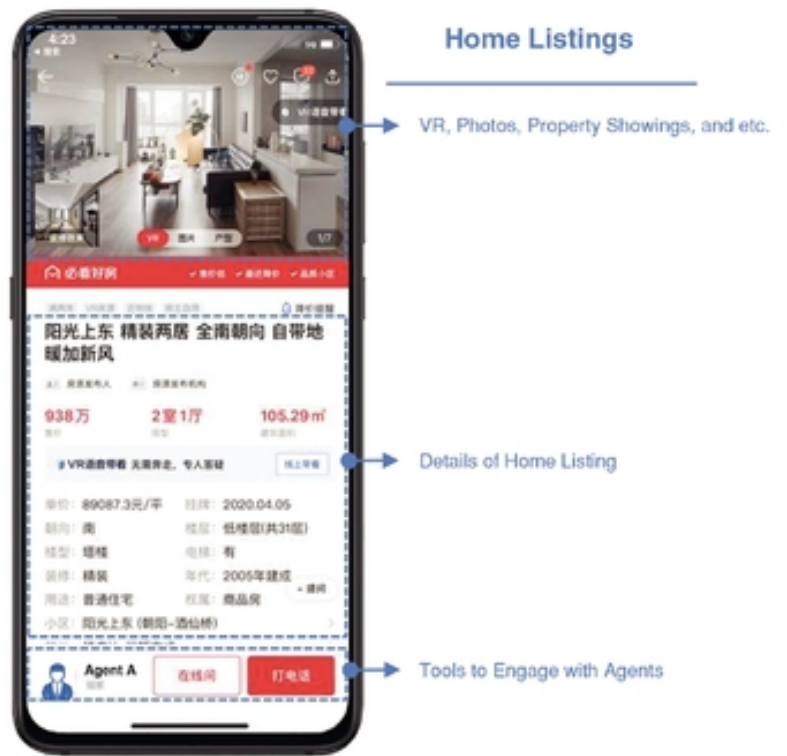
#### *Rich and Personalized Property Listing Display*

We believe that the authentic and extensive property listings on our platform form the foundation for high-quality customer services and successful transactions. Housing customers can easily access abundant existing and new home listings and rental listings through our *ke.com* website, *Beike* app, 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, agents' comments 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 data extracted from *Housing Dictionary*, such as transportation,

education, healthcare and entertainment resources and other services, so that housing customers can take these into consideration.

The screenshots below demonstrate the interfaces for property listings and agent recommendation as seen from *Beike* app:





We believe that providing information specific to local conditions and customers' personal preferences is a key element in our customer front end's ability to attract housing customers. Our customers can see lists of recommended existing and new home listings, as well as rental listings, on the home page of customer front end generated by our data analytical algorithms based on customers' past behavioral patterns. Moreover, under individual listings we also recommend to the

customers other related listings based on similarity in terms of location, price and floor plan and behavioral pattern of other customers who have viewed the same listing.

#### *Instant Interactions with Reliable Agents*

We believe that detailed professional profiles of agents promote transparency in the housing transactions and services market and promote trust on our platform. We display information of agents under property listings and customers may initiate inquiries through instant messaging or phone calls with one click. We have built individual profiles for agents so that customers can view the agents' names and titles, employment history, transaction records, awards, and ratings and reviews from past customers. In addition, we display *Beike* score of the agents and percentile on our platform, which generally represents service quality of the agents.

Capitalizing on the large agent base on our platform, we are able to serve housing customers in a timely and efficient manner. Customer hotline and instant messaging system are available on various interfaces on *Beike* customer front end to allow instant on-demand connection. Housing customers can directly authorize agents on our platform to find desirable homes on the home page of *Beike* customer front end. Customers need to input basic information and demand. Our platform will then automatically assign an agent to contact the customer and address his or her needs. In addition, homeowners may also input basic information relating to their properties for sale or rent and our agents will generally initiate contact within 30 minutes during working hours to serve their needs.

#### *Comprehensive Knowledge Base*

We have designed an interactive knowledge base on existing home sales process including buyer qualification, signing, payment procedures, escrow, mortgage, tax, title clearance, fund release, potential risks and other transaction matters. We have also developed calculators covering several transaction scenarios such as mortgage, home changing, inheritance and advance payment that are available on our *Beike* customer front end.

In addition, to foster a welcoming and informational community on our platform, we have invited many real estate media content providers to regularly publish opinions and market news covering a substantial number of housing transaction aspects. Customers may browse recommended content on *Beike* customer front end or choose to follow certain publishers.

#### ***Our Community-centric Store 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 stores serve as convenient access points for local walk-in housing customers and as tangible offline touchpoints of our platform.

Our extensive store 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 store 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 home-related services, such as home renovation, real estate financial service and community 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 on our platform through offline trainings and online courses.

#### ***Offline Training System***

We have established a comprehensive offline training system designed to improve the operational efficiency of the agents on our platform. We offer various types of regular trainings to our agents, including: (i) a mandatory three-day entrance training for agents and store managers joining our platform; (ii) regular promotional training that introduces advanced professional and management skills for agents entering higher levels in our ranking system; and (iii) customized training camps in which seminars are conducted and case studies are discussed and explained. We have been putting great efforts into training programs for new entrants. For example, new *Lianjia* agents in Shanghai are required to participate in a 30-day full-time training camp.

***Huaqiao Academy.*** To further develop talents in senior positions and promote professionalism of real estate brokerage store owners, we opened Huaqiao Academy, an advanced career development academy providing professional brokerage certificates for store owners and senior management teams in real estate brokerage brands, in Kunshan, Jiangsu in 2019. The curriculum offered at Huaqiao Academy focuses on comprehensive skill-sets related to real estate brokerage such as finance, negotiation and management. Graduates of Huaqiao Academy will receive our platform certification.

***Beike Erudite Exam.*** To assess competency, promote professionalism and ensure service quality, we host Beike Erudite Exam on *Beike* platform for agents on our platform to participate. We provide abundant resources for agents to gain knowledge and develop professional skills required to pass the exam. Agents excelling in the exam are awarded with *Beike* score.

#### ***Online Open Courses and Beike Agent Academy***

In addition to offline training programs, we offer online training courses to agents on our platform through our *Beike* Agent Academy mobile app. As of March 31, 2020, *Beike* Agent Academy provided agents with access to more than 3,800 online audio/video courses ranging from customer acquisition and management, interpersonal skills, to technology and management skills. Besides the 24/7 access to online open courses, agents can watch live streaming provided by experienced agents and managers through which they can instantly interact with the instructors.



### *Other Supports*

Leveraging our industry understanding and know-hows we have accumulated for years, we are able to assist stores on our platform with agent recruiting. We also support the agents to grow their business by organizing promotional events, enabling them to serve the communities, enlarge their customer base, and deepen their cooperation with other agents.

### ***Signing-to-closing Support and Financial Services***

Through collaboration between our online and offline transaction centers and Beike Financial, our financial services business unit, we offer comprehensive signing-to-closing transaction support and financial services to our housing customers. These services include secure payment, escrow, mortgage services, title clearance and guarantee, bridge loans and other financial solutions in various scenarios.

### *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 N-Trading System, or the NTS, a 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 83 cities in China as of December 31, 2019, where we 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 system 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. As of December 31, 2019, *eHomePay* was the only real estate payment platform with a valid license granted by the People's Bank of China, according to the CIC Report.

#### *Mortgage Facilitation Services*

To further enhance the efficiency of our transaction service centers, we have developed in-depth cooperation with banks and other financial institutions as part of our financial services to facilitate mortgage application processes. Our NTS system connects directly with reputable banks and helps our customers apply for mortgage online. Our customers receive optimal user experience and qualified applicants may receive disbursements on the same day they complete the application.

Mortgage facilitation services enable our loan service professionals to advise agents in advance, which allows agents to more easily match the appropriate property for their buyers. We also provide bridge loans to smooth the transactions to ensure timely settlement and contract closure.

#### *Title Clearance Services*

We help clear titles for home sellers on our platform via credit risk analysis and other financial solutions. Services such as guaranteed payments, bridge loans and title insurance can be provided alone or in combination to complete title clearance and settle the transaction. In these services, we leverage our collaborative relationship with financial institutions and connect the home sellers to banks or other financial institutions to facilitate application for loans backed by the proceeds from the transaction. In addition, we often provide guarantees to facilitate transactions if home sellers expect to receive an advance payment from the buyer to clear the mortgages. The financial guarantee companies under Beike Financial would perform guarantee services to facilitate these transactions.

#### *Additional Financial Services*

We also refer various qualified consumer financing products from our financial partners to our customers to finance the expenses after housing transactions, such as home renovation loans and rental installment services.

#### **Other Modules**

The modules in our infrastructure also include our data insights and applications, as well as virtual reality and other technologies. See "— Data Insights and AI Applications" and "— Our Technology — RealSee Virtual Reality (VR)".

#### **Housing Customers on Our Platform**

We endeavor to strengthen housing customer experience on our platform. Our housing customers include home buyers and sellers, landlords and tenants. We built *Beike* customer front end to provide housing customers with mobile and online access to our housing transaction brokerage services, property listings with rich visual presentations and other comprehensive home-

related information. We also provide financial services to customers to achieve smooth negotiation with financial institutions.

Through our infrastructure and platform, we address housing customers' demands on existing and new home sales and home rentals. We provide brokerage services through offline agent and brokerage store network as well as *Beike* online customer front end. As we gain trust from customers through housing transactions, they often refer us to their families, friends and social contacts, or return to our platform.

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 actively explore our customers' needs for home renovation through our *Beike* customer front end, brokerage stores, and experience centers. Customers may browse through portfolios of various independent interior designers on *Beike Renovation* mobile app. We cooperate with qualified and strictly selected contractors and directly control the supply chain. We purchase customized supplies, distribute and deliver the supplies through our own supply chain, and manage construction teams to execute the work. We also use VR to virtually show our customers what their homes will look like in the future through *Rea/See* VR technology, which features an extremely realistic experience. In facilitating home renovation transactions, our platform is able to display a wide variety of possible design plans, better match customers with qualified and appropriate interior designers and encourage healthy competition among interior designers, contractors and suppliers, which we believe lead to enhanced customer experience.

### 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 March 31, 2020, there were over 370,000 agents and over 38,000 community-centric brokerage stores on our platform, representing 252 real estate brokerage brands. Through the agents, stores and brokerage brands on our platform, we are able to effectively hone local market expertise, generate leads and build relationships with our housing customers.

#### ***Lianjia***

We started to operate real estate brokerage business under "*Lianjia*" brand in existing home sales market 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, data 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 and we have been compiling, analyzing and mining property data ever since. *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 18 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 33.3% of *Lianjia* agents were college graduates or above as of March 31, 2020. In particular, approximately 44.4% of *Lianjia* agents in Beijing and approximately 49.9% of *Lianjia* agents in Shanghai were college graduates or above as of March 31, 2020. For new hires in Shanghai, we arrange a 30-day systematic full-time training that integrates close to 200 course hours and real job drills to equip them with the skills of a qualified *Lianjia* agent. To encourage our agents to improve their skill sets, we have regular examinations each year for our agents, and set up multiple agent skill certifications such as signing certificate, instructor certificate, etc.

As we are constantly investing in people and upgrading our operating paradigm, *Lianjia*'s efficiency, in terms of total GTV per store, increased by 14.2% from 2018 to 2019. As of March 31, 2020, *Lianjia* had approximately 122,000 agents, including agents employed by us and from labor dispatching or outsourcing agencies, and approximately 7,900 offline brokerage stores across 29 cities in China. As of March 31, 2020, *Lianjia* had approximately 21,600 and 17,600 agents, as well as approximately 1,400 and 1,000 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 and number of agents per store.

#### **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 March 31, 2020, our platform connected 251 real estate brokerage brands other than *Lianjia*, which operated approximately 31.0 thousand brokerage stores with approximately 250.7 thousand agents. As of March 31, 2020, approximately 73.9% of the existing home listings on our platform were posted by agents affiliated with connected stores, including stores operated by our franchise brand *Deyou* and in 2019, 46.9% of the GTV on our platform was generated by connected real estate brokerage stores.

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 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.

#### *Deyou*

We own *Deyou* brand, which is offered under a franchise model for connected brokerage stores that seek for 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 be referred to 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 store network.

#### **Cooperation with Real Estate Developers**

According to the CIC Report, as land supply becomes more constrained in the more developed areas in city clusters, average size of new home projects is expected to decrease, making it less economically viable for real estate developers to maintain a large full-time sales team. New home projects are increasingly located in the peripheral cities within a city cluster, creating difficulties for the developers to target perspective home buyers in the more developed centers who have the upgraded demand. The shifting supply and demand dynamics in the new home sales market also make it more important for real estate developers to efficiently locate and convert customers to shorten their sales cycle. Real estate developers are increasingly turning to brokerage service providers for more effective and comprehensive sales and marketing solutions given their knowledge of the local community and the access to a large pool of housing customers with genuine demand.

We are gradually favored and trusted by real estate developers to facilitate an increasing number of new home sales in China. The number of new home projects on our platform increased from 3,486 as of December 31, 2018 to 7,769 as of December 31, 2019. New home sales through our platform generated a GTV of RMB747.6 billion in the year ended December 31, 2019, making us the largest new home sales platform in China, according to the CIC Report. We have been successful of entering local markets and building relationships with real estate developers. For example, we entered Zhengzhou, China in 2018, and in the three months ended December 31, 2019, we facilitated over 15,000 new home sales, accounting for approximately 28.4% of the total number of new home sales in Zhengzhou during that period, according to the CIC Report. We have established business relationships with leading real estate developers, including all of the top 100 developers in terms of contracted sales in 2019 in China according to the CIC Report.

We empower real estate developers with our comprehensive and effective infrastructure and transform their interaction with housing customers through advanced technology, such as VR property showing. Our VR property showing allows agents to interact with housing customer in real time in VR space, which can greatly enhance customer experience and increase conversion rate on our platform. For example, Sunac's Yu He Chen Yuan new home project in Xi'an opened their virtual sales office on our platform using VR property showing technology on February 22, 2020. 1,079 new home units were subscribed with deposit paid within the same day after opening.

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.

## Data Insights and AI Applications

Our platform generates a significant amount of data from historical property data accumulation, 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 data provide us with valuable insights and help us provide customized products and services, match agents with listings, housing customers, and facilitate transactions.

### Our Data Foundation

Our proprietary data processing system is the foundation of our business. Our system delivers speed and scalability, providing data and analytics support across the products and services on our platform. We have optimized our database structure to make it more suitable for artificial intelligence and machine learning processes. Our data mainly include:

- *Housing Dictionary.* We launched *Housing Dictionary* in 2008 and have been building it for over a decade. *Housing Dictionary* is the most comprehensive real estate database in China as of March 31, 2020, according to the CIC Report. It encompasses a wide range of home-related information from the neighborhoods, the communities, the buildings, to the floors and rooms. As of March 31, 2020, our *Housing Dictionary* covered approximately 220 million properties, 4.3 million landscape maps, 4.6 million buildings and 9.9 million building units in over 531 thousand communities located in approximately 330 cities across 30 provinces in China. 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. External data may be easily merged into *Housing Dictionary* and checked for duplicates. Amendment, deletion or addition to *Housing Dictionary* is subject to manual review and requires evidencing photos to make sure the information in *Housing Dictionary* is accurate and reliable. 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 data and past transaction history.
- *Housing customer profiles.* We have developed comprehensive profiles for housing customers on our platform based on their viewing, interaction and other behavioral data, as well as transaction records and other platform activities based on information collected under their approval. Once the platform behavioral data is collected, we store, cleanse, structure and encrypt data for modeling and analysis in an anonymized fashion.
- *Agent modeling.* We have collected agent activity data including training, business interaction and performance on our platform and further build various data models for agents based on information collected under their approval. These data models include credit points, *Beike score*, skill development model, display model, among others.
- *Topological data on properties, agents and housing customers.* We have accumulated big data on the topological relationships among housing customers, agents, and property listings on our platform based on information collected under their approval. These include search and clicks, following and saving, instant messaging, customer service calls, home

tours, etc. We are able to mine potential correlation features that can further optimize our matching and recommendation algorithms.

### **Artificial Intelligence (AI) Applications**

We have optimized our database structure to make it more suitable for artificial intelligence and machine learning processes. Based on our accumulative data collection, we are well-positioned to develop various AI applications to enhance the operation of our platform. In addition, 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.
- *User profiling and personalization.* We have developed comprehensive profiles of agents and housing customers on our platform based on their performance data, viewing and transaction records and other platform activities, subject to their approval. Through agent profiles, we are able to predict which agents are more likely to quit the job so that we can adjust our retaining efforts, thereby decreasing our turnover rate. We use advanced machine learning algorithms such as collaborative filtering to predict a customer's interests and offer personalized experience. We also use deep learning and other AI algorithms to efficiently match property listings with customers in multiple application scenarios.
- *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. 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. *Smart Chat* provides intelligent customer services to housing customers through instant messaging system and offers draft response for agents' consideration when they are interacting with customers. We also deploy intelligent AI home presentation to our customers, in which the content is generated through floor plan analysis and *Housing Dictionary* and the voice is generated through a text-to-speech system. In addition, we have developed smart teacher using AI for agent training scenarios.
- *Floor plan analysis.* We have developed a floor plan processing system that can standardize and vectorize normal floor plans and use topological graph algorithms and rule-based algorithms to tag and rate vector floor plans. The floor plan system can then generate floor plan analysis articles.
- *Authentic property listing monitoring.* We have implemented automatic authentic property listing monitoring that uses advanced optical character recognition (OCR), facial and object recognition, semantic analysis and other AI algorithms to tag suspect property listings for manual review.

- *Financial credit analysis and credit scoring.* We use AI and big data technology to enrich financial services with functions such as credit scoring, anti-fraud, anti-money laundering and big data risk control. We also employ AI to assess risks associated with businesses and real estate developers by compiling and connecting data points to produce risk maps and warnings.

## **Our Technology and Research and Development**

We aspire to lead the innovations in the new era of China's housing transactions and services industry by leveraging our data insights and 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, title clearance and escrow, financial services and closing management. We have developed our data and artificial intelligence (AI) technologies specifically to increase business operational efficiency on our platform and of our agents. See "— Data 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 RMB252 million, RMB671 million, RMB1,571 million (US\$222 million) and RMB451 million (US\$64 million) in research and development in the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, respectively.

As of March 31, 2020, we had 3,049 research and development professionals. Our research and development team includes big data engineers that monitor and build our database and data processing systems, 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, virtual reality engineers that specialize on *RealSee* virtual reality products, and engineers that build systems and products to support our financial services.

### **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 centers, 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 prospectus, we have not experienced any service outbreak that materially affected our business operation. See "Risk Factors — Risks Related to Our Business and Industry — The proper functioning of technologies deployed by our platform is essential to our business. Any failure to maintain the satisfactory performance of our websites, mobile apps and systems could materially and adversely affect our business and reputation".



## ***RealSee Virtual Reality (VR)***

We are the pioneer of introducing 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. As of March 31, 2020, we had 163 dedicated research and development professionals working on our *RealSee* VR technology and products. We believe that the power of VR technology can help agents grow their business, get more housing customers, and deliver top-level services, especially when a growing number of housing customers start their housing transaction journeys by searching properties online. In addition, interactions between agents and housing customers during VR property showing sessions are digitalized and recorded, which can be used for agents' personalized training and skill improvement in a timely manner. Through the digitalized VR property showing data, we can also present to the agents the most frequently asked questions regarding a property in real time.

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

Our *RealSee* VR technology is based on our strong research in both computer vision and AI, including automatic 3-dimension (3D) reconstruction with intelligent hole filling and monocular depth estimation through deep learning algorithms. Our advanced VR technology significantly reduces the virtual reality sickness compared to traditional 3D reconstruction that contains misshaped objects. With a proprietary VR database covering 3D space data of over three million homes, our technology delivers effective object recognition with precise coordinates in 3D environment and smart space analysis representing property-related information such as daylight ratio and structural relationship. With a growing collection of 3D space data, we are able to continuously optimize our algorithms and update our technology swiftly. In addition, we offer AI interior design through deep learning algorithms that allow users to design furniture, choose interior display items and modify the property structures. Empowered by Unreal Engine 4, our real-time rendering provides high-quality visual experience comparable to graphics in modern video games.

Our products based on *RealSee* VR technology include:

- *VR cameras and shooting solutions.* Our VR camera offers efficient, precise and detailed 3D scanning that provides the visual data foundation of complete 3D reconstruction. Users can upload collected visual data through a tablet for automatic modeling and processing on an easily customizable dashboard. We believe that our VR cameras can be used in housing transactions and services industry as well as other industries.
- *VR property showing.* Our VR presentation mode includes computer-generated speech that can explain the property to the housing customers when they walk around the property. Our VR home tour mode allows agents to interact with housing customer in real time in VR space. We have also rolled out VR sales office for new home projects that can greatly enhance customer experience and increase conversion rate on our platform. In 2019, we had approximately 420 million views of VR property showings and our housing customers have aggregately spent 23 million hours for such services. We facilitated on average approximately 205,000 VR property showings in VR home tour mode per day in the three

months ended March 31, 2020, compared to an average of approximately 4,800 VR property showings in VR home tour mode per day in the three months ended March 31, 2019.

- *Home renovation rendering system.* Our *FutureHome* home renovation system allows instant rendering of home renovation effects on 3D data. We also implement other AI-empowered functions such as automatic generation and analysis of home renovation plans.

### **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 the most stringent financial accounting method. It is embedded in our services and solutions and is available free-of-charge to customers, agents, and other platform participants. Our financial solution module uses technologies including big data, AI, blockchain technology, and toolsets such as facial recognition, financial identity authentication, digital signing and optical character recognition (OCR). These technologies strengthen our ability to provide innovative solutions and enhance customer experience.

### **Our Environmental, Social and Governance (ESG) Initiatives**

We believe our continued growth rests on integrating social values into our business. With the aspiration to promote joyful living, we endeavor to utilize our online and offline network to offer public welfare resources to everyone in the communities we serve. Since the inception of our operations, we have established various environmental, social and governance initiatives to comprehensively improve our corporate governance and benefit society.

#### **Environmental Sustainability Initiatives**

We are committed to supporting non-profit organizations devoted to protecting the environment. Through Beijing Lianjia Public Welfare Foundation, a charitable organization established in 2018 where we act as the founding sponsor, we provide funds to charitable organizations in various areas. 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.

#### **Social Responsibility Initiatives**

We recognize our responsibility in bringing improvements to the society where we live and work. As we believe that the foundation of real estate brokerage services is the communities of which our brokerage stores are an integral part, we give back to the communities through a series of initiatives to effectuate our belief.

*Poverty relief and 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 March 31, 2020, we contributed more than RMB39 million to the initiatives related to poverty relief and rural development. For example, we provided funding support for the education of more than 1,000 students in poverty in Gansu, China as of March 31, 2020. We have donated to build more than 150 libraries for elementary schools in less developed areas. We also collaborate with a third-party foundation to fund surgeries for children with serious diseases in rural areas.

*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.

### ***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 COVID-19. Our local branches also provided monetary support and supplies and organized fund-raising events to support the campaign. Moreover, to utilize our nationwide store 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.

### ***Privacy and Data Security***

We attach paramount importance to the protection of the personal privacy of our housing customers. To ensure the confidentiality and integrity of our data, we maintain a comprehensive and rigorous data protection program. We gain access to vast amounts of behavioral data through housing transactions completed on our platform and we encrypt and store the data on our own and third-party cloud servers, which are protected by state-of-the-art anti-hacking measures and firewalls. We collect housing customer information only with their consents. We connect housing customers with suitable agents and, other than masked contact information, we do not provide housing customers' personal identifiable information to any agent at initial stage. We also implement strict anti-spam measures in our ACN to make sure that our housing customers are not harassed.

We deploy a variety of technical solutions to prevent and detect risks and vulnerabilities in user privacy and data security, such as encryption, firewall, vulnerability scanning and log audit. For instance, we store and transmit all customer data in encrypted formats and have a team of professionals who are dedicated to the ongoing review and monitoring of data security practices. We maintain data access logs that record all attempted and successful access to our data and conduct automated monitoring and routine manual verification of large data requests. We also have clear and strict authorization and authentication procedures and policies in place. Our employees only have access to data which is directly relevant and necessary to their job responsibilities for limited purposes and are required to obtain authorization upon every access attempt. See "Risk Factors — Risks Related to Our Business and Industry — Our business generates and processes a large amount of data, and the improper use, collection or disclosure of such data could subject us

to significant reputational, financial, legal and operational consequences, and deter current and potential customers from using our services".

Additionally, we are even more stringent with our privacy and data controls on financial data. We have an independent financial data security team that develops additional technical solutions to safeguard our customers' data. We also use write-once-read-many, or WORM, architecture for financial applications, especially in our electronic wallets, to ensure that data are always logged and never re-written or erased. These methods, along with algorithms that cross-validate any exchange of money, ensure that our customers' money is safe and protected.

## **Customer Services**

Providing satisfactory housing customer services is a high priority for *Beike* platform. Our commitment to housing customers is reflected in the high level of scrutiny over agents' behavior as well as our platform's service commitments. We continue optimizing our customer services to guarantee the best possible housing transaction experience.

We have built a comprehensive customer service team of over 500 employees as of March 31, 2020, consisting of a platform service team at our headquarters and employees at our customer service centers scattered across China. The agents support group of our platform service team is responsible for providing Q&A and general support service to real estate brokerage brands, store managers, agents and other staff on *Beike* platform for issues related to products and functions of the platform as well as handling complaints and reports from them. The customers support group of our platform service team is responsible for handling questions and complaints on our *Beike* customer front end and conducting satisfaction survey. We are committed to ensure reliable, accurate, sufficient and timely customer service information so as to improve transaction security and customer experience. Another group in our platform service team focuses on customer business development, addressing housing customers' requests for posting property listings on the platform.

Our customer service centers in various cities primarily served local housing customers, whose responsibilities mainly include dealing with customer complaints in their respective cities, implementing our service commitments and solving related issues, and supervising the overall service delivered to customers.

## **Risk Management and Quality Control**

We have implemented various policies and procedures to ensure rigorous risk management and quality control.

### ***Authentic Property Listings and Anti-fraud***

We have a dedicated team to constantly monitor transactions, listings, and agents' behavior on our platform. As we believe the authenticity and accuracy of our property listings are critical to our success and brand image, we strictly enforce our authentic property listing rules and anti-fraud measures. We have established dedicated quality control teams in different areas to monitor the authenticity of the listings in their respective areas and to actively conduct investigations to detect problematic listings and other fraudulent activities. We are also able to enforce automatic authentic property listing monitoring with advanced OCR, facial and object recognition, semantic analysis and other AI algorithms to flag suspect property listings for manual review, which improves the efficiency of our anti-fraud measures.

We will immediately remove listings that are found to be false or duplicate from our platform and inform the responsible agents to make necessary corrections. If a case amounts to a violation

of our ACN, we will deduct credit points of the agent. Accumulated credit point deduction may cause the agent to be alerted, imposed various limitations on the ability to utilize our platform, or barred from the platform for a specific time period. Additionally, many of the real estate brands on our platform also penalize stores and agents found to have engaged in fraudulent activities under their standards.

### ***Anti-corruption Measures***

An effective set of anti-kickback policies and procedures is critical to ensuring the integrity of the agents on our platform and protecting our brand image. We have adopted an Anti-Corruption Compliance Policy in which we strictly forbid any kickbacks or other payments to a customer to secure purchases. The prohibition applies to both direct and indirect payments, such as payments in disguise of discounts and gifts.

To effectuate our anti-kickback policies and policies against other prohibited conducts, our internal control department, legal department, and corporate governance department coordinate to monitor the compliance of our business activities and handle complaints and whistle-blowing cases through our internal compliance reporting email. We post violations and our decisions on our internal website. We have also established a Professional Ethics Promotion Center where we cooperate with personnel in law enforcement departments, prosecutors, and courts to promote integrity and professional ethics of our employees and the participants of our platform.

### ***Risk Management for Financial Services***

We operate our own risk management team for real estate financial services offered on our platform. Leveraging complex and advanced technologies such as big data analytics and machine learning algorithms, we have developed our risk models based on our rich and extensive data. These models can be used in assessing credit risks for different types of financial services we offer, such as bridge loans, guarantee services and home renovation loans. Our models are continuously refined by our risk analysis team using the latest available performance observations to ensure their effectiveness. We also utilize data from external credit reports to supplement our risk analysis. To achieve higher level of precision, we implement customized risk management strategies for each city with its specific custom base.

### ***Marketing and Business Development***

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 app, 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 sponsored CCTV broadcasting of 2018 Russia Worldcup and 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 Chinese Women's 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 home-related needs, be it home rentals, renovation or other services.

As of March 31, 2020, we had approximately 3,600 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 data 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 March 31, 2020, we had 310 patents registered and 709 pending patent applications. We also owned 2,767 registered trademarks, copyrights to 142 software programs developed by us relating to various aspects of our operations, and 66 registered domain names, including *ke.com* and *Lianjia.com*.

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

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

## Competition

The housing 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 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.

## Employees

We had a total of 81,447 employees as of March 31, 2020. The following table sets forth the numbers of our employees categorized by function as of March 31, 2020.

| Function                                  | Number of Employees |
|---|---------------------|
| Agents and supporting staff               | 59,557              |
| Platform operations                       | 8,471               |
| Research and development                  | 3,049               |
| Business development, sales and marketing | 4,279               |
| Administration and management             | 6,091               |
| Total                                     | 81,447              |

As of March 31, 2020, 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 "— 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. Certain of our PRC subsidiaries and consolidated affiliated entities have failed to make social insurance and housing fund contributions in full for their employees. See "Risk Factors — Risks Related to Our Business and Industry — 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". Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have granted, and plan to continue to grant, share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

We enter into standard labor contracts with our employees. To date, we have not experienced any significant labor disputes. None of our employees are represented by labor unions.

In addition to our own employees, our labor force also includes dispatched workers. As of December 31, 2019, we had 76,217 dispatched workers. Historically, we had a relatively large number of dispatched workers. In 2020, we have initiated and implemented a comprehensive plan,

including making more direct employment and outsourcing arrangements, to lower the percentage of dispatched workers without any material impact upon our labor demands. As of April 30, 2020, the number of our dispatched workers was 11,402 and did not exceed 10% of our total labor force of 161,145, and we do not expect the reduction in the percentage of dispatched workers would have any material impact on our business. See also "Risk Factors — Enforcement of stricter labor laws and regulations and increases in labor costs in the PRC may materially and adversely affect our business and our profitability".

## **Facilities**

We are headquartered in Beijing where we leased an aggregate area of over 90,000 square meters as of March 31, 2020 for office space. We leased approximately 8,000 facilities as of March 31, 2020 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 March 31, 2020 as our training center, *Huaqiao* Academy, in Kunshan, Jiangsu Province, China.

## **Insurance**

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

## **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. As we routinely enter into business contracts with real estate developers, brokerage brands, housing customers and other platform and industry participants, we have been and may continue to be involved in legal proceedings arising from contract disputes. In October 2018, we were named as a defendant in a civil lawsuit involving contract disputes filed in Sichuan by a local real estate developer (the "Plaintiff") claiming refunds and damages of approximately RMB150 million. As of the date of this prospectus, the foregoing civil lawsuit is still pending, and we have asserted counterclaims against the Plaintiff. We believe that the claims made by the Plaintiff are without merit and the damages sought are groundless, and will defend ourselves vigorously. As of the date of this prospectus, none of the pending legal proceedings have resulted, and we believe that they will not result, in any material adverse effect on our business, financial condition or results of operations. Regardless of the outcome, however, litigations or other legal or administrative proceedings may result in substantial costs and diversion of management resources and attention. See "Risk Factors — Risks Related to Our Business and Industry — We have in the past been subject to legal and regulatory proceedings and administrative investigations and may continue to be subject to these proceedings and investigations from time to time. If the outcome of these proceedings or investigations is adverse to us, it could have a material adverse effect on our business, reputation, results of operations and financial condition".



## REGULATION

*This section sets forth a summary of the most significant rules and regulations that affect our business activities in China or the rights of our shareholders to receive dividends and other distributions from us.*

### 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 is promulgated by the National People's Congress on March 15, 2019 and has taken effect since 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" refers to any direct or indirect investment activities conducted by any foreign individual, enterprise, or organization (collectively referred to as "foreign investors") in the PRC, which includes any of the following circumstances: (i) foreign investors establishing foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors acquiring shares, equity interests, property portions or other similar rights and interests thereof within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) other forms of investments as defined by laws, regulations, or as otherwise stipulated by the State Council. According to the Foreign Investment Law, the State Council shall promulgate or approve a list of special administrative measures for access of foreign investments, or the Negative List. The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List. The Foreign Investment Law provides that foreign investors shall not invest in the "prohibited" industries, and shall meet certain requirements as stipulated under the Negative List for making investment in "restricted" industries.

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

On December 26, 2019, the State Council further issued the Regulations on Implementing the PRC Foreign Investment Law, 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 restates 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 Law 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 June 30, 2019, the NDRC and the MOFCOM promulgated the Special Entry Management Measures (Negative List) for the Access of Foreign Investment (2019 version), or the 2019 Negative List, which took into effect on July 30, 2019. In addition, the NDRC and the MOFCOM promulgated the Encouraged Industry Catalogue for Foreign Investment (2019 version), or the 2019 Encouraged Industry Catalogue, which also took into effect on July 30, 2019. Industries not listed in the 2019 Negative List and 2019 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 MOFCOM, 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 PRC Foreign Investment Law has taken effect, the MOFCOM and the SAMR jointly approved the Foreign Investment Information Report Measures, or the Information Report Measures, on December 19, 2019, which has taken effect since 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 MOFCOM through Enterprise Registration System and National Enterprise Credit Information Notification System.

### **Regulations on 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 AMR 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 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 price-up information, or gang up 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, SAT, State Administration for Industry and Commerce 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.

## Regulation Related to Value-Added Telecommunications Services

### *Regulation 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 June 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 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.

### ***Regulation on Foreign Investment Restriction on Value-Added Telecommunications Services***

According to the 2019 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 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 on Advertising Services**

On April 24, 2015, the Standing Committee of the National People's Congress enacted the revised Advertising Law of the PRC, or the Advertising Law, effective on September 1, 2015 which was further amended on October 26, 2018. 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 State Administration for Industry and Commerce (currently known as the State Administration for Market Regulations) issued the Interim Measures on the Administration of Online 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.

## **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 July 13, 2012, the PBOC issued a Circular on the Establishment of Payment Institution Supervision and Report System, or Circular 176, which requires the payment institutions to submit annual self-evaluation report. Circular 176 also includes a list of major payment institutions as its attachment. On June 7, 2013, the PBOC further issued the Administrative Measures for Deposit of Clients' Reserves of Payment Institution, or the Administrative Measures of Reserves. According to the Administrative Measures of Reserves, clients' reserves shall mean the cash that payment institution received from its clients to be paid to the payee. Such reserves shall be fully deposit to the special reserve account opened at the qualified bank for keeping such reserve. 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.

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 prefect 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.

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

### ***Regulations Related to Micro Credit Business***

According to the Guiding Opinion on the Pilot Operation of Micro Credit Companies, or the Guiding Opinion, which was promulgated by the CBRC 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 and shall not 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 our consolidated affiliated entities, has obtained the approval for its establishment as a micro credit company in Beijing.

### ***Regulations on Financing Guarantee***

In March 2010, seven governmental authorities including the predecessor of the CBIRC, the MOFCOM and the Ministry of Finance, or the MOF, promulgated the Interim Administrative Measures for Financing Guarantee Companies, which requires an entity or individual to obtain a prior approval from the relevant governmental authority before engaging in the financing guarantee business. 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 secured party fails to perform its financing debt owed to the creditor. On August 2, 2017, the PRC State Council 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 balance amount of outstanding guarantee liabilities of a financing guarantee company for the same guaranteed party and its affiliated parties shall not exceed 15% of its net assets. On April 2, 2018, the afore-mentioned seven governmental authorities further issued four supplementary administrative measures for implementing the Regulations on the Supervision and Administration of Financing Guarantee Companies, or the Four Supplementary Measures. The Four Supplementary Measures 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 MOFCOM and the MOF 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) which was established according to the Circular on the Issuance of the Temporary Measures on the Administration of Residential Real Estate Guarantee Business 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 our consolidated affiliated entities, and Shenzhen Beike Financing Guarantee Co., Ltd., one of our PRC subsidiaries have obtained the license for financing guarantee business.

### ***Regulations Related to Insurance Brokerage***

On February 1, 2018, the 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 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.

Although the insurance brokerage business is not listed under the 2019 Negative List, according to the administrative guidelines published by the CIRC, a foreign investor must satisfy the following requirements before it can invest in the insurance brokerage industry: (i) it has engaged in insurance business for more than thirty years within the territories of World Trade Organization members; (ii) it has established a representative office in China for more than two years; (iii) its total assets 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 of our consolidated affiliated entities, has obtained the license for insurance brokerage business.

### ***Regulations Related to Commercial Factoring***

On June 27, 2012, the MOFCOM 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 MOFCOM 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 MOFCOM announced that the regulatory authority of commercial factoring industry has been transferred from the MOFCOM to the CBIRC since 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 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 23, 2005 by the Ministry of Public Security require internet service providers and organizations that use interconnection implementing technical measures for internet security protection, like 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 November 7, 2016, the Standing Committee of the National People's Congress promulgated the 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 manual, 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.

### ***Regulations Related to Privacy Protection***

On December 7, 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 in 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information, issued by the MIIT in 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 in 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.

## **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, or the NCA administers software copyright registration and the CPCC, is designated as the software registration authority. The CPCC 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 on 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 in 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 issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State

Council 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 issued the Plan for Reforming the State and Local Tax Collection and Administration Systems, which stipulated that the SAT will become solely responsible for collecting social insurance premiums.

### ***Housing Fund***

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

### ***Labor Dispatch***

Pursuant to the Labor Law of the PRC 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 six 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.

### **Regulation Related to Foreign Exchange and Dividend Distribution**

#### ***Regulation on Foreign Currency Exchange***

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, 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.

Besides, 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 the 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 the 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 the 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 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.

### ***Regulation on Dividend Distribution***

The principal regulations governing distribution of dividends of foreign-invested enterprises is the PRC Company Law. 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.

### ***Regulation on Foreign Exchange Registration of Overseas Investment by PRC Residents***

In 2014, SAFE issued the 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 the 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 the 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 the 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.

### ***Regulation 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.

## **Regulation 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.

The EIT Law and the implementation rules provide that an income tax rate of 10% should normally be applicable to dividends payable to investors that are "non-resident enterprises", and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance 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% upon receiving approval from the competent tax authority. However, based on the Notice on Certain

Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, 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; and based on the Announcement on Relevant Issues Concerning the "Beneficial Owners" in Tax Treaties issued on February 3, 2018 by the SAT and effective from April 1, 2018, which replaces the Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties and the Announcement on the Recognition of Beneficial Owners in Tax Treaties by the SAT, comprehensive analysis based on the stipulated factor therein and actual circumstances shall be adopted when recognizing the "beneficial owner" and agents and designated wire beneficiaries are specifically excluded from being recognized as "beneficial owners".

#### ***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 State Administration of Taxation 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 State Administration of Taxation 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 State Administration of Taxation 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 Enterprise Income Tax 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 Circular 7. Pursuant to SAT Circular 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 Circular 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 Circular 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 Circular 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 Circular 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 Circular 7. SAT Circular 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 on Anti-Monopoly**

On August 30, 2007, the SCNPC 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 State Administration for Market Regulation) , (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.

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,

## **Regulations on M&A Rules and Overseas Listings**

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or the CSRC, adopted the Regulations on Mergers of Domestic Enterprises by Foreign Investors, 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.

## MANAGEMENT

### Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this prospectus.

| Directors and Executive Officers | Age | Position/Title                                    |
|----------------------------------|-----|---|
| ZUO Hui                          | 49  | Founder and Chairman of the Board                 |
| PENG Yongdong                    | 40  | Executive Director and Chief Executive Officer    |
| SHAN Yigang                      | 47  | Executive Director                                |
| XU Tao                           | 46  | Executive Director and Chief Financial Officer    |
| XU Wangang                       | 54  | Executive Director and Co-Chief Operating Officer |
| WANG Yongqun                     | 48  | Co-Chief Operating Officer                        |
| KONG Ling Xin                    | 39  | Executive Director                                |
| BAO Fan                          | 49  | Director  |
| GAO Xi                           | 38  | Director  |
| HUANG Liming                     | 42  | Director  |
| LI Zhaohui (Jeffrey)             | 44  | Director  |
| TAO Hongbing                     | 53  | Director  |

*ZUO Hui* is our founder and has served as the chairman of our board of directors since our inception. Mr. Zuo has been dedicated to China's housing transactions and services industry for 20 years. Mr. Zuo has been the chairman of the board of Beijing Lianjia since he founded Beijing Lianjia in 2001. He also founded Zroom Inc., an affiliate of our company that engages in the business of long-term apartment rentals. In addition, Mr. Zuo holds 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. Mr. Zuo received his bachelor's degree in computer and application from Beijing College of Chemical Technology (now known as Beijing University of Chemical Technology) in 1992 and an EMBA degree from Peking University in 2008.

*PENG Yongdong* has served as our executive director since December 2018 and he co-founded *Beike* with Mr. Zuo. 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 the vice general manager of Beijing Lianjia since 2010. Prior to that, Mr. Peng was a senior consultant of strategy and revolution at IBM between 2006 and 2010. From 2001 to 2004, he acted as a senior manager at BEL. Mr. Peng obtained his bachelor's degree in electrical engineering 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. He has been a director of Beijing Lianjia since 2007. Prior to joining Beijing Lianjia, Mr. Shan was the vice general manager 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 December 2018. Mr. Xu has served as the chief financial officer of Beike Zhaofang (Beijing) Technology Co., Ltd. since 2016. Prior to that, Mr. Xu was the chief financial officer of SenseTime Technology (China) Co., Ltd. from June to November in 2016. Between 2014 and 2015, he served as the chief financial officer of Didi Infinity Technology Development Limited Company. Prior to that, Mr. Xu was the chief financial officer of Dimension Data Information Technology (Beijing) Co., Ltd. from 2011 to 2014. From 2008 to 2011,

Mr. Xu served as the financial director of China in Sun Microsystems China Co., Ltd. From 2001 to 2008, Mr. Xu served as the chief financial officer at Lucent Technology (China) Co., Ltd. Prior to that, he worked as the financial manager of Beijing Sohu Internet Information Service Co., Ltd. from 1999 to 2001 and worked at Pepsi Cola (China) Co., Ltd. between 1996 and 1998. Mr. Xu received his bachelor's degree in accounting from Capital University of Economics and Business in 1996 and a master's degree in international accounting from the University of New South Wales in 2005.

*XU Wangang* has served as our executive director since December 2018. Mr. Xu has been our co-chief operating officer since 2018. Prior to that, he worked as the general manager and the head of western region from 2015 to 2018 at Chengdu Lianjia Real Estate Brokerage Co., Ltd., an affiliate of our company. Between 2004 and 2015, Mr. Xu served as the general manager of Sichuan Yicheng Real Estate Brokerage Co., Ltd. Mr. Xu started his career as a staff member in technology R&D at No.10 Research Institute of Ministry of Information Industries and its affiliates (now known as China Electronics Technology Group Corporation No.10 Research Institute) in 1986, where he was promoted to a manager later. Mr. Xu graduated from University of Electronic Science and Technology of China with a bachelor's degree in electronic engineering in 1986.

*KONG Ling Xin* has served as our executive director since December 2018. Mr. Kong has been in charge of the Beike Financial business unit since 2018 and is responsible for strategy, daily operations, and execution of financial services and financial technology infrastructure. Mr. Kong served as the chief technology officer of Dianrong, a leading online lending platform in China, from 2013 to 2018. Prior to that, Mr. Kong worked as the vice president of production for TipCat Interactive Inc., a producer for multiplayer mobile games. From 2008 to 2012, Mr. Kong served as a program manager at Microsoft. Prior to that, Mr. Kong held various technology-related positions at Packeteer Inc., Code Green Networks Inc. and NetApp. Mr. Kong received a bachelor's degree in symbolic systems from Stanford University in 2003.

*WANG Yongqun* has served as our co-chief operating officer since May 2018. Dr. Wang has also been in charge of general business operation of Beijing Lianjia and is also the general manager in charge of business operation and management of Shanghai Lianjia Real Estate Brokerage Co., Ltd., an affiliate of our company, since 2017. Before that, he served as the vice president of Beijing Lianjia from 2008 to 2017, in charge of functional management. Dr. Wang was the chief information officer of SF Express Co., Ltd. from 2004 to 2007, where he led the research and development, implementation and maintenance of logistics system. Dr. Wang served as the technology director of Beijing Huierying Technology Co., Ltd. between 2002 and 2004. He also acted as the technology manager of Lucent Technology (China) Co., Ltd. from 1998 to 2002. Dr. Wang obtained his bachelor's degree in mathematics from Sichuan University in 1992 and his master's degree in mathematics in 1995 from Peking University, where he also received his doctor's degree in computer science in 1998.

*BAO Fan* has served as our director since December 2018. Mr. Bao is the founder, chairman and chief executive officer of China Renaissance Holdings Limited (together with its subsidiaries, "China Renaissance Group"), where he is responsible for its overall strategic planning and business direction. Prior to founding China Renaissance Group in December 2005, Mr. Bao was the chief strategy officer of AsiaInfo Holdings, Inc., a Chinese IT and software service provider. Prior to that, Mr. Bao worked as an investment banker at Morgan Stanley and Credit Suisse for six years. Mr. Bao attended Fudan University studying English literature from 1989 to 1990, and thereafter went abroad to pursue further studies. He received his master's degree in business and economics from the BI Norwegian School of Management in 1995.

*GAO Xi* has served as our director since April 2020. Mr. Gao is the chief financial officer, vice president and company secretary of Sunac China Holding Limited, or Sunac. Since 2011, Mr. Gao served as the manager, director and general manager of the capital management department of

Sunac. Prior to that, Mr. Gao had held various positions in different departments of Sunac, including the capital operations center, financial management center and financing management department, since joining Sunac in 2007. Mr. Gao received a master's degree in quantitative economics from Shanxi University of Finance & Economics in 2008.

*HUANG Liming* has served as our director since December 2018. Mr. Huang has been a partner of Hillhouse Capital since 2017. Prior to that, he was the managing director of ICBC Tianjin Advisory LLP from 2011 to 2017. From 2010 to 2011, he acted as the executive director of J.P. Morgan Securities (Asia Pacific) Limited. Before that, Mr. Huang served as a vice president of Affinity Equity Partners for about a year. Mr. Huang worked as an associate in the investment banking department at Goldman Sachs (Asia) L.L.C. and later held the position of the executive director of the Asia Special Situation Group between 2003 and 2009. Mr. Huang received his bachelor's degree from Fudan University in 1999, where he also obtained his master's degree in 2002.

*LI Zhaohui (Jeffrey)* has served as our director since December 2018. Mr. Li works 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. Prior to that, Mr. Li held various positions related to product and business in Google and Nokia. Mr. Li received a bachelor's degree from Peking University in 1998 and an MBA degree from Duke University Fuqua School of Business in 2004.

*TAO Hongbing* has served as our director since December 2018. Mr. Tao has been the chairman of the board of Yuanjing Mingde Management Consulting Co., Ltd., an affiliate of the company, since 2018. Prior to that, Mr. Tao worked as the general manager of new home sales department of Beijing Lianjia from 2015 to 2018. Between 2012 to 2015, Mr. Tao worked as chairman of the board and president of Gaoce Real Estate Agency, an affiliate of our company. Before that, Mr. Tao worked as president of SYSWIN Real Estate Agency from 2005 to 2011. Mr. Tao obtained a bachelor's degree in economics from Lanzhou Business College (now known as Lanzhou University of Finance and Economics) in 1989 and an EMBA degree from Tsinghua University in 2007.

## **Board of Directors**

Our board of directors will consist of \_\_\_\_\_ directors upon the SEC's declaration of effectiveness of our registration statement on Form F-1 of which this prospectus is a part. 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 proposed contract with our company is required to declare the nature of his or her interest at a meeting of our directors. 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 borrow money, mortgage or charge its undertaking, property and uncalled capital, and to issue debentures or other securities whenever money is borrowed or as 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 will establish three committees under the board of directors immediately upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part: an audit



committee, a compensation committee and a nominating and corporate governance committee. We will adopt a charter for each of the three committees. Each committee's members and functions are described below.

*Audit Committee.* Our audit committee will consist of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. \_\_\_\_\_ will be the chairman of our audit committee. We have determined that \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ satisfy the "independence" requirements of [Section 303A of the Corporate Governance Rules of the New York Stock Exchange/Rule 5605(a)(2) of the Listing Rules of the Nasdaq Stock Market] and Rule 10A-3 under the Exchange Act. We have determined that \_\_\_\_\_ qualifies as an "audit committee financial expert". The audit committee will oversee our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee will be 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;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically 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 will consist of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. \_\_\_\_\_ will be the chairman of our compensation committee. We have determined that \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ satisfy the "independence" requirements of [Section 303A of the Corporate Governance Rules of the New York Stock Exchange/Rule 5605(a)(2) of the Listing Rules of the Nasdaq Stock Market]. The compensation committee will assist 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 will be 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 will consist of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. \_\_\_\_\_ will be the chairman of our nominating and corporate governance committee. \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_

satisfy the "independence" requirements of [Section 303A of the Corporate Governance Rules of the New York Stock Exchange/Rule 5605(a)(2) of the Listing Rules of the Nasdaq Stock Market]. The nominating and corporate governance committee will assist 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 will be 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; and
- 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.

#### **Duties of Directors**

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her 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. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. In certain limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

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 directors may be elected by a resolution of our board of directors, or by an ordinary resolution of our shareholders. Our directors are not subject to a term of office and hold office until

such time as they are removed from office by ordinary resolution of the shareholders. A director will cease to be a director if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found by our company to be or becomes of unsound mind, (iii) resigns his or her office by notice in writing to the company, or (iv) without special leave of absence from our board, is absent from three consecutive board meetings and our directors resolve that his or her office be vacated.

Our officers are elected by and serve at the discretion of our board of directors.

#### **[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 three-month 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.]

#### **Compensation of Directors and Executive Officers**

For the year ended December 31, 2019, we paid an aggregate of RMB36 million (US\$5 million) in cash to our executive officers, and we did not pay any compensation to our

non-executive directors. 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 our 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.

### **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 Holding Inc., under the same terms and conditions.

As of the date of this prospectus, the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the plan is 70,045,087, 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. In August 2018, Mr. SHAN Yigang, our executive director, was appointed 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.

Historically, we have granted options to purchase 37,406,865 to our directors and executive officers, which have all vested and been exercised. As of the date of this prospectus, there was no award granted under the Plan to our directors and executive officers that remained outstanding.

## PRINCIPAL [AND SELLING] SHAREHOLDERS

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares on an as-converted basis as of the date of this prospectus 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[, and
- each selling shareholder.]

The calculations in the table below are based on 600,717,072 ordinary shares outstanding on an as-converted basis as of the date of this prospectus, including 423,656,816 class A ordinary shares and 177,060,256 class B ordinary shares, and class A ordinary shares and class B ordinary shares outstanding immediately after the completion of this offering, assuming the underwriters do not exercise their option to purchase additional ADSs.

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 Prior to This Offering |                         |   | Ordinary Shares Being Sold in This Offering |                         |   | Ordinary Shares Beneficially Owned Immediately After This Offering |                         |   |                                |
|---|---|-------------------------|---|---|-------------------------|---|--|-------------------------|---|--------------------------------|
|   | Class A Ordinary Shares                                   | Class B Ordinary Shares | % of total ordinary shares on an as-converted basis | Class A Ordinary Shares                     | Class B Ordinary Shares | % of total ordinary shares on an as-converted basis | Class A Ordinary Shares  | Class B Ordinary Shares | % of total ordinary shares on an as-converted basis | % of aggregate voting power*** |
| <b>Directors and Executive Officers**:</b>              |   |                         |   |   |                         |   |  |                         |   |                                |
| ZUO Hui <sup>(1)</sup>                                  | —   | 177,060,256             | 29.5%   |   |                         |   |  |                         |   |                                |
| PENG Yongdong <sup>(2)</sup>                            | 22,023,255  | —                       | 3.7%  |   |                         |   |  |                         |   |                                |
| SHAN Yigang <sup>(3)</sup>                              | 9,555,555   | —                       | 1.6%  |   |                         |   |  |                         |   |                                |
| XU Tao  | *   | —                       | *   |   |                         |   |  |                         |   |                                |
| XU Wangang <sup>(4)</sup>                               | 10,854,541  | —                       | 1.8%  |   |                         |   |  |                         |   |                                |
| WANG Yongqun  | *   | —                       | *   |   |                         |   |  |                         |   |                                |
| BAO Fan   | —   | —                       | —   |   |                         |   |  |                         |   |                                |
| GAO Xi  | —   | —                       | —   |   |                         |   |  |                         |   |                                |
| HUANG Liming  | —   | —                       | —   |   |                         |   |  |                         |   |                                |
| KONG Ling Xin   | —   | —                       | —   |   |                         |   |  |                         |   |                                |
| LI Zhaohui (Jeffrey)                                    | —   | —                       | —   |   |                         |   |  |                         |   |                                |
| TAO Hongbing  | *   | —                       | *   |   |                         |   |  |                         |   |                                |
| All Directors and Executive Officers as a Group         | 49,449,487  | 177,060,256             | 37.7%   |   |                         |   |  |                         |   |                                |
| <b>Principal [and Selling] Shareholders:</b>            |   |                         |   |   |                         |   |  |                         |   |                                |
| Propitious Global Holdings Limited <sup>(1)</sup>       | —   | 177,060,256             | 29.5%   |   |                         |   |  |                         |   |                                |
| Entities affiliated with Tencent <sup>(5)</sup>         | 75,263,159  | —                       | 12.5%   |   |                         |   |  |                         |   |                                |
| SVF II Shell Subco (Singapore) Pte. Ltd. <sup>(6)</sup> | 62,719,299  | —                       | 10.4%   |   |                         |   |  |                         |   |                                |
| Entities affiliated with Hillhouse <sup>(7)</sup>       | 32,251,137  | —                       | 5.4%]   |   |                         |   |  |                         |   |                                |

Notes:

- \* Aggregate number of shares accounts for less than 1% of our total ordinary shares on an as-converted basis outstanding as of the date of this prospectus.
- \*\* Except as indicated otherwise below, the business address of our directors and executive officers is Building Fudao, No.11 Kaituo Road, Haidian District, Beijing, People's Republic of China. The business address of Mr. ZUO Hui, Mr. SHAN Yigang, and Mr. XU Tao is 5th Floor, Building 16, No. 5 Jiangtai Road, Chaoyang District, Beijing, People's Republic of China. The business address of Dr. WANG Yongqun is 28/F, Oriental Cable Building, 699 Nanjing West Road, Jing'an District, Shanghai, People's Republic of China. The business address of Mr. BAO Fan is Units 8107-08, Level 81, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The business address of Mr. GAO Xi is Room 501, Unit 2, Building 2, Qiuruijiayuan Street, Chenda Ruijing Road, Beichen District, Tianjin, People's Republic of China. The business address of Mr. HUANG Liming is Flat C, 10/F, Sun Tower/Block 1A, 1 Austin Road West, The Arch, Tsim Sha Tsui, Kowloon, Hong Kong. The business address of Mr. KONG Ling Xin is 5/F, No. 9 East Jiuxianqiao Road, Building A1, Chaoyang District, Beijing, People's Republic of China. The business 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 Mr. TAO Hongbing is T2-13, Wangjing Poly International Plaza, Chaoyang 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 177,060,256 class B ordinary shares held by Propitious Global Holdings Limited, a company incorporated in British Virgin Islands and beneficially owned by Mr. ZUO Hui. The registered address of Propitious Global Holdings Limited is Craigmuir Chambers, Road Town, Tortola, VG1110, British Virgin Islands.
- (2) Represents (i) 10,600,000 class A ordinary shares held by New Eminence International Limited, a company incorporated in British Virgin Islands, and (ii) 11,423,255 class A ordinary shares held by GainWell Investment Corp., a company incorporated in British Virgin Islands. These shares are beneficially owned by Mr. PENG Yongdong. The registered address of New Eminence International Limited and GainWell Investment Corp. is Portcullis Chambers, 4th Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, VG1110, British Virgin Islands.
- (3) Represents 9,555,555 class A ordinary shares held by Clover Rich Limited, a company incorporated in 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.
- (4) Represents (i) 4,870,931 class A ordinary shares held by Blossom South Limited, a company incorporated in British Virgin Islands, and (ii) 5,983,610 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.
- (5) Represents (i) 8,327,414 class A ordinary shares and 1,506,485 Series B Preferred Shares held by Morespark Limited, a company incorporated in Hong Kong, which is beneficially owned and controlled by Tencent; (ii) 3,774,718 class A ordinary shares, 682,871 Series B preferred shares and 2,267,500 Series D+ preferred shares held by Parallel Stellar Investment Limited, a company incorporated in the Cayman Islands, which is beneficially owned and controlled by Tencent; (iii) 8,804,826 Series B preferred shares, 2,791,743 Series C preferred shares, 26,315,789 Series D preferred shares and 5,002,339 Series D+ preferred shares held by Tencent Mobility Limited, a company incorporated in Hong Kong, which is beneficially owned and controlled by Tencent; and (iv) 15,789,474 Series D preferred shares held by Parallel Galaxy Investment Limited, a company incorporated in Hong Kong, which is 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. All the preferred shares beneficially held by Tencent will be converted into class A ordinary shares immediately prior to the completion of this offering.
- (6) Represents 21,052,632 Series D preferred shares and 41,666,667 Series D+ preferred shares held by SVF II Shell Subco (Singapore) Pte. Ltd., a company incorporated in Singapore. The registered address of SVF II Shell Subco (Singapore) Pte. Ltd. is 138 Market Street, #27-01A, CapitaGreen, Singapore. All the preferred shares beneficially held by SVF II Shell Subco (Singapore) Pte. Ltd. will be converted into class A ordinary shares immediately prior to the completion of this offering.
- (7) Represents (i) 12,102,132 class A ordinary shares, 2,189,356 Series B preferred shares and 4,443,329 Series D+ preferred shares held by HH PDII Holdings Limited, a company incorporated in the Cayman Islands, which is beneficially owned and controlled by Hillhouse; (ii) 9,305,794 Series C preferred shares held by HH SHL Holdings Limited, a company incorporated in British Virgin Islands, which is beneficially owned and controlled by Hillhouse; and (iii) 4,210,526 Series D preferred shares held by HH SPR-IX Holdings Limited, a company incorporated in the Cayman Islands, which is beneficially owned and controlled by Hillhouse. The registered address of HH PDII Holdings Limited and HH SPR-IX Holdings Limited is 89 Nexus Way, Camana Bay, P.O. Box 31106, Grand Cayman KY1-1205, Cayman Islands. The registered address of HH SHL Holdings Limited is Trinity Chambers, P.O. Box 4301, Road Town, Tortola, VG1110, British Virgin Islands. All the preferred shares beneficially held by Hillhouse will be converted into class A ordinary shares immediately prior to the completion of this offering.

As of the date of this prospectus, 21,052,632 Series D preferred shares and 41,666,667 Series D+ preferred shares were held by one record holder 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.

## RELATED PARTY TRANSACTIONS

### Contractual Arrangements with Our VIEs and their Shareholders

See "Corporate History and Structure".

### Private Placements

See "Description of Share Capital — History of Securities Issuances".

### Investor Rights Agreement

See "Description of Share Capital — Investor Rights Agreement".

### Employment Agreements and Indemnification Agreements

See "Management — Employment Agreements and Indemnification Agreements".

### Transactions with Ziroom Inc.

We had related party transactions with Ziroom Inc. and its subsidiaries (collectively, "Ziroom"), a group company under control of Mr. ZUO Hui, our founder and chairman of the board. We had revenues from Ziroom in the amount of RMB269 million, RMB357 million, RMB309 million (US\$44 million) and RMB20 million (US\$3 million) in 2017, 2018, 2019 and in the three months ended March 31, 2020, 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 RMB4,604 thousand, RMB482 thousand (US\$68 thousand) and RMB92 thousand (US\$13 thousand) in 2018, 2019 and in the three months ended March 31, 2020, respectively.

As of December 31, 2017, 2018 and 2019 and March 31, 2020, Ziroom had amounts due to us of RMB538 million, RMB602 million, RMB610 million (US\$86 million) and RMB505 million (US\$71 million), respectively, primarily including commission receivables. As of December 31, 2017, 2018 and 2019 and March 31, 2020, we had amounts due to Ziroom of RMB86 million, RMB104 million, RMB123 million (US\$17 million) and RMB122 million (US\$17 million), respectively.

### Transactions with Yuanjing Mingde

We had related party transactions with Yuanjing Mingde Management Consulting Co., Ltd. ("Yuanjing Mingde"), a company under control of Mr. ZUO Hui. We had revenues from Yuanjing Mingde in the amount of RMB27 million, RMB61 million, RMB227 million (US\$32 million) and RMB56 million (US\$8 million) in 2017, 2018, 2019 and in the three months ended March 31, 2020, 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 (US\$120 thousand) and RMB1,494 thousand (US\$211 thousand) in 2019 and in the three months ended March 31, 2020, respectively.

As of December 31, 2017, 2018 and 2019 and March 31, 2020, Yuanjing Mingde had amounts due to us of RMB19 million, RMB37 million, RMB141 million (US\$20 million) and RMB195 million (US\$28 million), respectively. As of December 31, 2018 and 2019 and March 31, 2020, we had amounts due to Yuanjing Mingde of RMB4 million, RMB5 million (US\$0.7 million) and RMB4 million (US\$0.6 million), respectively. As of December 31, 2019 and March 31, 2020, we had short-term loans receivable from Yuanjing Mingde of RMB1.9 billion.

In June 2018, we entered into a RMB1.5 billion loan agreement with Yuanjing Mingde at a fixed borrowing rate of 10%. Yuanjing Mingde repaid RMB1.2 billion in August 2018, and extended the maturity date of the remaining RMB0.3 billion to August 31, 2018, with a fixed borrowing rate of 12%. On August 31, 2018, Yuanjing Mingde repaid RMB0.2 billion, and extended the maturity date of remaining balance to December 26, 2019 with Mr. ZUO Hui's deposit as guarantee.

In November 2018, we entered into a six-month RMB1.9 billion loan agreement with Yuanjing Mingde at a fixed borrowing rate of 10%. The agreement was renewed to July 15, 2020 at a borrowing rate of 12% and Yuanjing Mingde plans to repay the loan prior to that.

#### **Transactions with Vanlian**

We had related party transactions with Vanlian (Beijing) Decoration Co., Ltd. ("Vanlian"), an affiliate of our company. We had commission service revenue from cooperation on property renovation business with Vanlian in the amount of RMB1 million, RMB5 million and RMB4 million (US\$0.5 million) and RMB1 million (US\$0.2 million) in 2017, 2018, 2019 and in the three months ended March 31, 2020, respectively.

As of December 31, 2017, 2018, 2019 and March 31, 2020, Vanlian had amounts due to us of RMB39 million, RMB40 million, RMB6 million (US\$0.8 million) and RMB7 million (US\$1 million), respectively. As of December 31, 2019 and March 31, 2020, we had amounts due to Vanlian of RMB100 thousand (US\$14 thousand). We had short-term loan receivable of RMB5 million as of December 31, 2017, which had been settled.

#### **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 RMB1 million, RMB11 million (US\$2 million) and RMB2 million (US\$0.3 million) in 2018, 2019 and in the three months ended March 31, 2020, 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 (US\$0.4 million) and RMB1 million (US\$0.2 million) in 2019 and in the three months ended March 31, 2020, respectively .

As of December 31, 2018 and 2019 and March 31, 2020, IFM had amounts due to us of RMB41 million, RMB5 million (US\$0.7 million) and RMB6 million (US\$0.8 million), respectively. As of December 31, 2019 and March 31, 2020, we had amounts due to IFM of RMB46 million (US\$6 million) and RMB17 million (US\$2 million), respectively. We had short-term loan receivable of RMB20 million (US\$3 million) as of December 31, 2019 and March 31, 2020.

#### **Transactions with Mr. ZUO Hui**

As of December 31, 2017, 2018, 2019 and March 31, 2020, we had amounts due to Mr. ZUO Hui, our founder and chairman of the board, of RMB1 million, RMB117 million, RMB1 million (US\$155 thousand) and RMB1 million (US\$155 thousand), respectively.

#### **2018 Share Option Plan**

See "Management — Compensation of Directors and Executive Officers — 2018 Share Option Plan".



## DESCRIPTION OF SHARE CAPITAL

We are a Cayman Islands exempted company incorporated with limited liability and our affairs are governed by our memorandum and articles of association, the Companies Law (2020 Revision) of the Cayman Islands, which we refer to as the Companies Law below, and the common law of the Cayman Islands.

As of the date of this prospectus, our authorized share capital is US\$500,000 divided into 5,000,000,000 shares, par value of US\$0.0001 each, comprising of (i) 4,100,000,000 Class A Ordinary Shares, (ii) 250,000,000 Class B Ordinary Shares, (iii) 150,000,000 Series B Preferred Shares, (iv) 150,000,000 Series C Preferred Shares, (v) 200,000,000 Series D Preferred Shares and (vi) 150,000,000 Series D+ Preferred Shares.

As of the date of this prospectus, 600,717,072 shares are issued and outstanding. Except for 24,059,171 Series B and Series C preferred shares held by Green Frontier Investments Limited, all of our issued and outstanding shares are fully paid.

[Immediately prior to the completion of this offering, our authorized share capital will be changed into US\$ divided into shares comprising of (i) class A ordinary shares of a par value of US\$0.0001 each, (ii) class B ordinary shares of a par value of US\$0.0001, and (iii) shares of a par value of US\$0.0001 each of such class or classes (however designated) as the board of directors may determine in accordance with our post-offering memorandum and articles of association. Immediately prior to the completion of this offering, all of our issued and outstanding preferred shares and ordinary shares will be converted into, and/or re-designated and re-classified, as class A ordinary shares on a one-for-one basis, save and except that the shares held by will be converted into, and/or re-designated and re-classified as, class B ordinary shares. Following such conversion and/or re-designation, we will have class A ordinary shares issued and outstanding and class B ordinary shares issued and outstanding. Following completion of this offering, we will have class A ordinary shares issued and outstanding and class B ordinary shares issued and outstanding, assuming the underwriters do not exercise the option to purchase additional ADSs. All of our shares issued and outstanding prior to the completion of the offering are and will be fully paid, and all of our shares to be issued in the offering will be issued as fully paid.]

### [Our Post-Offering Memorandum and Articles of Association]

Our shareholders have conditionally adopted a fourth amended and restated memorandum and articles of association, which we refer to below as our post-offering memorandum and articles of association and which will become effective and replace our current third amended and restated memorandum and articles of association in its entirety immediately prior to the completion of this offering. The following are summaries of material provisions of the post-offering memorandum and articles of association and of the Companies Law, insofar as they relate to the material terms of our ordinary shares.

*Objects of Our Company.* Under our post-offering 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 nonresidents 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 class B ordinary shares by a holder thereof to any person other than holders of class B ordinary shares or their affiliates, such class B ordinary shares shall be automatically and immediately 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 post-offering 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 the 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 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 post-offering 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 Law to call shareholders' annual general meetings. Our post-offering 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 [seven] 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, holding shares which carry in aggregate not less than [one-third] of all votes attaching to the issued and outstanding shares of our company entitled to vote at such general meeting.

The Companies Law 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 post-offering 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 the 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 post-offering 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 post-offering 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/Nasdaq Stock Market] 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 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/Nasdaq Stock Market], 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 by our board of directors. 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 Law, 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 Law 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.* If at any time, our share capital is divided into different classes or series of shares, the rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not our company is being wound-up, may be varied with the consent in writing of [all]/[a majority of] the holders of the issued shares of that class or series or with the sanction of a resolution passed by a majority of the votes cast at a separate meeting of the holders of the shares of the class or series. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu with such existing class of shares or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights conferred upon the holders of the shares of any class issued shall not be deemed to be 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 post-offering 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 post-offering 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. However, we will provide our shareholders with annual audited financial statements. See "Where You Can Find Additional Information".

*Anti-Takeover Provisions.* Some provisions of our post-offering 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 post-offering 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 Law. The Companies Law 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 Law 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 Law and the current Companies Act of England. In addition, the Companies Law 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 Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

*Mergers and Similar Arrangements.* The Companies Law 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 Law. 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 Law 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 Law.

The Companies Law 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 post-offering 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 post-offering 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 post-offering 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 Law 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 post-offering 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 post-offering 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 post-offering 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 post-offering 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 post-offering memorandum and articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class with the written consent of the holders of [all]/[a majority] of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate meeting of the holders of the 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 Law and our post-offering 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 post-offering 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 post-offering memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

## **History of Securities Issuances**

The following is a summary of our securities issuances in the past three years.

### **Ordinary Shares**

On July 6, 2018, we issued 1 ordinary share to Harneys Fiduciary (Cayman) Limited, which was transferred to Propitious Global Holdings Limited, 87,539 ordinary shares to Propitious Global Holdings Limited and 4,140 ordinary shares to Clover Rich Limited. On September 4, 2018, we issued 194,315,460 ordinary shares to Propitious Global Holdings Limited and 11,565,860 ordinary shares to Clover Rich Limited. On September 6, 2018, we issued 20,000,000 ordinary shares to New Eminence International Limited for our executive officers who exercised their vested stock options.

On December 28, 2018, we (i) re-designated the ordinary shares held by Clover Rich Limited into 11,570,000 class A ordinary shares, of which 977,168 shares were surrendered; (ii) re-designed the ordinary shares held by New Eminence International Limited into 20,000,000 class A ordinary shares; and (iii) re-designated the ordinary shares held by Propitious Global Holdings Limited into 194,403,000 class B ordinary shares, of which 7,745,150 shares were surrendered. We also issued 57,806,897 class A ordinary shares to certain shareholders of Beijing Lianjia and Yiju Taihe or such shareholders' affiliates as these shareholders entered into contractual arrangements with our PRC subsidiaries whereby we obtained control over Beijing Lianjia and Yiju Taihe.

On January 30, 2019, Clover Rich Limited surrendered 63,000 class A ordinary shares it held.

On November 29, 2019, we issued 19,038,759 class A ordinary shares to GainWell Investment Corp. for our executive officers who exercised their vested stock options.

In April 2020, we issued (i) 101,983 class A ordinary shares to Shimeng Limited for an aggregate consideration of US\$2,325,213; (ii) 2,250,411 class A ordinary shares to Shengpu Limited

for an aggregate consideration of \$51,309,379; (iii) 2,110,633 class A ordinary shares to Mingguai Limited for an aggregate consideration of \$48,122,440; (iv) 37,435 class A ordinary shares to Fu Rui Business Management (BVI) Limited for an aggregate consideration of \$711,258; and (v) 29,948 class A ordinary shares to Yuan Sheng Business Management (BVI) Limited for an aggregate consideration of \$569,006.

### **Preferred Shares**

In December 2018, as part of our reorganization, KE Holdings Inc. issued 59,696,752 Series B Preferred Shares and 94,113,635 Series C Preferred Shares to certain original investors of Beijing Lianjia and Yiju Taihe or such investors' affiliates.

In December 2018, we issued (i) an aggregate of 26,315,789 Series D preferred shares to Tencent Mobility Limited for a total consideration of US\$500,000,000 including cash and in-kind contribution; (ii) an aggregate of 15,789,474 Series D preferred shares to Parallel Galaxy Investment Limited for an aggregate consideration of US\$300,000,000; (iii) an aggregate of 789,474 Series D preferred shares to Huaxing Growth Capital III, L.P. for an aggregate consideration of US\$15,000,000; (iv) an aggregate of 5,263,158 Series D preferred shares to Knight Ray Limited for an aggregate consideration of US\$100,000,000; (v) an aggregate of 1,168,947 Series D preferred shares to H Capital V, L.P. for an aggregate consideration of US\$22,210,000; (vi) an aggregate of 1,462,632 Series D preferred shares to H Capital XM, L.P. for an aggregate consideration of US\$27,790,000; (vii) an aggregate of 276,316 Series D preferred shares to Haixia Tiger L.P. for an aggregate consideration of US\$5,250,000; and (viii) an aggregate of 4,210,526 Series D preferred shares to HH SPR-IX Holdings Limited for an aggregate consideration of US\$80,000,000.

In January 2019, we issued (i) an aggregate of 631,579 Series D preferred shares to Perseus Technology Investment Limited for an aggregate consideration of US\$12,000,000 and (ii) an aggregate of 2,105,263 Series D preferred shares to Levee Venture Ltd. for an aggregate consideration of US\$40,000,000.

In April 2019, we issued (i) an aggregate of 259,211 Series D preferred shares to Villa Shell I Limited for an aggregate consideration of US\$4,925,000; (ii) an aggregate of 1,578,947 Series D preferred shares to Redview Capital Investment I Limited for an aggregate consideration of US\$30,000,000; and (iii) an aggregate of 2,631,579 Series D preferred shares to CGVC Company Limited for an aggregate consideration of US\$50,000,000.

In May 2019, we issued an aggregate of 465,289 Series C preferred shares to Trinity Investment Holdings Ltd. for an aggregate consideration of RMB50,000,000.

In August 2019, we issued (i) an aggregate of 842,105 Series D preferred shares to Star Cavity Limited for an aggregate consideration of US\$15,999,995 and (ii) an aggregate of 1,789,474 Series D preferred shares to PA Golden Shell Limited Partnership for an aggregate consideration of US\$34,000,006.

In November 2019, we issued an aggregate of 21,052,632 Series D preferred shares to SVF II Shell Subco (Singapore) Pte. Ltd. for an aggregate consideration of US\$400,000,008.

In November 2019, we issued (i) an aggregate of 41,666,667 Series D+ preferred shares to SVF II Shell Subco (Singapore) Pte. Ltd. for an aggregate consideration of US\$950,000,007.6; (ii) an aggregate of 5,002,339 Series D+ preferred shares to Tencent Mobility Limited for an aggregate consideration of US\$114,053,329.20; (iii) an aggregate of 2,267,500 Series D+ preferred shares to Parallel Stellar Investment Limited for an aggregate consideration of US\$51,699,000.00; (iv) an aggregate of 4,443,329 Series D+ preferred shares to HH PDII Holdings Limited for an aggregate consideration of US\$101,307,901.20; (v) an aggregate of 6,578,947 Series D+ preferred shares to SC GGF III Holdco, Ltd. for an aggregate consideration of US\$149,999,991.60; and (vi) an

aggregate of 2,217,049 Series D+ preferred shares to SCC Growth V Holdco P, Ltd. for an aggregate consideration of US\$50,548,717.20.

### **Grant of Options**

We have granted options to purchase our ordinary shares to certain of our directors, executive officers and employees. See "Management — Compensation of Directors and Executive Officers — 2018 Share Option Plan".

### **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 memorandum and articles of association 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, will automatically terminate upon the completion of this 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 the effective date of this prospectus, shareholders holding at least five percent of 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 this offering.

## DESCRIPTION OF AMERICAN DEPOSITARY SHARES

### [American Depositary Shares]

, as depositary will issue the ADSs which you will be entitled to receive in this offering. Each ADS will represent an ownership interest in class A ordinary shares which we will deposit with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and yourself as an ADR holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which they have not distributed directly to you. Unless specifically requested by you, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to American depositary receipts or ADRs shall include the statements you will receive which reflect your ownership of ADSs.

The depositary's office is located at .

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder, we will not treat you as a shareholder of ours and you will not have any shareholder rights. Cayman Islands law governs shareholder rights. Because the depositary or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADR holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all registered holders from time to time of ADSs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to the registration statement of which this prospectus forms apart.

### Share Dividends and Other Distributions

#### *How will I receive dividends and other distributions on the shares underlying my ADSs?*

We may make various types of distributions with respect to our securities. The depositary has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after converting any cash received into U.S. dollars and, in all cases, making any necessary deductions provided for in the deposit agreement. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depositary will deliver such distributions to ADR holders in proportion to their interests in the following manner:

- **Cash.** The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADR holders, and (iii) deduction of the depositary's expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. The depositary will hold any cash amounts it is unable to distribute in a non-interest-bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States. *If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.*
- **Shares.** In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.
- **Rights to Receive Additional Shares.** In the case of a distribution of rights to subscribe for additional shares or other rights, if we provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not furnish such evidence, the depositary may:
  - sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or
  - if it is not practicable to sell such rights, do nothing and allow such rights to lapse, in which case ADR holders will receive nothing.
- We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADR holders.
- **Other Distributions.** In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable or (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable for such ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

## **Deposit, Withdrawal and Cancellation**

### ***How does the depositary issue ADSs?***

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance. In the case of the ADSs to be issued under this prospectus, we will arrange with the underwriters named herein to deposit such shares.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation and shall, at the time of such deposit, be registered in the name of \_\_\_\_\_, as depositary for the benefit of holders of ADRs or in such other name as the depositary shall direct.

The custodian will hold all deposited shares (including those being deposited by or on our behalf in connection with the offering to which this prospectus relates) for the account of the depositary. ADR holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as "deposited securities". Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary's direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder's name. An ADR holder can request that the ADSs not be held through the depositary's direct registration system and that a certificated ADR be issued.

### ***How do ADR holders cancel an ADS and obtain deposited securities?***

When you turn in your ADR certificate at the depositary's office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying shares to you or upon your written order. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or



- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

## **Record Dates**

The depositary may, after consultation with us if practicable, fix record dates for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of shares,
- to give instructions for the exercise of voting rights at a meeting of holders of shares,
- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR, or
- to receive any notice or to act in respect of other matters all subject to the provisions of the deposit agreement.

## **Voting Rights**

### ***How do I vote?***

If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receiving notice of any meeting or solicitation of consents or proxies from us, the depositary will distribute to the registered ADR holders a notice stating such information as is contained in the voting materials received by the depositary and describing how you may instruct the depositary to exercise the voting rights for the shares which underlie your ADSs. For instructions to be valid, the depositary must receive them in the manner and on or before the date specified. No voting instructions may be deemed given to the depositary to give a discretionary proxy to a person designated by us if no instructions are received by the depositary from you on or before the response date established by the depositary. The depositary will try, as far as is practical, subject to the provisions of and governing the underlying shares or other deposited securities, to vote or to have its agents vote the shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote. Notwithstanding anything contained in the deposit agreement or any ADR, the depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of deposited securities, distribute to the registered holders of ADRs a notice that provides such holders with, or otherwise publicizes to such holders, instructions on how to retrieve such materials or receive such materials upon request (i.e., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

Under our post-offering memorandum and articles of association, the depositary would be able to provide us with voting instructions without having to personally attend meetings in person, by means of it delivering an instrument of proxy. Such voting instructions may be provided to us by means of the depositary delivering an instrument of proxy via facsimile, email, mail, courier or other recognized form of delivery and we agree to accept any such delivery so long as it is timely received prior to the meeting. We will endeavor to provide the depositary with written notice of each meeting of shareholders promptly after determining the date of such meeting so as to enable it to

solicit and receive voting instructions. In general, the depositary will require that voting instructions be received by the depositary no less than five business days prior to the date of each meeting of shareholders. Under our post-offering memorandum and articles of association that we expect to adopt, the minimum notice period required to convene a general meeting is [seven] days. The depositary may not have sufficient time to solicit voting instructions, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Notwithstanding the above, we have advised the depositary that under the Cayman Islands law and our post offering memorandum and articles of association, each as in effect as of completion of this offering, voting at any meeting of shareholders will be by show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded. In the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with our constituent documents, the depositary will refrain from voting and the voting instructions (or the deemed voting instructions, as set out above) received by the depositary from holders shall lapse. The depositary will not demand a poll or join in demanding a poll, whether or not requested to do so by holders of ADSs.

There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

## **Reports and Other Communications**

### ***Will ADR holders be able to view our reports?***

The depositary will make available for inspection by ADR holders at the offices of the depositary and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADR holders.

## **Fees and Expenses**

### ***What fees and expenses will I be responsible for paying?***

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are canceled or reduced for any other reason, US\$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, canceled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or

an exchange of stock regarding the ADRs or the deposited securities or a distribution of ADSs), whichever is applicable':

- a fee of US\$                per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of up to US\$                per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of up to US\$                per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of the depositary's agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which charge shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares and there would be a fee of five cents per ADS outstanding);
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Our depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses and exchange application and listing fees. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the ADR program are not known at this time. The depositary collects its fees for issuance and cancellation 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 will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary.

## **Payment of Taxes**

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. Additionally, if any taxes or other governmental charges (including any penalties and/or interest) shall become payable by or on behalf of the custodian or the depositary with respect to any ADR, any deposited securities represented by the ADSs evidenced thereby or any distribution thereon, including, without limitation, any Chinese Enterprise Income Tax owing if the Circular Guoshuifa [2009] No. 82 issued by the Chinese State Administration of Taxation or any other circular, edict, order or ruling, as issued and as from time to time amended, is applied or otherwise, such tax or other governmental charge shall be paid by the holder thereof to the depositary. and by holding or having held an ADR the holder and all prior holders thereof, jointly and severally, agree to indemnify, defend and save harmless each of the depositary and its agents in respect thereof. If any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) to pay such taxes and distribute any remaining net proceeds to the ADR holders entitled thereto.

By holding an ADR or an interest therein, you will be agreeing to indemnify us, the depositary, its custodian and any of our or their respective directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

## **Reclassifications, Recapitalizations and Mergers**

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancelation or other reclassification of deposited securities or (ii) any distributions not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

- amend the form of ADR;
- distribute additional or amended ADRs;
- distribute cash, securities or other property it has received in connection with such actions;

- sell any securities or property received and distribute the proceeds as cash; or
- none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

## **Amendment and Termination**

### ***How may the deposit agreement be amended?***

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders must be given at least [30] days' notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or otherwise prejudices any substantial existing right of ADR holders. Such notice need not describe in detail the specific amendments effectuated thereby, but must give ADR holders a means to access the text of such amendment. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

### ***How may the deposit agreement be terminated?***

The depositary may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least [30] days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within [45] days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADRs unless a successor depositary shall not be operating under the deposit agreement on the 90th day after our notice of removal was first provided to the depositary. After termination, the depositary's only responsibility will be (i) to deliver deposited securities to ADR holders who surrender their ADRs, and (ii) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of such sales (as long as it may lawfully do so), without liability for interest, in trust for the ADR holders who have not yet surrendered their ADRs. After making such sale, the depositary shall have no obligations except to account for such proceeds and other cash.

## Limitations on Obligations and Liability to ADS Holders

### *Limits on our obligations and the obligations of the depositary; limits on liability to ADR holders and holders of ADSs*

Prior to the issue, registration, registration of transfer, split-up, combination, or cancelation of any ADRs, or the delivery of any distribution in respect thereof, and from time to time, we or the depositary or its custodian may require:

- payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;
- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and
- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADRs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADR register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdraw shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depositary or our transfer books or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents. Neither we nor the depositary nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, the People's Republic of China or any other country, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism or other circumstance beyond our, the depositary's or our respective agents' control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depositary or our respective agents (including, without limitation, voting);
- it exercises or fails to exercise discretion under the deposit agreement or the ADR;
- it performs its obligations under the deposit agreement and ADRs without gross negligence or bad faith;
- it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or

- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depositary shall not be liable for the acts or omissions made by any securities depository, clearance agency or settlement system in connection with or arising out of book-entry settlement of deposited securities or otherwise. Furthermore, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of . The depositary and the custodian(s) may use third-party delivery services and providers of information regarding matters such as pricing, proxy voting, corporate actions, class action litigation and other services in connection with the ADRs and the deposit agreement, and use local agents to provide extraordinary services such as attendance at annual meetings of issuers of securities. Although the depositary and the custodian will use reasonable care (and cause their agents to use reasonable care) in the selection and retention of such third-party providers and local agents, they will not be responsible for any errors or omissions made by them in providing the relevant information or services.

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder of ADRs or beneficial owner therein to obtain the benefits of credits on the basis of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. Neither the depositary nor any of its agents shall be liable to registered holders of ADRs or beneficial owners of interests in ADSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each holder and beneficial owner and/or holder of interests in ADRs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or the company directly or indirectly arising out of or relating to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory).

The depositary may own and deal in any class of our securities and in ADSs.

## **Disclosure of Interest in ADSs**

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct you to deliver your ADSs for cancelation and withdrawal of the deposited securities so as to permit us to deal with you directly as a holder of shares and, by holding an ADS or an interest therein, you will be agreeing to comply with such instructions.

## **Books of Depositary**

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depositary's direct registration system. Registered holders of ADRs may inspect such records at the depositary's office at all reasonable times, but solely for the purpose of communicating with other holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed from time to time, when deemed expedient by the depositary.

The depositary will maintain facilities for the delivery and receipt of ADRs.

## **Appointment**

In the deposit agreement, each registered holder of ADRs and each person holding an interest in ADSs, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs, and
- appoint the depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR and ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

## **Governing Law**

The deposit agreement and the ADRs shall be governed by and construed in accordance with the laws of the State of New York. In the deposit agreement, we have submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf. Notwithstanding the foregoing, any action based on the deposit agreement or the transactions contemplated thereby may be instituted by the depositary and holders in any competent court in the Cayman Islands, Hong Kong, the People's Republic of China and/or the United States or through the commencement of an English language arbitration either in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association or in Hong Kong following the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL).]



## SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have \_\_\_\_\_ ADSs outstanding, representing \_\_\_\_\_ class A ordinary shares, or approximately \_\_\_\_\_ % of our outstanding class A and class B ordinary shares, assuming the underwriters do not exercise their option to purchase additional ADSs. All of the ADSs sold in this offering will be freely transferable by persons other than by our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of the ADSs in the public market could adversely affect prevailing market prices of the ADSs. Prior to this offering, there has been no public market for our ordinary shares or ADSs. We intend to apply to list the ADSs on the [New York Stock Exchange/Nasdaq Stock Market], but we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our ordinary shares not represented by the ADSs.

### Lock-up Agreements

[We, our directors and executive officers and our existing shareholders] have agreed, for a period of 180 days after the date of this prospectus, [not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale, lend or otherwise dispose of, except in this offering, any of our ordinary shares or ADSs or securities that are substantially similar to our ordinary shares or ADSs, including but not limited to any options or warrants to purchase our ordinary shares, ADSs or any securities that are convertible into or exchangeable for, or that represent the right to receive, our ordinary shares, ADSs or any such substantially similar securities (other than pursuant to employee share option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date such lock-up agreement was executed),] without the prior written consent of the representatives of the underwriters and subject to applicable notice requirements.

Other than this offering, we are not aware of any plans by any significant shareholders to dispose of significant numbers of the ADSs or ordinary shares. However, one or more existing shareholders or owners of securities convertible or exchangeable into or exercisable for the ADSs or ordinary shares may dispose of significant numbers of the ADSs or ordinary shares in the future. We cannot predict what effect, if any, future sales of the ADSs or ordinary shares, or the availability of ADSs or ordinary shares for future sale, will have on the trading price of the ADSs from time to time. Sales of substantial amounts of the ADSs or ordinary shares in the public market, or the perception that these sales could occur, could adversely affect the trading price of the ADSs.

### Rule 144

All of our ordinary shares that will be outstanding upon the completion of this offering, other than those ordinary shares sold in this offering, are "restricted securities" as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirement such as those provided by Rule 144 and Rule 701 promulgated under the Securities Act. In general, beginning 90 days after the date of this prospectus, a person (or persons whose shares are aggregated) who at the time of a sale is not, and has not been during the three months preceding the sale, an affiliate of ours and has beneficially owned our restricted securities for at least six months will be entitled to sell the restricted securities without registration under the Securities Act, subject only to the availability of current public information about us, and will be entitled to sell restricted securities beneficially owned for at least one year without restriction. Persons who are our affiliates and have beneficially owned our restricted

securities for at least six months may sell a number of restricted securities within any three-month period that does not exceed the greater of the following:

- 1% of the then outstanding class A ordinary shares, in the form of ADSs or otherwise, which will equal approximately class A ordinary shares immediately after this offering; or
- the average weekly trading volume of our class A ordinary shares in the form of ADSs or otherwise, on the [New York Stock Exchange/Nasdaq Stock Market], during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales by our affiliates under Rule 144 are also subject to certain requirements relating to manner of sale, notice and the availability of current public information about us.

#### **Rule 701**

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our ordinary shares from us in connection with a compensatory stock plan or other written agreement executed prior to the completion of this offering is eligible to resell those ordinary shares in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

## 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 registration statement, 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 Maples and Calder (Hong Kong) LLP, 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 Taxation**

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 within the jurisdiction 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.

### **People's Republic of China 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 board and shareholder resolutions, 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 acquires the ADSs in this offering and 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. Partners in a partnership 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 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 our consolidated VIEs 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 our consolidated VIEs 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 our consolidated VIEs for U.S. federal income tax purposes, and based upon our current and projected income and assets, including the proceeds from this offering, and the expected price of the ADSs in the offering, we do not 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). If our market capitalization subsequently declines, we may be or become a PFIC for the current taxable year or future taxable years. Furthermore, the composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. 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.

If we are a PFIC for any year during which a U.S. Holder holds the ADSs or ordinary shares, the PFIC rules discussed below under "— Passive Foreign Investment Company Rules" generally will apply to such U.S. Holder for such taxable year, and unless the U.S. Holder makes certain elections, will apply in future years even if we cease to be a PFIC.

The discussion below under "— Dividends" and "— Sale or Other Disposition" is written on the basis that we will not be or become 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 depository, 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. We intend to list the ADSs on the [Nasdaq Stock Market/New York Stock Exchange]. Provided the listing is approved, we believe that the ADSs will be readily tradable on an established securities market in the United States and that we will be a qualified foreign corporation with respect to dividends paid on the ADSs. 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 "Taxation — People's Republic of China 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 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.

#### *Passive Foreign Investment Company Rules*

If we are 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 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 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 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, our consolidated VIEs or any of the subsidiaries of our 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, our consolidated VIEs or any of the subsidiaries of our 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. The ADSs, but not our Class A ordinary shares, will be traded on a qualified exchange upon their listing on the [New York Stock Exchange/Nasdaq Stock Market]. 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.

## UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement, dated \_\_\_\_\_ among us and the underwriters named below, for whom [Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. LLC and China Renaissance Securities (Hong Kong) Limited] are acting as the representatives, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the respective number of ADSs shown opposite its name below:

| Underwriter                                       | Number of ADSs |
|---|----------------|
| [Goldman Sachs (Asia) L.L.C.                      |                |
| Morgan Stanley & Co. LLC                          |                |
| China Renaissance Securities (Hong Kong) Limited] |                |
| <b>Total</b>                                      |                |

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers' certificates and legal opinions and approval of certain legal matters by their counsel. [The underwriting agreement provides that the underwriters will purchase all of the ADSs if any of them are purchased. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated. We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.]

The underwriters have advised us that, following the completion of this offering, they currently intend to make a market in the ADSs as permitted by applicable laws and regulations. However, the underwriters are not obligated to do so, and the underwriters may discontinue any market-making activities at any time without notice in their sole discretion. Accordingly, no assurance can be given as to the liquidity of the trading market for the ADSs, that you will be able to sell any of the ADSs held by you at a particular time or that the prices that you receive when you sell will be favorable.

The underwriters are offering the ADSs subject to their acceptance of the ADSs from us and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Certain of the underwriters are expected to make offers and sales both inside and outside the United States through their respective selling agents. Any offers or sales in the United States will be conducted by broker-dealers registered with the SEC. Goldman Sachs (Asia) L.L.C. will offer ADSs in the United States through its SEC-registered broker-dealer affiliate in the United States, Goldman Sachs & Co. LLC. China Renaissance Securities (Hong Kong) Limited will offer ADSs in the United States through its SEC-registered broker-dealer affiliate in the United States, China Renaissance Securities (US) Inc.

The address of Goldman Sachs (Asia) L.L.C. is 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong. The address of Morgan Stanley & Co. LLC is 1585 Broadway, New York, New York 10036, U.S.A. The address of China Renaissance Securities (Hong Kong) Limited is Units 8107-08, Level 81, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Option to Purchase Additional ADSs

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of \_\_\_\_\_ ADSs from us at the public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions. If the underwriters exercise this option, each underwriter will be severally and not jointly obligated, subject to specified conditions, to purchase a number of additional ADSs proportionate to that underwriter's initial purchase commitment as indicated in the table above. This option may be exercised only if the underwriters sell more ADSs than the total number set forth on the cover page of this prospectus.

Commission and Expenses

The underwriters have advised us that they propose to offer the ADSs to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers, which may include the underwriters, at that price less a concession not in excess of US\$ \_\_\_\_\_ per ADS. After the offering, the initial public offering price, concession and reallowance to dealers may be varied by the underwriters. No such reduction will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus.

The following table shows the public offering price, the underwriting discounts and commissions that we are to pay the underwriters and the proceeds, before expenses, to us in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional ADSs.

|   | Per ADS  |   | Total  |   |
|---|--|---|--|---|
|   | Without<br>Option to<br>Purchase<br>Additional<br>ADSs | With<br>Option to<br>Purchase<br>Additional<br>ADSs | Without<br>Option to<br>Purchase<br>Additional<br>ADSs | With<br>Option to<br>Purchase<br>Additional<br>ADSs |
| Public offering price                             | US\$ _____   | US\$ _____  | US\$ _____   | US\$ _____  |
| Underwriting discounts and commissions paid by us | US\$ _____   | US\$ _____  | US\$ _____   | US\$ _____  |
| Proceeds to us, before expenses                   | US\$ _____   | US\$ _____  | US\$ _____   | US\$ _____  |

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately US\$ \_\_\_\_\_. [We have also agreed to reimburse the underwriters for expenses up to US\$ \_\_\_\_\_ relating to clearance of this offering with FINRA and certain other fees and expenses in connection with this offering.]

Determination of Offering Price

Prior to this offering, there has not been a public market for the ADSs. Consequently, the initial public offering price for the ADSs will be determined by negotiations between us and the representatives. Among the factors to be considered in these negotiations will be prevailing market conditions, our financial information, market valuations of other companies that we and the underwriters believe to be comparable to us, estimates of our business potential, the present state of our development and other factors deemed relevant.

We offer no assurances that the initial public offering price will correspond to the price at which the ADSs will trade in the public market subsequent to the offering or that an active trading market for the ADSs will develop and continue after the offering.

## Listing

We [intend to apply/have applied] to have the ADSs listed on [the New York Stock Exchange/NASDAQ] under the trading symbol "                      ".

## [Directed Share Program]

At our request, the underwriters have reserved up to                      ADSs being offered by this prospectus (assuming exercise in full by the underwriters of their option to purchase additional ADSs) for sale at the initial public offering price to certain of our [directors, executive officers, employees, business associates and members of their families]. The directed share program will be administered by                      . We do not know if these individuals will choose to purchase all or any portion of these reserved ADSs, but any purchases they do make will reduce the number of ADSs that are available to the general public. Any reserved ADSs that are not so purchased will be offered by the underwriters to the general public on the same terms as the other ADSs offered by this prospectus.]

## Stamp Taxes

If you purchase ADSs offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

## Lock-Up Agreements

[We, our officers, directors and existing shareholders] have agreed, subject to specified exceptions, not to directly or indirectly during the period ending 180 days after the date of this prospectus, (i) issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of directly or indirectly, any ordinary shares or ADSs or any securities convertible into or exercisable or exchangeable for such ordinary shares or ADSs or enter into a transaction which would have the same effect; (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the ordinary shares or ADSs; (iii) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in the ordinary shares or ADSs within the meaning of Section 16 of the Exchange Act; (iv) file any registration statement with the SEC relating to the offering of any ordinary shares, ADSs or any securities convertible into or exercisable or exchangeable for ordinary shares or ADSs; or (v) publicly disclose the intention to make any offer, sale, pledge, disposition or filing, in each case regardless of whether any such transaction described above is to be settled by delivery of ordinary shares, ADSs, or such other securities, in cash or otherwise.

[The underwriters] may, in their sole discretion and at any time or from time to time before the termination of the 180-day period release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any of our shareholders who will execute a lock-up agreement, providing consent to the sale of ADSs prior to the expiration of the lock-up period.]

## Stabilization

The underwriters have advised us that they, pursuant to Regulation M under the Securities Exchange Act of 1934, as amended, and certain persons participating in the offering may engage in short sale transactions, stabilizing transactions, syndicate covering transactions or the imposition of penalty bids in connection with this offering. These activities may have the effect of stabilizing or maintaining the market price of the ADSs at a level above that which might otherwise prevail in the

open market. Establishing short sales positions may involve either "covered" short sales or "naked" short sales.

"Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional ADSs in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional ADSs or purchasing the ADSs in the open market. In determining the source of ADSs to close out the covered short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared to the price at which they may purchase ADSs through the option to purchase additional ADSs.

"Naked" short sales are sales in excess of the option to purchase additional ADSs. The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market after pricing that could adversely affect investors who purchase in this offering.

A stabilizing bid is a bid for the purchase of ADSs on behalf of the underwriters for the purpose of fixing or maintaining the price of the ADSs. A syndicate covering transaction is the bid for or the purchase of ADSs on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. Similar to other purchase transactions, the underwriter's purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our ADSs or preventing or retarding a decline in the market price of our ADSs. As a result, the price of our ADSs may be higher than the price that might otherwise exist in the open market. A penalty bid is an arrangement permitting the underwriters to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if the ADSs originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member.

None of we or any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the ADSs. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

### **Discretionary Sales**

The underwriters do not intend sales to discretionary accounts to exceed five percent of the total number of ADSs offered.

### **Electronic Distribution**

A prospectus in electronic format may be made available by e-mail or on the websites or through online services maintained by one or more of the underwriters or their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of ADSs for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' websites and any information contained in any other website maintained by any of the underwriters is not part of this prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.

## **Relationships**

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking, investment and wealth management and financial advisory services for us and our affiliates, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and certain of their affiliates may make or hold a broad array of investments and debt and equity securities (or related derivative securities) and financial instruments (including loans) for their own account and for the accounts of their customers as agent or as discretionary manager, and such investment and securities activities may involve securities and/or instruments issued by us and our affiliates. If the underwriters or their respective affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. The underwriters and their respective affiliates may hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the ADSs offered hereby. Any such short positions could adversely affect future trading prices of the ADSs offered hereby. The underwriters and certain of their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. BAO Fan, our director, is the chairman and chief executive officer of China Renaissance Holdings Limited which wholly owns China Renaissance Securities (Hong Kong) Limited, an underwriter in connection with this offering.

## **Selling Restrictions**

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the ADSs, or the possession, circulation or distribution of this prospectus or any other material relating to us or the ADSs in any jurisdiction where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither this prospectus nor any other material or advertisements in connection with the ADSs may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

## ***Australia***

This prospectus does not constitute a product disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth) (the "Corporations Act"), has not been, and will not be, lodged with the Australian Securities and Investments Commission ("ASIC"), as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act. It does not constitute or involve a recommendation to acquire, an offer or invitation for issue or sale, an offer or invitation to arrange the issue or sale, or an issue or sale, of interests to a "retail client" (as defined in section 761G of the Corporations Act and applicable regulations) in Australia and may only be provided in Australia to select investors who are able to demonstrate that they fall within one or

more of the categories of investors, or Exempt Investors, available under section 708 of the Corporations Act as set out below. Accordingly, if you receive this prospectus in Australia:

A. You confirm and warrant that you are either:

a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act;

a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

a person associated with the Company under Section 708(12) of the Corporations Act; or

a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act.

The ADSs may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the ADSs may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any ADSs may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the ADSs, you represent and warrant to us that you are an Exempt Investor. To the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this prospectus is void and incapable of acceptance.

B. As any offer of ADSs under this prospectus will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the ADSs, you warrant and agree that you will not offer any of the securities issued to you pursuant to this prospectus for resale in Australia within 12 months of those securities being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

### ***Bermuda***

ADSs may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 of Bermuda which regulates the sale of securities in Bermuda. Additionally, non-Bermudian persons (including companies) may not carry on or engage in any trade or business in Bermuda unless such persons are permitted to do so under applicable Bermuda legislation.

### ***British Virgin Islands***

The ADSs are not being, and may not be offered to the public or to any person in the British Virgin Islands for purchase or subscription by or on behalf of the Company. The ADSs may be offered to companies incorporated under the BVI Business Companies Act, 2004 (British Virgin Islands)", BVI Companies"), but only where the offer will be made to, and received by, the relevant BVI Company entirely outside of the British Virgin Islands.

### ***Canada***

The securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus

Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### ***Cayman Islands***

This prospectus does not constitute a public offer of the ADSs, whether by way of sale or subscription, in the Cayman Islands. Each underwriter has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any ADSs in the Cayman Islands.

### ***Dubai International Finance Center***

This document relates to an Exempt Offer, as defined in the Offered Securities Rules module of the DFSA Rulebook, or the OSR, in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons, as defined in the OSR, of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The ADSs to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the ADSs offered should conduct their own due diligence on the ADSs. If you do not understand the contents of this document you should consult an authorized financial adviser.

### ***European Economic Area***

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive, or each referred as a "Relevant Member State", an offer to the public of the ADSs which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any ADSs may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters or the underwriters nominated by us for any such offer; or



(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of ADSs shall require us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, and each person who initially acquires any ADSs or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with each of the underwriters and us that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

In the case of any ADSs being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the ADSs acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any ADSs to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an "offer ADSs to the public" in relation to the ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ADSs to be offered so as to enable an investor to decide to purchase or subscribe to the ADSs, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

### ***Hong Kong***

No securities have been offered or sold, and no securities may be offered or sold, in Hong Kong, by means of any document, other than to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong, or the SFO, and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, or the CEO, or which do not constitute an offer or invitation to the public for the purpose of the CEO and the SFO. No document, invitation or advertisement relating to the securities has been issued or may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the content of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

This prospectus has not been registered with the Registrar of Companies in Hong Kong. Accordingly, this prospectus may not be issued, circulated or distributed in Hong Kong, and the securities may not be offered for subscription to members of the public in Hong Kong. Each person acquiring the securities will be required, and is deemed by the acquisition of the securities, to confirm that he is aware of the restriction on offers of the securities described in this prospectus and the relevant offering documents and that he is not acquiring, and has not been offered any securities in circumstances that contravene any such restrictions.

## **Indonesia**

This prospectus does not, and is not intended to, constitute a prospectus for a public offering of securities and this offering does not, and is not intended to, constitute a public offering of securities under Law Number 8 of 1995 regarding Capital Market and its implementing regulations. This prospectus may not be distributed in the Republic of Indonesia and the ADSs may not be offered or sold in the Republic of Indonesia or to Indonesian citizens wherever they are domiciled, or to Indonesia residents, in a manner which constitutes a public offering under the laws of the Republic of Indonesia.

## **Israel**

In the State of Israel, the ADSs offered hereby may not be offered to any person or entity other than the following:

- a fund for joint investments in trust (i.e., mutual fund), as such term is defined in the Law for Joint Investments in Trust, 5754-1994, or a management company of such a fund;
- a provident fund as defined in Section 47(a)(2) of the Income Tax Ordinance of the State of Israel, or a management company of such a fund;
- an insurer, as defined in the Law for Oversight of Insurance Transactions, 5741-1981, a banking entity or satellite entity, as such terms are defined in the Banking Law (Licensing), 5741-1981, other than a joint services company, acting for their own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;
- a company that is licensed as a portfolio manager, as such term is defined in Section 8(b) of the Law for the Regulation of Investment Advisors and Portfolio Managers, 5755-1995, acting on its own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;
- a company that is licensed as an investment advisor, as such term is defined in Section 7(c) of the Law for the Regulation of Investment Advisors and Portfolio Managers, 5755-1995, acting on its own account;
- a company that is a member of the Tel Aviv Stock Exchange, acting on its own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;
- an underwriter fulfilling the conditions of Section 56(c) of the Securities Law, 5728-1968;
- a venture capital fund (defined as an entity primarily involved in investments in companies which, at the time of investment, (i) are primarily engaged in research and development or manufacture of new technological products or processes and (ii) involve above average risk);
- an entity primarily engaged in capital markets activities in which all of the equity owners meet one or more of the above criteria; and
- an entity, other than an entity formed for the purpose of purchasing the ADSs in this offering, in which the shareholders equity (including pursuant to foreign accounting rules, international accounting regulations and U.S. generally accepted accounting rules, as defined in the Securities Law Regulations (Preparation of Annual Financial Statements), 1993) is in excess of NIS 250 million.

Any offeree of the ADSs offered hereby in the State of Israel shall be required to submit written confirmation that it falls within the scope of one of the above criteria. This prospectus will

not be distributed or directed to investors in the State of Israel who do not fall within one of the above criteria.

### **Japan**

The offering has not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 of Japan, as amended), or FIEL, and the Initial Purchaser will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

### **Korea**

The ADSs may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Korea Securities and Exchange Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The ADSs have not been registered with the Financial Services Commission of Korea for public offering in Korea. Furthermore, the ADSs may not be resold to Korean residents unless the purchaser of the ADSs complies with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with the purchase of the ADSs.

### **Kuwait**

Unless all necessary approvals from the Kuwait Ministry of Commerce and Industry required by Law No. 31/1990 "Regulating the Negotiation of Securities and Establishment of Investment Funds," its Executive Regulations and the various Ministerial Orders issued pursuant thereto or in connection therewith, have been given in relation to the marketing and sale of the ADSs, these may not be marketed, offered for sale, nor sold in the State of Kuwait. Neither this prospectus (including any related document), nor any of the information contained therein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

### **Malaysia**

No prospectus or other offering material or document in connection with the offer and sale of the ADSs has been or will be registered with the Securities Commission of Malaysia, or the Commission, for the Commission's approval pursuant to the Capital Markets and Services Act 2007. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than (i) a closed end fund approved by the Commission; (ii) a holder of a Capital Markets Services Licence; (iii) a person who acquires the ADSs, as principal, if the offer is on terms that the ADSs may only be acquired at a consideration of not less than RM250,000 (or its equivalent in foreign currencies) for each transaction; (iv) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3 million (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual; (v) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies) per annum in the preceding twelve months; (vi) an individual who, jointly with his or her spouse, has a gross annual income of RM400,000 (or

its equivalent in foreign currencies), per annum in the preceding twelve months; (vii) a corporation with total net assets exceeding RM10 million (or its equivalent in a foreign currencies) based on the last audited accounts; (viii) a partnership with total net assets exceeding RM10 million (or its equivalent in foreign currencies); (ix) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act 2010; (x) an Islamic bank licensee or takaful licensee as defined in the Labuan Financial Services and Securities Act 2010; and (xi) any other person as may be specified by the Commission; provided that, in the each of the preceding categories (i) to (xi), the distribution of the ADSs is made by a holder of a Capital Markets Services Licence who carries on the business of dealing in securities. The distribution in Malaysia of this prospectus is subject to Malaysian laws. This prospectus does not constitute and may not be used for the purpose of public offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase any securities requiring the registration of a prospectus with the Commission under the Capital Markets and Services Act 2007.

#### ***People's Republic of China***

This prospectus may not be circulated or distributed in the PRC and the ADSs may not be offered or sold, and will not be offered or sold to any person for re-offering or resale directly or indirectly to any resident of the PRC or for the benefit of, legal or natural persons of the PRC except pursuant to applicable laws and regulations of the PRC. Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the ADSs or any beneficial interest therein without obtaining all prior PRC's governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this prospectus are required by the issuer and its representatives to observe these restrictions. For the purpose of this paragraph, PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

#### ***Qatar***

In the State of Qatar, the offer contained herein is made on an exclusive basis to the specifically intended recipient thereof, upon that person's request and initiative, for personal use only and shall in no way be construed as a general offer for the sale of securities to the public or an attempt to do business as a bank, an investment company or otherwise in the State of Qatar. This prospectus and the underlying securities have not been approved or licensed by the Qatar Central Bank or the Qatar Financial Centre Regulatory Authority or any other regulator in the State of Qatar. The information contained in this prospectus shall only be shared with any third parties in Qatar on a need to know basis for the purpose of evaluating the contained offer. Any distribution of this prospectus by the recipient to third parties in Qatar beyond the terms hereof is not permitted and shall be at the liability of such recipient.

#### ***Saudi Arabia***

This prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority pursuant to resolution number 2-11-2004 dated 4 October 2004 as amended by resolution number 1-28-2008, as amended. The Capital Market Authority does not make any representation as to the accuracy or completeness of this prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this prospectus. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this prospectus you should consult an authorized financial adviser.

## **Singapore**

This prospectus has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the ADSs are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## **South Africa**

Due to restrictions under the securities laws of South Africa, the ADSs are not offered, and the offer shall not be transferred, sold, renounced or delivered, in South Africa or to a person with an address in South Africa, unless one or other of the following exemptions applies:

- i. the offer, transfer, sale, renunciation or delivery is to:
  - (a) persons whose ordinary business is to deal in securities, as principal or agent;
  - (b) the South African Public Investment Corporation;
  - (c) persons or entities regulated by the Reserve Bank of South Africa;
  - (d) authorized financial service providers under South African law;
  - (e) financial institutions recognized as such under South African law;

(f) a wholly-owned subsidiary of any person or entity contemplated in (c), (d) or (e), acting as agent in the capacity of an authorized portfolio manager for a pension fund or collective investment scheme (in each case duly registered as such under South African law); or

(g) any combination of the person in (a) to (f); or

ii. the total contemplated acquisition cost of the securities, for any single addressee acting as principal is equal to or greater than ZAR1,000,000.

No "offer to the public" (as such term is defined in the South African Companies Act, No. 71 of 2008 (as amended or re-enacted) (the "South African Companies Act")) in South Africa is being made in connection with the issue of the ADSs. Accordingly, this prospectus does not, nor is it intended to, constitute a "registered prospectus" (as that term is defined in the South African Companies Act) prepared and registered under the South African Companies Act and has not been approved by, and/or filed with, the South African Companies and Intellectual Property Commission or any other regulatory authority in South Africa. Any issue or offering of the ADSs in South Africa constitutes an offer of the ADSs in South Africa for subscription or sale in South Africa only to persons who fall within the exemption from "offers to the public" set out in section 96(1)(a) of the South African Companies Act. Accordingly, this prospectus must not be acted on or relied on by persons in South Africa who do not fall within section 96(1)(a) of the South African Companies Act (such persons being referred to as "SA Relevant Persons"). Any investment or investment activity to which this prospectus relates is available in South Africa only to SA Relevant Persons and will be engaged in South Africa only with SA relevant persons.

### **Switzerland**

The securities may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or the SIX, or on any other stock exchange or regulated trading facility in Switzerland. This prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the securities or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this prospectus nor any other offering or marketing material relating to the offering, the Company or the securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or the CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of securities.

### **Taiwan**

The ADSs have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the ADSs in Taiwan.

**United Arab Emirates**

This prospectus is not intended to constitute an offer, sale or delivery of ADSs or other securities under the laws of the United Arab Emirates, or the UAE. The ADSs have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other UAE exchange.

The offering, the ADSs and interests therein have not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

In relation to its use in the UAE, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the ADSs may not be offered or sold directly or indirectly to the public in the UAE.

**United Kingdom**

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, and/or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom it may lawfully be communicated (each such person being referred to as a "relevant person").

This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus or any of its contents.

EXPENSES RELATED TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that we expect to incur in connection with this offering. With the exception of the SEC registration fee, the Financial Industry Regulatory Authority Inc., or FINRA, filing fee, and the stock exchange market entry and listing fee, all amounts are estimates.

|   |             |
|---|-------------|
| SEC Registration Fee                        | US\$        |
| FINRA Filing Fee                            |             |
| Stock Exchange Market Entry and Listing Fee |             |
| Printing and Engraving Expenses             |             |
| Legal Fees and Expenses                     |             |
| Accounting Fees and Expenses                |             |
| Miscellaneous                               |             |
| Total                                       | <u>US\$</u> |



## LEGAL MATTERS

We are being represented by Skadden, Arps, Slate, Meagher & Flom LLP with respect to certain legal matters as to United States federal securities and New York State law. The underwriters are being represented by Davis Polk & Wardwell LLP with respect to certain legal matters as to United States federal securities and New York State law. The validity of our ordinary shares represented by the ADSs offered in this offering will be passed upon for us by Maples and Calder (Hong Kong) LLP. Certain legal matters as to PRC law will be passed upon for us by Han Kun Law Offices and for the underwriters by Jingtian & Gongcheng. Skadden, Arps, Slate, Meagher & Flom LLP may rely upon Maples and Calder (Hong Kong) LLP with respect to matters governed by Cayman Islands law and Han Kun Law Offices with respect to matters governed by PRC law. Davis Polk & Wardwell LLP may rely upon Jingtian & Gongcheng with respect to matters governed by PRC law.

## EXPERTS

The financial statements as of December 31, 2019, 2018 and 2017, and for each of the three years in the period ended December 31, 2019 included in this Prospectus have been so included in reliance on the report of PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The registered business address of PricewaterhouseCoopers Zhong Tian LLP is 6/F DBS Bank Tower, 1318, Lu Jia Zui Ring Road, Pudong New Area, Shanghai, the People's Republic of China.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement, including relevant exhibits, with the SEC on Form F-1 under the Securities Act with respect to the underlying class A ordinary shares represented by the ADSs to be sold in this offering. We have also filed a related registration statement on Form F-6 with the SEC to register the ADSs. This prospectus, which constitutes a part of the registration statement on Form F-1, does not contain all of the information contained in the registration statement. You should read our registration statements and their exhibits and schedules for further information with respect to us and the ADSs.

Immediately upon the effectiveness of the registration statement on Form F-1 of which this prospectus forms a part, we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be 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](http://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.

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of KE Holdings Inc.

### ***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of KE Holdings Inc. and its subsidiaries (the "Company") as of December 31, 2019, 2018 and 2017, and the related consolidated statements of comprehensive loss, of changes in shareholders' deficit and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements 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 of these consolidated financial statements in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits 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. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China

April 24, 2020, except for the effects of the composition of reportable segments as described in Note 25, as to which the date is June 12, 2020

We have served as the Company's auditor since 2018.

KE Holdings Inc.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2017, 2018 AND 2019

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | As of December 31, |            |            |                    |                       |                    |
|---|--------------------|------------|------------|--------------------|-----------------------|--------------------|
|   | 2017               | 2018       | 2019       |                    | 2019                  |                    |
|   | RMB                | RMB        | RMB        | US\$<br>(Note 2.5) | RMB                   | US\$<br>(Note 2.5) |
|   |                    |            |            |                    | Pro forma (unaudited) |                    |
| ASSETS  |                    |            |            |                    |                       |                    |
| Current assets:   |                    |            |            |                    |                       |                    |
| Cash and cash equivalents   | 5,236,100          | 9,115,649  | 24,319,332 | 3,434,546          | 24,319,332            | 3,434,546          |
| Restricted cash   | 2,980,144          | 3,516,594  | 7,380,341  | 1,042,303          | 7,380,341             | 1,042,303          |
| Short-term investments  | 7,587,433          | 2,523,199  | 1,844,595  | 260,507            | 1,844,595             | 260,507            |
| Short-term financing receivables, net of allowance for credit losses of RMB16,650, RMB54,306 and RMB92,223 as of December 31, 2017, 2018 and 2019, respectively | 1,289,259          | 938,479    | 2,125,621  | 300,195            | 2,125,621             | 300,195            |
| Accounts receivable, net of allowance for doubtful accounts of RMB136,910, RMB207,245 and RMB460,962 as of December 31, 2017, 2018 and 2019, respectively       | 2,668,772          | 3,354,816  | 8,093,219  | 1,142,981          | 8,093,219             | 1,142,981          |
| Amounts due from related parties  | 702,658            | 1,040,741  | 927,306    | 130,961            | 927,306               | 130,961            |
| Loan receivables from related parties   | 9,500              | 2,020,292  | 1,929,076  | 272,438            | 1,929,076             | 272,438            |
| Prepayments, receivables and other assets   | 3,594,065          | 4,865,014  | 5,292,996  | 747,513            | 5,292,996             | 747,513            |
| Total current assets  | 24,067,931         | 27,374,784 | 51,912,486 | 7,331,444          | 51,912,486            | 7,331,444          |
| Non-current assets  |                    |            |            |                    |                       |                    |
| Property and equipment, net   | 1,201,396          | 957,350    | 1,134,228  | 160,184            | 1,134,228             | 160,184            |
| Right-of-use assets   | 4,801,518          | 5,131,882  | 5,625,015  | 794,403            | 5,625,015             | 794,403            |
| Long-term financing receivables, net of allowance for credit losses of RMB37, RMB339 and RMB847 as of December 31, 2017, 2018 and 2019, respectively            | 4,738              | 105,781    | 265,868    | 37,548             | 265,868               | 37,548             |
| Long-term investments, net  | 379,972            | 418,469    | 2,333,745  | 329,588            | 2,333,745             | 329,588            |
| Intangible assets, net  | 264,726            | 196,998    | 2,560,442  | 361,603            | 2,560,442             | 361,603            |
| Goodwill  | 710,983            | 1,135,034  | 2,477,075  | 349,830            | 2,477,075             | 349,830            |
| Non-current restricted cash   | —                  | 127,955    | 230,903    | 32,610             | 230,903               | 32,610             |
| Other non-current assets  | 148,671            | 3,418,011  | 725,550    | 102,467            | 725,550               | 102,467            |
| Total non-current assets  | 7,512,004          | 11,491,480 | 15,352,826 | 2,168,233          | 15,352,826            | 2,168,233          |
| TOTAL ASSETS  | 31,579,935         | 38,866,264 | 67,265,312 | 9,499,677          | 67,265,312            | 9,499,677          |

KE Holdings Inc.

CONSOLIDATED BALANCE SHEETS (Continued)

AS OF DECEMBER 31, 2017, 2018 AND 2019

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | As of December 31,    |            |            |                    |            |                    |
|---|-----------------------|------------|------------|--------------------|------------|--------------------|
|   | 2017                  | 2018       | 2019       |                    | 2019       |                    |
|   | RMB                   | RMB        | RMB        | US\$<br>(Note 2.5) | RMB        | US\$<br>(Note 2.5) |
|   | Pro forma (unaudited) |            |            |                    |            |                    |
| LIABILITIES   |                       |            |            |                    |            |                    |
| Current liabilities   |                       |            |            |                    |            |                    |
| Accounts payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB555,876 and RMB120,892 as of December 31, 2018 and 2019, respectively)                               | 370,496               | 1,468,258  | 4,212,705  | 594,948            | 4,212,705  | 594,948            |
| Amounts due to related parties (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB105,360 and RMB104,957 as of December 31, 2018 and 2019, respectively)                 | 86,973                | 225,902    | 263,659    | 37,236             | 263,659    | 37,236             |
| Employee compensation and welfare payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB3,426,821 and RMB1,587,750 as of December 31, 2018 and 2019, respectively)  | 7,462,830             | 8,371,889  | 9,113,011  | 1,287,003          | 9,113,011  | 1,287,003          |
| Customer deposits payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB2,658,121 and RMB3,173,825 as of December 31, 2018 and 2019, respectively)                  | 2,489,991             | 2,793,353  | 4,382,803  | 618,970            | 4,382,803  | 618,970            |
| Payable to preferred shares investors(including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB2,414,607 and nil as of December 31, 2018 and 2019, respectively)                | —                     | 2,414,607  | —          | —                  | —          | —                  |
| Income taxes payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB152,577 and RMB206,334 as of December 31, 2018 and 2019, respectively)                           | 535,719               | 312,474    | 994,815    | 140,495            | 994,815    | 140,495            |
| Short-term borrowings (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB210,000 and RMB720,000 as of December 31, 2018 and 2019, respectively)                          | 250,000               | 210,000    | 720,000    | 101,683            | 720,000    | 101,683            |
| Lease liabilities current portion (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB481,800 and RMB98,260 as of December 31, 2018 and 2019, respectively)               | 1,726,206             | 1,916,575  | 2,222,745  | 313,912            | 2,222,745  | 313,912            |
| Short-term funding debt (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB931,209 and RMB2,291,723 as of December 31, 2018 and 2019, respectively)                      | 1,128,230             | 931,209    | 2,291,723  | 323,653            | 2,291,723  | 323,653            |
| Contract liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB8,118 and RMB49,191 as of December 31, 2018 and 2019, respectively)                              | 244,438               | 303,814    | 593,373    | 83,800             | 593,373    | 83,800             |
| Accrued expenses and other current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB267,119 and RMB205,337 as of December 31, 2018 and 2019, respectively) | 1,752,403             | 1,624,800  | 3,002,841  | 424,082            | 3,002,841  | 424,082            |
| Total current liabilities   | 16,047,286            | 20,572,881 | 27,797,675 | 3,925,782          | 27,797,675 | 3,925,782          |

KE Holdings Inc.

CONSOLIDATED BALANCE SHEETS (Continued)

AS OF DECEMBER 31, 2017, 2018 AND 2019

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|  | As of December 31, |                   |                   |                    |                       |                    |
|--|--------------------|-------------------|-------------------|--------------------|-----------------------|--------------------|
|  | 2017               | 2018              | 2019              |                    | 2019                  |                    |
|  | RMB                | RMB               | RMB               | US\$<br>(Note 2.5) | RMB                   | US\$<br>(Note 2.5) |
|  |                    |                   |                   |                    | Pro forma (unaudited) |                    |
| <b>Non-current liabilities</b>   |                    |                   |                   |                    |                       |                    |
| Deferred tax liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB409,587 and RMB49,524 as of December 31, 2018 and 2019, respectively)   | 518,091            | 532,931           | 22,446            | 3,170              | 22,446                | 3,170              |
| Lease liabilities non-current portion (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB613,872 and RMB101,727 as of December 31, 2018 and 2019, respectively)   | 2,577,773          | 2,789,012         | 2,914,240         | 411,570            | 2,914,240             | 411,570            |
| Long term borrowings   | —                  | 112,900           | 4,890,030         | 690,604            | 4,890,030             | 690,604            |
| Long term funding debt (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of nil and RMB7,500 as of December 31, 2018 and 2019, respectively)   | —                  | —                 | 7,500             | 1,059              | 7,500                 | 1,059              |
| Other non-current liabilities  | —                  | —                 | 97,829            | 13,816             | 97,829                | 13,816             |
| <b>Total non-current liabilities</b>   | <b>3,095,864</b>   | <b>3,434,843</b>  | <b>7,932,045</b>  | <b>1,120,219</b>   | <b>7,932,045</b>      | <b>1,120,219</b>   |
| <b>TOTAL LIABILITIES</b>   | <b>19,143,150</b>  | <b>24,007,724</b> | <b>35,729,720</b> | <b>5,046,001</b>   | <b>35,729,720</b>     | <b>5,046,001</b>   |
| <b>Commitments and contingencies (Note 28)</b>   |                    |                   |                   |                    |                       |                    |
| <b>MEZZANINE EQUITY</b>  |                    |                   |                   |                    |                       |                    |
| Series B convertible redeemable preferred shares (US\$0.0001 par value; 150,000,000 shares authorized as of December 31, 2017, 2018 and 2019, respectively; 79,404,287, 59,696,752 and 59,696,752 issued and outstanding with redemption value of 7,508,263, 6,039,616 and 6,406,056 as of December 31, 2017, 2018 and 2019, respectively; no shares issued and outstanding, pro forma)          | 7,508,263          | 6,039,616         | 6,406,056         | 904,708            | —                     | —                  |
| Series C convertible redeemable preferred shares (US\$0.0001 par value; 150,000,000 shares authorized as of December 31, 2017, 2018 and 2019, respectively; 90,556,047, 94,113,635 and 94,113,635 issued and outstanding with redemption value of 10,089,160, 11,288,505 and 12,118,251 as of December 31, 2017, 2018 and 2019, respectively; no shares issued and outstanding, pro forma)       | 10,089,160         | 11,288,505        | 12,118,251        | 1,711,424          | —                     | —                  |
| Series D convertible redeemable preferred shares (US\$0.0001 par value; nil, 200,000,000 and 200,000,000 shares authorized as of December 31, 2017, 2018 and 2019, respectively; nil, 55,276,316 and 86,167,106 issued and outstanding with redemption value of nil, 5,334,188 and 11,831,223 as of December 31, 2017, 2018 and 2019, respectively; no shares issued and outstanding, pro forma) | —                  | 5,334,188         | 11,831,223        | 1,670,888          | —                     | —                  |
| Series D+ convertible redeemable preferred shares (US\$0.0001 par value; nil, nil and 150,000,000 shares authorized as of December 31, 2017, 2018 and 2019, respectively; nil, nil and 62,175,831 issued and outstanding with redemption value of nil, nil and 10,017,365 as of December 31, 2017, 2018 and 2019, respectively; no shares issued and outstanding, pro forma)                     | —                  | —                 | 10,017,365        | 1,414,722          | —                     | —                  |
| <b>TOTAL MEZZANINE EQUITY</b>  | <b>17,597,423</b>  | <b>22,662,309</b> | <b>40,372,895</b> | <b>5,701,742</b>   | <b>—</b>              | <b>—</b>           |



KE Holdings Inc.

CONSOLIDATED BALANCE SHEETS (Continued)

AS OF DECEMBER 31, 2017, 2018 AND 2019

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | As of December 31, |                    |                    |                    |                   |                       |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|-----------------------|
|   | 2017               | 2018               | 2019               |                    | 2019              |                       |
|   |                    |                    |                    | US\$               |                   | US\$                  |
|   | RMB                | RMB                | RMB                | (Note 2.5)         | RMB               | (Note 2.5)            |
|   |                    |                    |                    |                    |                   | Pro forma (unaudited) |
| <b>SHAREHOLDERS' DEFICIT</b>  |                    |                    |                    |                    |                   |                       |
| <b>KE Holdings Inc. shareholders' deficit:</b>  |                    |                    |                    |                    |                   |                       |
| Ordinary Shares (US\$0.0001 par value; 4,500,000,000 shares authorized as of December 31, 2017; 4,250,000,000 and 4,100,000,000 Class A Ordinary Shares authorized as of December 31, 2018 and 2019, respectively; 250,000,000 Class B Ordinary Shares authorized as of December 31, 2018 and 2019, respectively; 259,994,576 shares issued and outstanding as of December 31, 2017; 88,399,729 and 116,973,082 Class A Ordinary Shares issued and outstanding as of December 31, 2018 and 2019, respectively; 186,657,850 and 177,060,256 Class B Ordinary Shares issued and outstanding as of December 31, 2018 and 2019, respectively; 596,186,662 shares (including 419,126,406 Class A and 177,060,256 Class B) issued and outstanding as of December 31, 2019, pro forma) | 178                | 189                | 202                | 29                 | 413               | 58                    |
| Additional paid-in capital  | —                  | —                  | 2,533,889          | 357,853            | 42,906,573        | 6,059,566             |
| Statutory reserves  | 144,463            | 174,645            | 253,732            | 35,834             | 253,732           | 35,834                |
| Accumulated other comprehensive income (loss)   | (327)              | (134)              | 63,308             | 8,941              | 63,308            | 8,941                 |
| Accumulated deficit   | (5,370,788)        | (7,988,936)        | (11,775,637)       | (1,663,038)        | (11,775,637)      | (1,663,038)           |
| <b>Total KE Holdings Inc. shareholders' deficit</b>   | <b>(5,226,474)</b> | <b>(7,814,236)</b> | <b>(8,924,506)</b> | <b>(1,260,381)</b> | <b>31,448,389</b> | <b>4,441,361</b>      |
| Non-controlling interests   | 65,836             | 10,467             | 87,203             | 12,315             | 87,203            | 12,315                |
| <b>TOTAL SHAREHOLDERS' DEFICIT</b>  | <b>(5,160,638)</b> | <b>(7,803,769)</b> | <b>(8,837,303)</b> | <b>(1,248,066)</b> | <b>31,535,592</b> | <b>4,453,676</b>      |
| <b>TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT</b>  | <b>31,579,935</b>  | <b>38,866,264</b>  | <b>67,265,312</b>  | <b>9,499,677</b>   | <b>67,265,312</b> | <b>9,499,677</b>      |

The accompanying notes are an integral part of the consolidated financial statements.

KE Holdings Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|  | For the Year Ended December 31, |                     |                     |                    |
|--|---------------------------------|---------------------|---------------------|--------------------|
|  | 2017                            | 2018                | 2019                |                    |
|  | RMB                             | RMB                 | RMB                 | US\$<br>(Note 2.5) |
| <b>Net revenues:</b>   |                                 |                     |                     |                    |
| Existing home transaction services (including revenue from related parties of RMB268,776, RMB355,181 and RMB369,326 for 2017, 2018 and 2019, respectively) | 18,461,231                      | 20,154,642          | 24,568,508          | 3,469,736          |
| New home transaction services (including revenue from related parties of RMB28,773, RMB2,105, and RMB11,080 for 2017, 2018 and 2019, respectively)         | 6,419,251                       | 7,471,924           | 20,273,860          | 2,863,216          |
| Emerging and other services (including revenue from related parties of RMB80, RMB4,781 and RMB5,197 for 2017, 2018 and 2019, respectively)                 | 625,216                         | 1,019,933           | 1,172,538           | 165,594            |
| <b>Total net revenues</b>  | <b>25,505,698</b>               | <b>28,646,499</b>   | <b>46,014,906</b>   | <b>6,498,546</b>   |
| <b>Cost of revenues:</b>   |                                 |                     |                     |                    |
| Commission-split   | (933,162)                       | (1,393,167)         | (11,154,698)        | (1,575,344)        |
| Commission and compensation-internal   | (15,663,301)                    | (15,767,582)        | (19,444,127)        | (2,746,035)        |
| Cost related to stores   | (3,543,781)                     | (3,400,545)         | (3,078,672)         | (434,792)          |
| Others (including cost from related parties of nil, RMB5,162 and RMB108,390 for 2017, 2018 and 2019, respectively)   | (597,397)                       | (1,215,229)         | (1,069,365)         | (151,023)          |
| <b>Total cost of revenues</b>  | <b>(20,737,641)</b>             | <b>(21,776,523)</b> | <b>(34,746,862)</b> | <b>(4,907,194)</b> |
| <b>Gross profit</b>  | <b>4,768,057</b>                | <b>6,869,976</b>    | <b>11,268,044</b>   | <b>1,591,352</b>   |
| <b>Operating expenses:</b>   |                                 |                     |                     |                    |
| Sales and marketing expenses   | (998,575)                       | (2,489,692)         | (3,105,899)         | (438,637)          |
| General and administrative expenses  | (4,281,571)                     | (4,927,367)         | (8,376,531)         | (1,182,992)        |
| Research and development expenses  | (251,802)                       | (670,922)           | (1,571,154)         | (221,889)          |
| <b>Total operating expenses</b>  | <b>(5,531,948)</b>              | <b>(8,087,981)</b>  | <b>(13,053,584)</b> | <b>(1,843,518)</b> |
| <b>Loss from operations</b>  | <b>(763,891)</b>                | <b>(1,218,005)</b>  | <b>(1,785,540)</b>  | <b>(252,166)</b>   |
| Interest income, net (including interest income from related parties of RMB218, RMB61,778 and RMB226,976 for 2017, 2018 and 2019, respectively)            | 81,171                          | 121,374             | 230,339             | 32,530             |
| Share of results of equity investees   | 12,832                          | 1,762               | 11,382              | 1,607              |
| Fair value changes in investments, net   | 75,357                          | (39,176)            | (109,193)           | (15,421)           |
| Foreign currency exchange gain (loss), net   | (3)                             | 224                 | (54,052)            | (7,634)            |
| Other income, net  | 456,196                         | 634,756             | 431,300             | 60,911             |
| <b>Loss before income tax expense</b>  | <b>(138,338)</b>                | <b>(499,065)</b>    | <b>(1,275,764)</b>  | <b>(180,173)</b>   |
| Income tax benefit (expense)   | (399,283)                       | 71,384              | (904,363)           | (127,720)          |
| <b>Net loss</b>  | <b>(537,621)</b>                | <b>(427,681)</b>    | <b>(2,180,127)</b>  | <b>(307,893)</b>   |
| Less: net income attributable to non-controlling interests shareholders  | 36,809                          | 40,143              | 3,419               | 483                |
| <b>Net loss attributable to KE Holdings Inc.</b>   | <b>(574,430)</b>                | <b>(467,824)</b>    | <b>(2,183,546)</b>  | <b>(308,376)</b>   |

KE Holdings Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | For the Year Ended December 31, |                    |                    |                    |
|---|---------------------------------|--------------------|--------------------|--------------------|
|   | 2017                            | 2018               | 2019               |                    |
|   | RMB                             | RMB                | RMB                | US\$<br>(Note 2.5) |
| Accretion on convertible redeemable preferred shares to redemption value                                  | (849,652)                       | (1,237,109)        | (1,866,528)        | (263,604)          |
| Deemed dividends upon re-designation of Series B Preferred Shares to Series C Preferred Shares            | (17,797)                        | —                  | —                  | —                  |
| Deemed dividends to preferred shareholders upon repurchases of preferred shares                           | —                               | (562,138)          | —                  | —                  |
| Deemed dividends upon re-designation of ordinary shares to preferred shares                               | —                               | (118,934)          | —                  | —                  |
| <b>Net loss attributable to KE Holdings Inc.'s ordinary shareholders</b>                                  | <b>(1,441,879)</b>              | <b>(2,386,005)</b> | <b>(4,050,074)</b> | <b>(571,980)</b>   |
| <b>Net loss</b>   | <b>(537,621)</b>                | <b>(427,681)</b>   | <b>(2,180,127)</b> | <b>(307,893)</b>   |
| <b>Other comprehensive income (loss)</b>  |                                 |                    |                    |                    |
| Currency translation adjustments  | (327)                           | 193                | 63,442             | 8,960              |
| <b>Total other comprehensive income (loss)</b>  | <b>(327)</b>                    | <b>193</b>         | <b>63,442</b>      | <b>8,960</b>       |
| <b>Total comprehensive loss</b>   | <b>(537,948)</b>                | <b>(427,488)</b>   | <b>(2,116,685)</b> | <b>(298,933)</b>   |
| Less: Comprehensive income attributable to non-controlling interests shareholders                         | 36,809                          | 40,143             | 3,419              | 483                |
| <b>Comprehensive loss attributable to KE Holdings Inc.</b>  | <b>(574,757)</b>                | <b>(467,631)</b>   | <b>(2,120,104)</b> | <b>(299,416)</b>   |
| Accretion on convertible redeemable preferred shares to redemption value                                  | (849,652)                       | (1,237,109)        | (1,866,528)        | (263,604)          |
| Deemed dividends upon re-designation of Series B Preferred Shares to Series C Preferred Shares            | (17,797)                        | —                  | —                  | —                  |
| Deemed dividends to preferred shareholders upon repurchases of preferred shares                           | —                               | (562,138)          | —                  | —                  |
| Deemed dividends upon re-designation of ordinary shares to preferred shares                               | —                               | (118,934)          | —                  | —                  |
| <b>Comprehensive loss attributable to KE Holdings Inc.'s ordinary shareholders</b>                        | <b>(1,442,206)</b>              | <b>(2,385,812)</b> | <b>(3,986,632)</b> | <b>(563,020)</b>   |
| <b>Weighted average number of ordinary shares used in computing net loss per share, basic and diluted</b> | <b>269,038,865</b>              | <b>272,513,176</b> | <b>275,647,105</b> | <b>275,647,105</b> |
| <b>Net loss per share attributable to ordinary shareholders</b>   |                                 |                    |                    |                    |
| — Basic   | (5.36)                          | (8.76)             | (14.69)            | (2.08)             |
| — Diluted   | (5.36)                          | (8.76)             | (14.69)            | (2.08)             |
| <b>Share-based compensation expenses included in:</b>   |                                 |                    |                    |                    |
| Cost  | —                               | —                  | —                  | —                  |
| Sales and marketing expenses  | —                               | —                  | —                  | —                  |
| General and administrative expenses   | 475,783                         | 382,196            | 2,955,590          | 417,409            |
| Research and development expenses   | —                               | —                  | —                  | —                  |

The accompanying notes are an integral part of the consolidated financial statements.

KE Holdings Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(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 Deficit |
|  |  |     |                 |     |                            |                    |   |                     |             |                           |               |
|  | Shares                                     | RMB | Shares          | RMB | RMB                        | RMB                | RMB   | RMB                 | RMB         | RMB                       | RMB           |
| Balance at December 31, 2016   | 268,137,140                                | 184 | —               | —   | —                          | 86,961             | —   | (3,472,195)         | (3,385,050) | 29,027                    | (3,356,023)   |
| Net income (loss)  | —  | —   | —               | —   | —                          | —                  | —   | (574,430)           | (574,430)   | 36,809                    | (537,621)     |
| Share-based compensation   | —  | —   | —               | —   | 161,757                    | —                  | —   | —                   | 161,757     | —                         | 161,757       |
| Accretion on convertible redeemable preferred shares to redemption value (Note 22)                       | —  | —   | —               | —   | (161,757)                  | —                  | —   | (687,895)           | (849,652)   | —                         | (849,652)     |
| Deemed dividends upon re-designation of Series B Preferred Shares to Series C Preferred Shares (Note 22) | —  | —   | —               | —   | —                          | —                  | —   | (17,797)            | (17,797)    | —                         | (17,797)      |
| Appropriation to statutory reserves  | —  | —   | —               | —   | —                          | 57,502             | —   | (57,502)            | —           | —                         | —             |
| Currency translation adjustments   | —  | —   | —               | —   | —                          | —                  | (327)   | —                   | (327)       | —                         | (327)         |
| Re-designation of ordinary shares to preferred shares (Note 22)  | (8,142,564)                                | (6) | —               | —   | —                          | —                  | —   | (560,969)           | (560,975)   | —                         | (560,975)     |
| Balance at December 31, 2017   | 259,994,576                                | 178 | —               | —   | —                          | 144,463            | (327)   | (5,370,788)         | (5,226,474) | 65,836                    | (5,160,638)   |

KE Holdings Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | Attributable to owners of KE Holdings Inc. |     |                    |     |                                  |                       |  |                        |             |                                  |                  |
|---|--|-----|--------------------|-----|----------------------------------|-----------------------|--|------------------------|-------------|----------------------------------|------------------|
|   |  |     |                    |     | Additional<br>Paid-in<br>Capital | Statutory<br>Reserves | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Accumulated<br>Deficit | Total       | Non-<br>controlling<br>Interests | Total<br>Deficit |
|   | Ordinary Shares                            |     | Treasury<br>Shares |     |                                  |                       |  |                        |             |                                  |                  |
|   | Shares                                     | RMB | Shares             | RMB | RMB                              | RMB                   | RMB  | RMB                    | RMB         | RMB                              | RMB              |
| Balance at December 31, 2017  | 259,994,576                                | 178 | —                  | —   | —                                | 144,463               | (327)  | (5,370,788)            | (5,226,474) | 65,836                           | (5,160,638)      |
| Net income (loss)   | —  | —   | —                  | —   | —                                | —                     | —  | (467,824)              | (467,824)   | 40,143                           | (427,681)        |
| Exercise of share options   | 20,000,000                                 | 14  | —                  | —   | —                                | —                     | —  | —                      | 14          | —                                | 14               |
| Share-based compensation  | —  | —   | —                  | —   | 345,473                          | —                     | —  | —                      | 345,473     | —                                | 345,473          |
| Accretion on convertible redeemable preferred shares to redemption value (Note 22)        | —  | —   | —                  | —   | (298,612)                        | —                     | —  | (938,497)              | (1,237,109) | —                                | (1,237,109)      |
| Deemed dividends to preferred shareholders upon repurchases of preferred shares (Note 22) | —  | —   | —                  | —   | —                                | —                     | —  | (562,138)              | (562,138)   | —                                | (562,138)        |
| Deemed dividends upon re-designation of ordinary shares to preferred shares (Note 22)     | —  | —   | —                  | —   | —                                | —                     | —  | (118,934)              | (118,934)   | —                                | (118,934)        |
| Appropriation to statutory reserves   | —  | —   | —                  | —   | —                                | 30,182                | —  | (30,182)               | —           | —                                | —                |
| Currency translation adjustments  | —  | —   | —                  | —   | —                                | —                     | 193  | —                      | 193         | —                                | 193              |
| Re-designation of ordinary shares to preferred shares (Note 22)                           | (4,999,997)                                | (3) | —                  | —   | —                                | —                     | —  | (500,573)              | (500,576)   | —                                | (500,576)        |
| Deemed issued shares in connection with acquisition of a subsidiary (Note 24)             | —  | —   | —                  | —   | 76,836                           | —                     | —  | —                      | 76,836      | —                                | 76,836           |
| Acquisition of a subsidiary with non-controlling interests                                | —  | —   | —                  | —   | —                                | —                     | —  | —                      | —           | 3,563                            | 3,563            |
| Acquisition of non-controlling interests  | —  | —   | —                  | —   | (123,697)                        | —                     | —  | —                      | (123,697)   | (85,221)                         | (208,918)        |
| Dividend paid to a non-controlling interest holder  | —  | —   | —                  | —   | —                                | —                     | —  | —                      | —           | (13,854)                         | (13,854)         |
| Balance at December 31, 2018  | 274,994,579                                | 189 | —                  | —   | —                                | 174,645               | (134)  | (7,988,936)            | (7,814,236) | 10,467                           | (7,803,769)      |

KE Holdings Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(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 Deficit |
|  |  |     |                 |           |                            |                    |   |                     |             |                           |               |
|  | Shares                                     | RMB | Shares          | RMB       | RMB                        | RMB                | RMB   | RMB                 | RMB         | RMB                       | RMB           |
| Balance at December 31, 2018   | 274,994,579                                | 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  | 19,038,759                                 | 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)  | —  | —   | (1,761,201)     | (184,675) | —                          | —                  | —   | —                   | (184,675)   | —                         | (184,675)     |
| Re-issuance of treasury shares (Note 21)   | —  | —   | 1,761,201       | 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)       |
| Dividend paid to a non-controlling interest holder                                 | —  | —   | —               | —         | —                          | —                  | —   | —                   | —           | (2,245)                   | (2,245)       |
| Balance at December 31, 2019   | 294,033,338                                | 202 | —               | —         | 2,533,889                  | 253,732            | 63,308  | (11,775,637)        | (8,924,506) | 87,203                    | (8,837,303)   |

The accompanying notes are an integral part of the consolidated financial statements.

KE Holdings Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | For the Year Ended December 31, |                  |                |               |
|---|---------------------------------|------------------|----------------|---------------|
|   | 2017                            | 2018             | 2019           | US\$          |
|   | RMB                             | RMB              | RMB            | (Note 2.5)    |
| <b>Cash flows from operating activities:</b>  |                                 |                  |                |               |
| Net loss  | (537,621)                       | (427,681)        | (2,180,127)    | (307,893)     |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                                 |                  |                |               |
| Depreciation of property and equipment  | 674,202                         | 653,376          | 561,995        | 79,369        |
| Amortization of intangible assets   | 137,001                         | 138,918          | 477,323        | 67,411        |
| Net impairment losses on financial assets   | 158,419                         | 67,084           | 382,129        | 53,967        |
| Provision of credit losses for financing receivables                                      | 16,687                          | 37,958           | 38,425         | 5,427         |
| Deferred tax benefits   | (203,012)                       | (514,851)        | (438,661)      | (61,951)      |
| Share of results of equity investees  | (12,832)                        | (1,762)          | (11,382)       | (1,607)       |
| Dividends received from equity method investments   | 12,000                          | 8,000            | 8,000          | 1,130         |
| Fair value changes in investments   | (75,357)                        | 39,176           | 109,193        | 15,421        |
| Loss on disposal of subsidiaries  | —                               | —                | 15,368         | 2,170         |
| Realized gain on short-term investments   | (256,281)                       | (257,937)        | (104,893)      | (14,814)      |
| Foreign currency exchange loss (gain)   | 3                               | (224)            | 54,052         | 7,634         |
| Loss on disposal of property, equipment and intangible assets                             | 12,052                          | 13,881           | 7,448          | 1,052         |
| Share-based compensation expenses   | 475,783                         | 382,196          | 2,955,590      | 417,409       |
| Changes in assets and liabilities:  |                                 |                  |                |               |
| Accounts receivable   | (498,216)                       | (769,062)        | (5,040,865)    | (711,905)     |
| Amounts due from related parties  | (702,658)                       | (338,083)        | 113,435        | 16,020        |
| Prepayments, receivables and other assets   | 861,175                         | 1,746,259        | (3,401,469)    | (480,381)     |
| Right-of-use assets   | (48,707)                        | (330,364)        | (493,133)      | (69,644)      |
| Other non-current assets  | (2,757)                         | 1,019            | 192,566        | 27,196        |
| Accounts payable  | (699,805)                       | 1,097,762        | 2,719,717      | 384,097       |
| Amounts due to related parties  | 86,973                          | 138,929          | 37,757         | 5,332         |
| Employee compensation and welfare payable   | (1,418,917)                     | 909,037          | 727,231        | 102,705       |
| Customer deposits payable   | (2,400,021)                     | 303,362          | 1,589,450      | 224,473       |
| Contract liabilities  | (64,489)                        | 59,376           | 289,559        | 40,894        |
| Lease liabilities   | (100,044)                       | 401,608          | 431,398        | 60,925        |
| Accrued expenses and other current liabilities  | (2,008,455)                     | 82,065           | 379,564        | 53,605        |
| Income taxes payable  | 138,651                         | (223,245)        | 682,341        | 96,365        |
| Other liabilities   | —                               | —                | 10,615         | 1,499         |
| <b>Net cash provided by (used in) operating activities</b>                                | <b>(6,456,226)</b>              | <b>3,216,797</b> | <b>112,626</b> | <b>15,906</b> |

KE Holdings Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | For the Year Ended December 31, |                    |                    |                  |
|---|---------------------------------|--------------------|--------------------|------------------|
|   | 2017                            | 2018               | 2019               | US\$             |
|   | RMB                             | RMB                | RMB                | (Note 2.5)       |
| <b>Cash flows from investing activities:</b>  |                                 |                    |                    |                  |
| Purchases of short-term investments   | (56,127,259)                    | (40,977,288)       | (10,351,585)       | (1,461,922)      |
| Maturities of short-term investments  | 55,459,660                      | 46,313,084         | 11,136,382         | 1,572,758        |
| Cash paid for business combination, net of cash acquired  | —                               | (358,776)          | (772,783)          | (109,138)        |
| Proceeds from disposal of subsidiaries, property, equipment and long-lived assets                 | 66,430                          | 70,725             | 29,570             | 4,176            |
| Purchases of property, equipment and intangible assets  | (575,185)                       | (542,853)          | (703,008)          | (99,284)         |
| Financing receivables originated  | (2,707,481)                     | (15,622,792)       | (16,178,638)       | (2,284,860)      |
| Collections of financing receivables principal  | 1,396,797                       | 15,834,571         | 14,792,984         | 2,089,168        |
| Purchases of long-term investments  | (291,524)                       | (96,730)           | (1,917,860)        | (270,854)        |
| Loans to related parties  | (5,000)                         | (5,000,000)        | (584,576)          | (82,558)         |
| Repayments of loans to related parties  | —                               | 2,989,208          | 675,792            | 95,440           |
| <b>Net cash provided by (used in) investing activities</b>  | <b>(2,783,562)</b>              | <b>2,609,149</b>   | <b>(3,873,722)</b> | <b>(547,074)</b> |
| <b>Cash flows from financing activities:</b>  |                                 |                    |                    |                  |
| Proceeds from issuance of preferred shares  | 8,730,000                       | 2,584,907          | 15,844,058         | 2,237,607        |
| Cash paid for purchase of non-controlling interests in subsidiaries                               | —                               | (164,918)          | (6,383)            | (901)            |
| Repurchase of ordinary shares   | —                               | —                  | (207,145)          | (29,254)         |
| Proceeds from re-issuance of treasury shares  | —                               | —                  | 232,885            | 32,890           |
| Repurchase of deemed issued shares  | —                               | —                  | (140,074)          | (19,782)         |
| Proceeds from short-term borrowings   | 422,286                         | 210,000            | 3,333,343          | 470,758          |
| Repayments of short-term borrowings   | (417,204)                       | (250,000)          | (2,823,343)        | (398,732)        |
| Proceeds from long-term borrowings  | —                               | 112,900            | 4,880,423          | 689,247          |
| Repayments of long-term borrowings  | (159,840)                       | —                  | —                  | —                |
| Proceeds from funding debt  | 1,128,230                       | 2,340,949          | 3,950,227          | 557,879          |
| Repayments of funding debt  | —                               | (2,537,970)        | (2,582,213)        | (364,678)        |
| Payment to partner companies due to liquidation of a controlled limited partnership               | —                               | (258,247)          | —                  | —                |
| Reinjection of capital from preferred shareholders in connection with the Reorganization (Note 1) | —                               | —                  | 9,892,606          | 1,397,102        |
| Repatriation of capital to preferred shareholders to facilitate the Reorganization (Note 1)       | —                               | (3,000,000)        | (6,931,136)        | (978,863)        |
| Repurchases of preferred shares   | —                               | (306,175)          | (2,414,607)        | (341,008)        |
| Dividends paid to equity holders of the Company   | (127,188)                       | —                  | —                  | —                |
| Dividends paid to non-controlling shareholders of subsidiaries                                    | —                               | (13,854)           | (2,245)            | (317)            |
| <b>Net cash provided by (used in) financing activities</b>  | <b>9,576,284</b>                | <b>(1,282,408)</b> | <b>23,026,396</b>  | <b>3,251,948</b> |
| <b>Effect of exchange rate change on cash, cash equivalents and restricted cash</b>               | <b>(330)</b>                    | <b>416</b>         | <b>(94,922)</b>    | <b>(13,406)</b>  |
| <b>Net increase in cash and cash equivalents and restricted cash</b>                              | <b>336,166</b>                  | <b>4,543,954</b>   | <b>19,170,378</b>  | <b>2,707,374</b> |



KE Holdings Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|  | For the Year Ended December 31, |                   |                   |                  |
|--|---------------------------------|-------------------|-------------------|------------------|
|  | 2017                            | 2018              | 2019              | US\$             |
|  | RMB                             | RMB               | RMB               | (Note 2.5)       |
| <b>Cash, cash equivalents and restricted cash at the beginning of the year</b> |                                 |                   |                   |                  |
| Including:   |                                 |                   |                   |                  |
| Cash and cash equivalents at the beginning of the year                         | 2,990,066                       | 5,236,100         | 9,115,649         | 1,287,376        |
| Restricted cash at the beginning of the year                                   | 4,890,012                       | 2,980,144         | 3,516,594         | 496,638          |
| Non-current restricted cash at the beginning of the year                       | —                               | —                 | 127,955           | 18,071           |
| <b>Total</b>   | <b>7,880,078</b>                | <b>8,216,244</b>  | <b>12,760,198</b> | <b>1,802,085</b> |
| <b>Cash, cash equivalents and restricted cash at the end of the year</b>       |                                 |                   |                   |                  |
| Including:   |                                 |                   |                   |                  |
| Cash and cash equivalents at the end of the year                               | 5,236,100                       | 9,115,649         | 24,319,332        | 3,434,546        |
| Restricted cash at the end of the year   | 2,980,144                       | 3,516,594         | 7,380,341         | 1,042,303        |
| Non-current restricted cash at the end of the year                             | —                               | 127,955           | 230,903           | 32,610           |
| <b>Total</b>   | <b>8,216,244</b>                | <b>12,760,198</b> | <b>31,930,576</b> | <b>4,509,459</b> |
| <b>Supplemental disclosures:</b>   |                                 |                   |                   |                  |
| Cash paid for income taxes   | (463,644)                       | (666,712)         | (660,683)         | (93,306)         |
| Cash paid for interest   | (44,193)                        | (128,076)         | (236,827)         | (33,446)         |
| <b>Non-cash investing and financing activities</b>                             |                                 |                   |                   |                  |
| Preferred shares issued for prepayment of intangible assets                    | —                               | 2,402,120         | —                 | —                |
| Accretions of convertible redeemable preferred shares                          | 849,652                         | 1,237,109         | 1,866,528         | 263,604          |
| Deemed dividends   | 17,797                          | 681,072           | —                 | —                |
| Prepayments for long-term investments  | —                               | —                 | 40,000            | 5,649            |
| Changes in accounts payable related to property and equipment addition         | 89,321                          | (69,489)          | 48,230            | 6,811            |

The accompanying notes are an integral part of the consolidated financial statements.

**KE Holdings Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization**

**(a) Principle activities and subsidiaries**

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, 2019, the details of the Company's major subsidiaries, consolidated VIEs (inclusive of the VIEs' subsidiaries) are as follows:

| Name  | Date of incorporation or acquisition | Place of incorporation | Percentage of direct or indirect economic ownership |
|---|--------------------------------------|------------------------|---|
| <b>Subsidiaries</b>   |                                      |                        |   |
| 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")             | June 25, 2008                        | PRC                    | 100%  |
| Beijing Fangyuan Real Estate Consulting Services Co., Ltd.                          | October 24, 2016                     | PRC                    | 100%  |
| Beijing Lianjia Gaoce Real Estate Brokerage Co., Ltd.                               | September 20, 2016                   | PRC                    | 100%  |
| Deyou Real Estate Agency Co., Ltd. ("Deyou Real Estate Agency")                     | December 30, 2015                    | PRC                    | 100%  |
| Shanghai Deyou Property Consulting Co., Ltd.  | December 30, 2015                    | PRC                    | 100%  |
| Shenzhen Lianjia Real Estate Brokerage Co., Ltd.                                    | December 23, 2015                    | PRC                    | 100%  |
| Shenzhen Fangjianghu Technology Co., Ltd.   | August 25, 2016                      | PRC                    | 100%  |
| Sichuan Lianjia Real Estate Brokerage Co., Ltd.                                     | December 31, 2015                    | PRC                    | 100%  |
| Chengdu Fangjianghu Information Technology Co., Ltd.                                | April 12, 2016                       | PRC                    | 100%  |
| Tianjin Lianjia Baoye Real Estate Agency Co., Ltd.                                  | May 20, 2008                         | PRC                    | 100%  |
| Tianjin Lianjia Fangjianghu Technology Co., Ltd.                                    | September 23, 2016                   | PRC                    | 100%  |
| Zhengzhou Fangjianghu Information Technology Co., Ltd.                              | August 28, 2017                      | PRC                    | 100%  |
| Beike Zhaofang (Beijing) Technology Co., Ltd. ("Beike Zhaofang")                    | August 3, 2015                       | PRC                    | 100%  |
| Beike Technology Co., Ltd.  | June 28, 2017                        | PRC                    | 100%  |
| <b>Consolidated VIEs</b>  |                                      |                        |   |
| 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%  |
| <b>Subsidiaries of VIEs</b>   |                                      |                        |   |
| Beijing Zhongrongxin Financing Guarantee Co., Ltd.                                  | July 25, 2008                        | PRC                    | 100%  |
| Beijing Ehomepay Technologies Co., Ltd.   | August 8, 2013                       | PRC                    | 100%  |

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****1. Organization (Continued)****(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 chairman of the board of directors). Beijing Lianjia and its subsidiaries developed various businesses over time and expanded nationwide in China. During January 2017, the Group restructured Yiju Taihe, which was originally a subsidiary of Beijing Lianjia and operated financial service businesses, to mirror the holding structure substantially identical to that of Beijing Lianjia. In November 2017, the Group incorporated Tianjin Xiaowu, to conduct operations related to value-added telecommunication services. The Founder is the ultimate controlling party of the Group as he has held majority voting power over the Group throughout the Group's history.

Along with the launch of the Group's Beike platform, the Company was incorporated in the Cayman Islands in July 2018 as the Group's holding company to facilitate offshore financing. During July to December 2018, the Company established a series of intermediary holding entities which directly or indirectly hold the equity interests in Beike Tianjin, Jinbei Technology, and Beike Jinke, all of which are the Company's wholly-owned PRC subsidiaries (collectively, "WFOEs"). Through a series of transactions, most of the original subsidiaries of Beijing Lianjia have become the subsidiaries of the applicable WFOEs and the Group's other PRC subsidiaries. For example, most of Beijing Lianjia's operating entities are transferred to Lianjia Zhidi and Lianjia Enterprise Management, both of which are wholly-owned subsidiaries of Beike Tianjin.

Then, through a series of reorganization transactions (the "Reorganization"), the Company obtained control over Beijing Lianjia, Yiju Taihe and Tianjin Xiaowu through contractual arrangements. In connection with the Reorganization, most of the shareholders of Beijing Lianjia and Yiju Taihe or such shareholders' affiliates subscribed for ordinary shares, Series B and C convertible redeemable preferred shares of the Company as applicable, substantially in proportion to their previous respective equity interests in Beijing Lianjia and Yiju Taihe prior to the reorganization. To effect the Reorganization, the Group returned onshore capital of RMB3,000 million and RMB 6,931 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.

**(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 of the corporate structure of the Group had been in existence since inception of the Group.

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****1. Organization (Continued)****(d) VIE Companies (excluding the consolidated trusts as discussed in Note 2.11)**

Due to the restrictions imposed by PRC laws and regulations on foreign ownership of companies engaged in value-added telecommunication services, finance business 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 ("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 agreement, 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 then-effective 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 (Continued)****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 till all of the equity interests of the relevant VIEs have been transferred to the WFOEs and/or its designated person. Jinbei Technology has 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, while the pledge was removed in December 2019 and all equity interests were 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 have registered all such equity pledges with the local branch of the State Administration for Market Regulation 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 its shareholders of contractual obligations under these agreements, the WFOEs, as pledgee, will have the right to dispose of the pledged equity interests in the VIEs.

## KE Holdings Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 1. Organization (Continued)

*Spousal Consent Letters*

Pursuant to the spousal consent letters, each of the spouses of the applicable individual Nominee Shareholders of the VIEs unconditionally and irrevocably agrees that the equity interest in the VIEs held by and registered in the name of his or her respective spouse will be disposed of pursuant to the relevant exclusive business cooperation agreements equity pledge agreements, the exclusive option agreements and the power of attorney agreements, without his or her consent. In addition, each of them agrees not to assert any rights over the equity interest in the VIEs held by her respective spouses. In addition, in the event that any of them obtains any equity interest in the VIEs held by their respective spouses for any reason, such spouses agree to be bound by similar obligations and agreed to enter into similar contractual arrangements.

*ii) Risks in relation to VIE structure*

Part of the Group's business is conducted through the VIEs of the Group, of which the Company is the ultimate primary beneficiary. The Company has concluded that (i) the ownership structure of the VIEs is not in violation of any existing PRC law or regulation in any material respect; and (ii) each of the VIE Contractual Agreements is valid, legally binding and enforceable to each party of such agreements and will not result in any violation of PRC laws or regulations currently in effect. However, uncertainties in the PRC legal system could cause the relevant regulatory authorities to find the current VIE Contractual Agreements and businesses to be in violation of any existing or future PRC laws or regulations.

On March 15, 2019, the National People's Congress adopted the Foreign Investment Law of the PRC, which became effective on January 1, 2020, together with their implementation rules and ancillary regulations. The Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, but it contains a catch-all provision under the definition of "foreign investment", which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. It is unclear that whether the Group's corporate structure will be seen as violating the foreign investment rules as the Group are currently leveraging the contractual arrangements to operate certain businesses in which foreign investors are prohibited from or restricted to investing. If variable interest entities fall within the definition of foreign investment entities, the Group's ability to use the contractual arrangements with its 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;

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****1. Organization (Continued)**

- restrict or prohibit the Group's ability to finance its operations, and;
- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.

The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's businesses. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIEs or the right to receive its economic benefits, the Group would no longer be able to consolidate the VIEs. The management believes that the likelihood for the Group to lose such ability is remote based on current facts and circumstances. However, the interpretation and implementation of the laws and regulations in the PRC and their application to an effect on the legality, binding effect and enforceability of contracts are subject to the discretion of competent PRC authorities, and therefore there is no assurance that relevant PRC authorities will take the same position as the Group herein in respect of the legality, binding effect and enforceability of each of the contractual arrangements. Meanwhile, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to the Group to enforce the contractual arrangements should the VIEs or the nominee shareholders of the VIEs fail to perform their obligations under those arrangements.

**Summary of Financial Information of the Group's 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 was considered as ultimate primary beneficiary of the VIEs and had 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 RMB1.9 billion as of December 31, 2018 and 2019, as well as certain non-distributable statutory reserves amounting to approximately RMB59 million and RMB61.2 million as of December 31, 2018 and 2019. 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 set 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) taken as a whole, which were included in the Group's consolidated financial statements with intercompany transactions eliminated. The VIE Contractual Arrangements were effected upon the completion of the Reorganization on December 28, 2018; thus, the statements of comprehensive loss and the statements of cash flows of the VIEs for the year ended December 31, 2018 were not material. The following disclosures present the financial positions of the businesses that currently

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Organization (Continued)

constitute the VIE entities as of December 31, 2018 and 2019 and the operation results for the year ended December 31, 2019:

|  | As of December 31, |                   |
|--|--------------------|-------------------|
|  | 2018               | 2019              |
|  | RMB                | RMB               |
|  | (in thousands)     |                   |
| Cash and cash equivalents                      | 5,776,195          | 3,569,728         |
| Restricted cash                                | 3,029,012          | 3,792,659         |
| Short-term investments                         | 2,523,199          | 1,821,946         |
| Short-term financing receivables, net          | 938,479            | 2,125,621         |
| Accounts receivable, net                       | 153,787            | 78,480            |
| Amounts due from related parties               | 756,674            | 664,078           |
| Loan receivables from related parties          | 2,020,292          | 1,924,500         |
| Prepayments, receivables and other assets      | 953,111            | 718,610           |
| Amounts due from non-VIE subsidiaries          | 9,962,730          | 18,089,207        |
| <b>Total current assets</b>                    | <b>26,113,479</b>  | <b>32,784,829</b> |
| Property and equipment, net                    | 279,492            | 163,450           |
| Right-of-use assets                            | 1,257,511          | 219,632           |
| Long-term financing receivables, net           | 105,781            | 265,868           |
| Long-term investments, net                     | 116,266            | 306,874           |
| Intangible assets, net                         | 55,688             | 58,262            |
| Goodwill                                       | 7,522              | 7,522             |
| Non-current restricted cash                    | 127,955            | 131,574           |
| Other non-current assets                       | 115,397            | 8,045             |
| <b>Total non-current assets</b>                | <b>2,065,612</b>   | <b>1,161,227</b>  |
| <b>Total assets</b>                            | <b>28,179,091</b>  | <b>33,946,056</b> |
| Accounts payable                               | 555,876            | 120,892           |
| Amounts due to related parties                 | 105,360            | 104,957           |
| Employee compensation and welfare payable      | 3,426,821          | 1,587,750         |
| Customer deposits payable                      | 2,658,121          | 3,173,825         |
| Payable to preferred shares investors          | 2,414,607          | —                 |
| Income taxes payable                           | 152,577            | 206,334           |
| Short-term borrowings                          | 210,000            | 720,000           |
| Lease liabilities current portion              | 481,800            | 98,260            |
| Short-term funding debt                        | 931,209            | 2,291,723         |
| Contract liabilities                           | 8,118              | 49,191            |
| Accrued expenses and other current liabilities | 267,119            | 205,337           |
| Amounts due to non-VIE subsidiaries            | 4,108,857          | 20,487,070        |
| <b>Total current liabilities</b>               | <b>15,320,465</b>  | <b>29,045,339</b> |
| Deferred tax liabilities                       | 409,587            | 49,524            |
| Lease liabilities non-current portion          | 613,872            | 101,727           |
| Long-term funding debt                         | —                  | 7,500             |
| <b>Total non-current liabilities</b>           | <b>1,023,459</b>   | <b>158,751</b>    |
| <b>Total liabilities</b>                       | <b>16,343,924</b>  | <b>29,204,090</b> |



## KE Holdings Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 1. Organization (Continued)

|  | For the Year Ended<br>December 31, 2019 |
|--|---|
|  | RMB                                     |
|  | (in thousands)                          |
| Total net revenues   | 6,793,851                               |
| Net loss   | (187,538)                               |
| Net cash provided by operating activities                  | 6,701,805                               |
| Net cash used in investing activities                      | (698,934)                               |
| Net cash used in financing activities                      | (7,442,072)                             |
| Net decrease in cash, cash equivalents and restricted cash | (1,439,201)                             |

## 2. Significant accounting policies

## 2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Significant accounting policies followed by the Group in the preparation of its accompanying consolidated financial statements are summarized below.

## 2.2 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 loss from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

## 2.3 Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities,

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

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) fair value of financial guarantee, (v) valuation and recognition of share-based compensation expenses, (vi) useful lives of property and equipment and intangible assets, (vii) fair value of short-term and long-term investments, (viii) fair value of ordinary shares and convertible redeemable preferred shares, (ix) liabilities related to employee welfare benefits and (x) provision for income tax and valuation allowance for deferred tax assets. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

**2.4 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), net in the consolidated statements of comprehensive 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 loss.

**2.5 Convenience translation**

Translations of the consolidated balance sheets, the consolidated statements of comprehensive loss and the consolidated statements of cash flows from RMB into US\$ as of and for the year ended December 31, 2019 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB7.0808, representing the index rates stipulated by the federal reserve board/ the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on March 31, 2020. 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, 2019, or at any other rate.

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)****2.6 Fair value measurements**

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Other inputs that are directly or indirectly observable in the marketplace.

Level 3 — Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

**2.7 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments placed with banks or other financial institutions, which are unrestricted as to withdrawal or use, and which have original maturities less than three months and are readily convertible to known amount of cash.

**2.8 Restricted cash and non-current restricted cash**

Cash that is legally restricted as to withdrawal or for use or pledged as security is reported separately on the face of the consolidated balance sheets. In accordance with Accounting Standards Codification ("ASC") 230, the amounts generally described as restricted cash and restricted cash equivalents are included in the total cash, cash equivalents and restricted cash balances in the consolidated statements of cash flows.

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

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; 4) security deposits for forward exchange contract.

**2.9 Short-term investments**

Short-term investments include investments in financial instruments with a variable interest rate indexed to performance of underlying assets. 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 loss.

**2.10 Accounts receivable**

Accounts receivable represents those receivables derived in the ordinary course of business, net of allowance for doubtful accounts, including receivable from real estate property sellers, buyers and agents from the platform.

The Company maintains an allowance for doubtful accounts to reserve for potentially uncollectible receivable amounts. The allowance for doubtful accounts is estimated based upon the Company'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.

**2.11 Financing receivables**

The Group generates financing receivables by providing personal credit loans to property buyers, tenants and other individual borrowers. The Group has the intent and the ability to hold such financing receivables for the foreseeable future or until maturity or payoff.

*Financing receivables from consolidated Trusts*

The Group has entered into arrangements with consolidated trusts ("Trusts"), pursuant to which the Group invested in the financing receivables using funds from the consolidated Trusts. The Trusts are administered by third-party trust companies, which act as the trustees, with funds contributed by the Group and/or other third-party investors for the purposes of providing returns to the beneficiary of the Trusts. The Group has power to direct the activities of the Trusts and has the obligation to absorb losses or the right to receive benefits from the Trusts that could potentially be significant to the Trusts. As a result, the Trusts are considered consolidated VIEs of the Group under ASC 810 — "Consolidation".

Therefore the loans funded by the consolidated Trusts are recorded as the Group's financing receivables. The proceeds received from the third-party investors are recognized as funding debts. Cash received via consolidated Trusts that has not yet been distributed is recorded as restricted cash.

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****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 improvements 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 of credit losses*

The allowance of credit losses reflects the Group's estimated probable incurred losses. The Group assesses 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 are considered. In the consideration of above factors, the Group determines that each portfolio of respective financial receivables subject to credit losses within each credit risk level is homogenous with similar credit characteristics. The allowance of credit losses and corresponding receivables are written off after the 3rd year of delinquency, as before then there is still a significant portion of the delinquent balance being collected based on historical data.

*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 (Continued)****2. Significant accounting policies (Continued)****2.12 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 loss.

**2.13 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 name | 3 - 5 years  |
| • Customer relationships     | 3 - 5 years  |
| • Non-competition agreement  | 3 - 5 years  |
| • Advertising resources      | 5 years      |
| • Licence                    | 6 - 10 years |

Separately identifiable intangible 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.

No impairment charges of intangible assets were recognized for the years ended December 31, 2017, 2018 and 2019.

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)****2.14 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 Company early adopted ASU No. 2017-04, Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, and 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 Company 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 Company 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 each reporting unit exceeds its fair value, an impairment loss equal to the difference will be recorded. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit. The Group performs goodwill impairment testing at the reporting unit level on December 31 annually. No impairment of goodwill was recognized for the years ended December 31, 2017, 2018 and 2019.

**2.15 Long-term investments****(i) Equity investments accounted for using the equity method**

In accordance with ASC 323 — "Investment — Equity Method and Joint Ventures", the Group applies the equity method of accounting to equity investments, in common stock or in-substance common stock, over which it has significant influence but does not own a majority equity interests or otherwise control.

An investment in in-substance common stock is an investment that has risk and reward characteristics that are substantially similar to that entity's common stock. The Group considers subordination, risks and rewards of ownership and obligation to transfer value when determining whether an investment in an entity is substantially similar to one in that entity's common stock.

Under the equity method, the Group initially records its investment at cost. The difference between the cost of the equity investment and the amount of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill or as an intangible asset as appropriate. The Group subsequently adjusts the carrying amount of the investment to recognize the Group's proportionate share of each equity investee's net income or loss into the consolidated statements of comprehensive loss after the date of acquisition. When the Group's share of losses in

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

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 loss. Impairment was recorded for equity method investments for the years ended December 31, 2017, 2018 and 2019 was nil, nil and RMB1.5 million, respectively.

(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 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 Company 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 Company does not assess whether those securities are impaired.

For investments in convertible note and loan receivables 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 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 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



**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

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").

For investments in an investee over which the Group does not have significant influence and which do not have readily determinable fair value and do not qualify for NAV practical expedient, the Company may elect to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes, in accordance with ASU 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 Company elects to use the measurement alternative, the Company 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 Company 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 Company recognizes an impairment loss in net income equal to the difference between the carrying value and fair value. No impairment was recorded for equity investments without readily determinable fair values for the years ended December 31, 2017, 2018 and 2019.

**2.16 Leases**

The Group mainly leases brokerage sales stores, offices 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 full retrospective basis with the cumulative effect recognized at the beginning of the earliest comparative period presented. The new lease standard requires entities that lease assets with lease terms of more than 12 months 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) if 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. And 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

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

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 Company 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 Company elected not to separate non-lease components from lease components; therefore, it will account for lease component and the 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 rate ("IBR") to determine the present value of the future lease payments. The IBR is a hypothetical rate based on the Group's understanding of what its credit rating would be to borrow and resulting interest the Group would pay to borrow an amount equal to the lease payments in a similar economic environment over the lease term on a collateralized basis.

Any lease with a term of 12 months or less is considered short-term. As permitted by ASC 842, short-term leases are excluded from the ROU asset and lease liabilities accounts on the consolidated balance sheets. Consistent with all other operating leases, short-term lease expense is recorded on a straight-line basis over the lease term.

**2.17 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.

**2.18 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.

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)****2.19 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 its annual after-tax profits as determined under generally accepted accounting principles in the PRC ("PRC GAAP") to reserve funds including 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 Group's 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 are 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, 2017, 2018 and 2019, profit appropriation to general reserve fund and statutory surplus fund for the Group's entities incorporated in the PRC was approximately RMB57.5 million, RMB30.2 million and RMB79.1 million, respectively. No appropriation to other reserve funds was made for any of the periods presented.

**2.20 Revenue recognition**

The Group adopted ASC 606 — "Revenue from Contracts with Customers" for all periods presented. According to ASC 606, revenues from contracts with customers are recognized when control of the promised goods or services is transferred to 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

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

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 which is the split commission.

For agency commissions earned by the Group, either as the principal agent or participating agent, after deducting estimated potential refunds due to a terminated transaction, the Group recognizes them 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.

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 system, (ii) franchise fees from brokerage firms as a percentage of the transaction commissions earned under the Group's franchise brands such as 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 (Continued)****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 at that time.

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 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) Also, 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

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant accounting policies (Continued)

it has the unconditional right to receive consideration. The Group does not have any capitalized contract cost. No contract assets were identified as of December 31, 2017, 2018 and 2019.

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, 2017, 2018 and 2019 were listed in the below table:

|                                    | As of December 31, |                |                |
|------------------------------------|--------------------|----------------|----------------|
|                                    | 2017               | 2018           | 2019           |
|                                    | RMB                | RMB            | RMB            |
|                                    | (in thousands)     |                |                |
| <b>Contract liabilities:</b>       |                    |                |                |
| Existing home transaction services | 125,861            | 186,475        | 136,498        |
| New home transaction services      | 61,602             | 62,329         | 334,429        |
| Emerging and other services        | 56,975             | 55,010         | 122,446        |
| <b>Total</b>                       | <b>244,438</b>     | <b>303,814</b> | <b>593,373</b> |

2.21 Funding cost

Funding cost mainly consists of interest expense the Group pays in relation to the funding debts, to fund its financing receivables.

2.22 Advertising expenses

Advertising expenses are generally prepaid 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, 2017, 2018 and 2019, advertising expenses recognized in the consolidated statements of comprehensive loss were RMB711.6 million, RMB1,651.3 million and RMB1,287.5 million, respectively.

2.23 Share-based compensation

The Group grants share options to eligible employees 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.

For share options granted which require both service conditions and the completion of an initial public offering ("IPO"), cumulative share based compensation expenses for options that have satisfied the service conditions will be recorded upon the completion of the IPO. All transactions in

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

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 2016-09, the Group has chosen to account for forfeitures when they occur.

**2.24 Income taxes***Income tax*

Current income tax is recorded in accordance with the laws of the relevant tax jurisdictions.

The Group applies the assets and liabilities method of income taxes in accordance of ASC 740 — "Income Taxes", which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are provided based on temporary differences arising between the tax bases of assets and liabilities and financial statements, using enacted tax rates that will be in effect in the period in which the differences are expected to reverse.

Deferred tax assets are recognized to the extent that such assets are more-likely-than-not to be realized. In making such a determination, the Group considers all positive and negative evidence, including results of recent operations and expected reversals of taxable income. Valuation allowances are established to offset deferred tax assets if it is considered more-likely-than-not that amount of the deferred tax assets will not be realized.

*Uncertain tax positions*

The Company 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.

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

The Group did not have any significant interest or penalties associated with tax positions for the years ended December 31, 2017, 2018 and 2019. The Group did not have any significant unrecognized uncertain tax positions for the years ended December 31, 2017, 2018 and 2019.

**2.25 Employee benefits**

Full-time employees of the Group in mainland China are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurances, medical insurances, unemployment benefits and housing fund plans through a PRC government-mandated defined contribution plan. Chinese labor regulation requires that the Group makes payments to the government for these benefits based on a certain percentage of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond making the required contributions.

Historically, the contributions made by the Group for employees might have been insufficient under the PRC laws and regulations, for which the Group made provisions based on its best estimates considering general administrative practice, historical precedent cases, legal advice and other factors. The provisions made are to be reversed if a) the potential exposures that the provisions were made for do not occur for a period of time and b) the Group believes that the probability that such exposures would materialize in the future is remote based on most recent developments. The balances of the provisions are included in employee compensation and welfare payable. The net impact of additions and reversals of the provisions was an increase or (decrease) in employee welfare benefit expenses of RMB25.8 million, RMB8.5 million and (RMB174 million) in 2017, 2018 and 2019, respectively. Currently, the Group is implementing a remediation plan to reduce the possibility 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 RMB1.37 billion, RMB1.69 billion and RMB2.04 billion for the years ended December 31, 2017, 2018 and 2019, respectively.

**2.26 Net loss per share**

Basic loss per share is computed by dividing net loss attributable to ordinary shareholders, considering the accretion on convertible redeemable preferred shares to redemption value and deemed dividends to a preferred shareholder, by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net loss is not allocated to other participating securities if based on their contractual terms they are not obligated to share in the loss.

Diluted loss per share is computed using the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**2.27 Comprehensive loss**

Comprehensive 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 loss includes net loss and currency translation adjustments of the Group.



**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)****2.28 Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative shareholder, or a related corporation.

**2.29 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.

**2.30 Commitments and contingencies**

In the normal course of business, the Company 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.

**2.31 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 comprehensive loss upon receipt and when all conditions attached to the grants are fulfilled.

For the years ended December 31, 2017, 2018 and 2019, the Group recognized government grants of approximately RMB198 million, RMB336 million and RMB345 million, respectively, in other income, net in the consolidated statements of comprehensive loss.

**2.32 Business combinations and non-controlling interests**

The Company 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 Company and equity instruments issued by the Company. Transaction

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

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 loss. During the measurement period, which can be up to one year from the acquisition date, the Company 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 loss.

In a business combination achieved in stages, the Company 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 loss.

**2.33 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 revenues or the total purchases of the Group for the years ended December 31, 2017, 2018 and 2019.

*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 and long-term investments. The maximum exposure of such assets to credit risk is their carrying amounts as of the balance sheet dates. As of December 31, 2017, 2018 and 2019, 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. Such 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, other receivables and long-term investments 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

## KE Holdings Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**2. Significant accounting policies (Continued)**

ongoing monitoring processes of outstanding balances. As of December 31, 2019, only one customer's total receivable amounting to RMB3,148 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 RMB15.8 billion, RMB11.0 billion, and RMB14.9 billion as of December 31, 2017, 2018 and 2019, 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 6% in 2017. The depreciation of the RMB against the US\$ was approximately 5% and 2% in 2018 and 2019, respectively. 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.

**2.34 Recently issued but not yet adopted accounting pronouncements**

In June 2016, the FASB issued ASU No. 2016-13 (ASU 2016-13), Financial Instruments — Credit Losses, which introduces new guidance for credit losses on instruments within its scope. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments, including, but not limited to, trade and other receivables, held-to-maturity debt securities, loans and net investments in leases. The new guidance also modifies the impairment model for available-for-sale debt securities and requires the entities to determine whether all or a portion of the unrealized loss on an available-for-sale debt security is a credit loss. The standard also indicates that entities may not use the length of time a security has been in an unrealized loss position as a factor in concluding whether a credit loss exists. The ASU 2016-13 is effective for public companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for all entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company expects the cumulative-effect adjustment on the retained earnings as of January 1, 2020 related to the initial application of ASU 2016-13 to be immaterial.

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements in ASC 820, "Fair Value Measurement" ("ASC 820"). The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The new standard is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. The Company expects the impact of this accounting standard update on its consolidated financial statements to be immaterial.

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement ("CCA") That Is a Service Contract. This update amends the current guidance that exists for CCAs by providing explicit accounting for implementation costs of a hosting arrangement that is a service contract. The amendments effectively align the accounting for implementation costs for hosting arrangements, regardless of whether they convey a license to the hosted software. Thus, a hosting arrangement that is a service contract will follow the guidance in ASC 350-40 — "Intangibles — Goodwill and other, Internal-use software", to determine which implementation costs to capitalize or expense. This new standard is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued. Entities can choose to adopt the new guidance (1) prospectively to eligible costs incurred on or after the date the guidance is first applied or (2) retrospectively. The Company expects the impact of this accounting standard update on its consolidated financial statements to be immaterial.

In December 2019, the FASB issued ASU 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. Early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements.

In January 2020, the FASB issued ASU 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. 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 (Continued)

3. Cash, Cash Equivalents, Restricted Cash

Cash, cash equivalents and restricted cash consisted of the following:

|  | As of December 31, |                   |                   |
|--|--------------------|-------------------|-------------------|
|  | 2017               | 2018              | 2019              |
|  | RMB                | RMB               | RMB               |
|  | (in thousands)     |                   |                   |
| Cash and cash equivalents:                       |                    |                   |                   |
| Cash   | 5,236,100          | 9,115,649         | 22,991,101        |
| Cash equivalents                                 | —                  | —                 | 1,328,231         |
| Restricted cash:                                 |                    |                   |                   |
| Current  | 2,980,144          | 3,516,594         | 7,380,341         |
| Non-Current                                      | —                  | 127,955           | 230,903           |
| Total cash, cash equivalents and restricted cash | <u>8,216,244</u>   | <u>12,760,198</u> | <u>31,930,576</u> |

- (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 known amount of cash. The weighted average interest rate of cash equivalent for the year ended December 31, 2019 is 2.21%. The balance of cash as of December 31, 2018 included deposits in transit amounting to RMB1.4 billion which were received on January 2, 2019.
- (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 Company'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 87.62%, 0%, 12.38% and 0% as of December 31, 2017; 86.33%, 3.51%, 10.16% and 0% as of December 31, 2018; 61.69%, 29.61%, 8.11% and 0.59% as of December 31, 2019, respectively.

4. Short-term Investments

|                            | As of December 31, |                  |                  |
|----------------------------|--------------------|------------------|------------------|
|                            | 2017               | 2018             | 2019             |
|                            | RMB                | RMB              | RMB              |
|                            | (in thousands)     |                  |                  |
| Short-term investments:    |                    |                  |                  |
| Bank time deposits         | —                  | —                | 1,225            |
| Wealth management products | 7,587,433          | 2,523,199        | 1,843,370        |
| Total                      | <u>7,587,433</u>   | <u>2,523,199</u> | <u>1,844,595</u> |

Bank time deposits are time deposits with original maturities of longer than three months but less than one year or the long-term bank deposit with maturity date within one year.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Short-term Investments (Continued)

The Company's wealth management products are issued by multiple financial institutions, which are mainly money market funds, structural deposits and contain a variable interest rate. To estimate the fair value of short-term investments, the Company refers to the quoted rate of return provided by financial institutions at the end of each year using discounted cash flow method. The Company classifies the valuation techniques that use these inputs as level 2 of fair value measurement. The weighted average interest rates for the wealth management products are 5.09%, 3.46% and 3.51% for the years ended December 31, 2017, 2018 and 2019, respectively. The Group elects to measure the investment in wealth management products at fair value with the fair value changes recorded in fair value changes in investments, net in the consolidated statements of comprehensive loss.

5. Prepayments, receivables and other assets

|   | As of December 31, |                  |                  |
|---|--------------------|------------------|------------------|
|   | 2017               | 2018             | 2019             |
|   | RMB                | RMB              | RMB              |
|   | (in thousands)     |                  |                  |
| <b>Current:</b>                                       |                    |                  |                  |
| Advances to suppliers                                 | 82,134             | 157,210          | 254,534          |
| Deposits paid to new home developers <sup>(i)</sup>   | 2,476,640          | 277,766          | 3,311,371        |
| Prepaid rental and other deposits                     | 339,989            | 393,850          | 439,775          |
| Staff advances  | 258,833            | 282,316          | 247,353          |
| Receivable from equity investors <sup>(ii)</sup>      | —                  | 3,000,000        | —                |
| Receivables from escrow account                       | —                  | 139,590          | 18,982           |
| Interest receivables                                  | 6,245              | 15,224           | 93,950           |
| VAT-input deductible                                  | 151,351            | 280,868          | 608,958          |
| Others  | 278,873            | 318,190          | 318,073          |
| <b>Total</b>  | <b>3,594,065</b>   | <b>4,865,014</b> | <b>5,292,996</b> |
| <b>Non-current:</b>                                   |                    |                  |                  |
| Prepayment for advertising resources <sup>(iii)</sup> | —                  | 2,745,280        | 145,806          |
| Deferred tax asset (Note 19)                          | 147,535            | 672,622          | 520,292          |
| Others  | 1,136              | 109              | 59,452           |
| <b>Total</b>  | <b>148,671</b>     | <b>3,418,011</b> | <b>725,550</b>   |

(i) Deposits paid to new home developers

Deposits paid to new home developers refers to the earnest deposits paid by the Group to developers for new home transaction service contracts.

(ii) Receivable from equity investors

To consummate the Reorganization, RMB3.0 billion, which equals the issuance price of a holder of Series C Preferred Shares, was repatriated to this investor to facilitate the investor's outbound direct investment registration procedures including repaying the US\$ equivalent of RMB3.0 billion to the Company. The amount was received by the Company in January 2019.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Prepayments, receivables and other assets (Continued)

(iii) Prepayment for advertising resources

In December 2018, the Group and Tencent Holdings Limited and its subsidiaries ("Tencent") entered into a business cooperation agreement (the "BCA") pursuant to which Tencent would provide the Group i) certain advertising resources; and ii) certain marketing and cloud services, as part of the consideration for Series D Preferred Shares issued to Tencent (Note 22). The BCA was initially recorded as a prepayment included in other non-current assets as of December 31, 2018; and subsequently the resources mentioned in i) was reclassified into intangible asset upon launch of the resources in April 2019, while the services mentioned in ii) were amortized into expenses on an actual consumption basis.

6. Accounts receivable, net

Accounts receivable, net consists of the following:

|                                    | As of December 31, |                  |                  |
|------------------------------------|--------------------|------------------|------------------|
|                                    | 2017               | 2018             | 2019             |
|                                    | RMB                | RMB              | RMB              |
|                                    | (in thousands)     |                  |                  |
| New home transaction services      | 1,993,292          | 2,778,942        | 7,838,045        |
| Existing home transaction services | 772,357            | 761,249          | 604,191          |
| Emerging and other services        | 40,033             | 21,870           | 111,945          |
| Accounts receivable                | 2,805,682          | 3,562,061        | 8,554,181        |
| Allowance for doubtful accounts    | (136,910)          | (207,245)        | (460,962)        |
| Accounts receivable, net           | <u>2,668,772</u>   | <u>3,354,816</u> | <u>8,093,219</u> |

The movement in the allowance for doubtful accounts were as follows:

|                                      | For the Year Ended<br>December 31, |                  |                  |
|--------------------------------------|------------------------------------|------------------|------------------|
|                                      | 2017                               | 2018             | 2019             |
|                                      | RMB                                | RMB              | RMB              |
|                                      | (in thousands)                     |                  |                  |
| Balance at the beginning of the year | (79,366)                           | (136,910)        | (207,245)        |
| Additions                            | (75,498)                           | (83,088)         | (328,868)        |
| Write-offs                           | 17,954                             | 12,753           | 75,151           |
| Balance at the end of the year       | <u>(136,910)</u>                   | <u>(207,245)</u> | <u>(460,962)</u> |

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Financing receivables, net

Financing receivables, net as of December 31, 2017, 2018, and 2019 consisted of the followings:

|   | As of December 31, |          |           |
|---|--------------------|----------|-----------|
|   | 2017               | 2018     | 2019      |
|   | RMB                | RMB      | RMB       |
|   | (in thousands)     |          |           |
| <b>Short-term:</b>                              |                    |          |           |
| Financing receivables from consolidated Trusts  | 1,303,855          | 893,212  | 1,915,721 |
| Financing receivables from micro-loan platforms | 2,054              | 99,573   | 302,123   |
| Total short-term financing receivables          | 1,305,909          | 992,785  | 2,217,844 |
| Allowance for credit losses                     | (16,650)           | (54,306) | (92,223)  |
| Total short-term financing receivables, net     | 1,289,259          | 938,479  | 2,125,621 |
| <b>Long-term:</b>                               |                    |          |           |
| Financing receivables from consolidated Trusts  | —                  | 35,082   | 28,565    |
| Financing receivables from micro-loan platforms | 4,775              | 71,038   | 238,150   |
| Total long-term financing receivables           | 4,775              | 106,120  | 266,715   |
| Allowance for credit losses                     | (37)               | (339)    | (847)     |
| Total long-term financing receivables, net      | 4,738              | 105,781  | 265,868   |

These balances represent short-term and long-term financing receivables 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, 2017, 2018 and 2019:

|                                    | As of December 31, |                  |                  |
|------------------------------------|--------------------|------------------|------------------|
|                                    | 2017               | 2018             | 2019             |
|                                    | RMB                | RMB              | RMB              |
|                                    | (in thousands)     |                  |                  |
| Due in months                      |                    |                  |                  |
| 0 - 12                             | 1,305,909          | 992,785          | 2,217,844        |
| 13 - 24                            | 858                | 19,761           | 102,274          |
| 25 - 36                            | 3,917              | 86,359           | 164,441          |
| <b>Total financing receivables</b> | <b>1,310,684</b>   | <b>1,098,905</b> | <b>2,484,559</b> |



KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Financing receivables, net (Continued)

The activities in the provision for credit losses for the years ended December 31, 2017, 2018 and 2019, respectively, consisted of the following:

|                   | For the Year Ended<br>December 31, |          |          |
|-------------------|------------------------------------|----------|----------|
|                   | 2017                               | 2018     | 2019     |
|                   | RMB                                | RMB      | RMB      |
|                   | (in thousands)                     |          |          |
| Beginning balance | —                                  | (16,687) | (54,645) |
| Provisions        | (16,687)                           | (37,958) | (38,425) |
| Write-offs        | —                                  | —        | —        |
| Ending balance    | (16,687)                           | (54,645) | (93,070) |

Aging analysis of past due financing receivables as of December 31, 2017, 2018 and 2019 is as follows:

|                       | 1 - 29 Days<br>Past Due | 30 - 59 Days<br>Past Due | 60 - 89 Days<br>Past Due | 90 - 179 Days<br>Past Due | 180 days<br>or greater<br>Past Due | Total<br>Past Due | Current   | Total     |
|-----------------------|-------------------------|--------------------------|--------------------------|---------------------------|------------------------------------|-------------------|-----------|-----------|
|                       | RMB                     | RMB                      | RMB                      | RMB                       | RMB                                | RMB               | RMB       | RMB       |
|                       | (in thousands)          |                          |                          |                           |                                    |                   |           |           |
| Personal credit loans | 8,750                   | —                        | —                        | —                         | —                                  | 8,750             | 1,301,934 | 1,310,684 |
| December 31, 2017     | 8,750                   | —                        | —                        | —                         | —                                  | 8,750             | 1,301,934 | 1,310,684 |
| Personal credit loans | 25,004                  | 17,845                   | 6,859                    | 46,485                    | 49,701                             | 145,894           | 953,011   | 1,098,905 |
| December 31, 2018     | 25,004                  | 17,845                   | 6,859                    | 46,485                    | 49,701                             | 145,894           | 953,011   | 1,098,905 |
| Personal credit loans | 34,876                  | 17,807                   | 9,388                    | 10,461                    | 116,703                            | 189,235           | 2,295,324 | 2,484,559 |
| December 31, 2019     | 34,876                  | 17,807                   | 9,388                    | 10,461                    | 116,703                            | 189,235           | 2,295,324 | 2,484,559 |

8. Property and equipment, net

|   | As of December 31, |             |             |
|---|--------------------|-------------|-------------|
|   | 2017               | 2018        | 2019        |
|   | RMB                | RMB         | RMB         |
|   | (in thousands)     |             |             |
| Office building                               | 151,695            | 152,088     | 424,508     |
| Vehicles                                      | 48,659             | 34,060      | 29,199      |
| Computer equipment                            | 568,713            | 661,039     | 716,833     |
| Furniture and office equipment                | 300,366            | 317,243     | 313,915     |
| Leasehold improvement                         | 1,211,299          | 1,353,620   | 1,687,359   |
| Construction in progress                      | 106,592            | 110,570     | 122,343     |
|   | 2,387,324          | 2,628,620   | 3,294,157   |
| Less: accumulated depreciation and impairment | (1,185,928)        | (1,671,270) | (2,159,929) |
| Net book value                                | 1,201,396          | 957,350     | 1,134,228   |

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Property and equipment, net (Continued)

Depreciation expenses recognized for the years ended December 31, 2017, 2018 and 2019 were RMB674.2 million, RMB653.4 million, and RMB562.0 million, respectively.

9. Intangible assets, net

|                                | As of December 31, |           |           |
|--------------------------------|--------------------|-----------|-----------|
|                                | 2017               | 2018      | 2019      |
|                                | RMB                | RMB       | RMB       |
|                                | (in thousands)     |           |           |
| Software                       | 88,184             | 113,933   | 157,041   |
| Trademarks and domain name     | 171,804            | 103,422   | 161,417   |
| Customer relationships         | 179,893            | 52,143    | 35,642    |
| Non-competition agreement      | 163,750            | 122,480   | 122,480   |
| Advertising resources (Note 5) | —                  | —         | 2,441,670 |
| Licence                        | —                  | 27,788    | 340,413   |
| Total                          | 603,631            | 419,766   | 3,258,663 |
| Less: accumulated amortization | (281,515)          | (169,478) | (644,931) |
| Less: accumulated impairment   | (57,390)           | (53,290)  | (53,290)  |
| Net book value                 | 264,726            | 196,998   | 2,560,442 |

Amortization expenses recognized for the years ended December 31, 2017, 2018 and 2019 amounted to RMB137 million, RMB139 million and RMB477 million, respectively.

The impaired intangible assets consisted of the trademarks acquired through business acquisitions in 2015. As of December 31, 2016, RMB57.4 million impairment loss was recognized on the two acquired trademarks in total as the financial performances of the acquired business were significantly below the forecasts on the acquisition dates. During the years ended December 31, 2017, 2018 and 2019, no impairments loss were recognized on the intangible assets of the Group.

Estimated amortization expense relating to the existing intangible assets with finite lives for each of the next five years is as follows:

|                                   | Amounts        |
|-----------------------------------|----------------|
|                                   | RMB            |
|                                   | (in thousands) |
| For the years ending December 31, |                |
| 2020                              | 613,570        |
| 2021                              | 562,698        |
| 2022                              | 545,950        |
| 2023                              | 544,658        |
| 2024                              | 183,900        |
|                                   | 2,450,776      |

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Leases

The group has operating leases for agency sales offices, 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 the consolidated balance sheets.

The components of lease cost for the year ended December 31, 2017, 2018 and 2019 were listed as follows:

|                       | For the Year Ended December 31, |                  |                  |
|-----------------------|---------------------------------|------------------|------------------|
|                       | 2017                            | 2018             | 2019             |
|                       | RMB                             | RMB              | RMB              |
|                       | (in thousands)                  |                  |                  |
| Operating lease cost  | 2,580,279                       | 2,612,145        | 2,631,991        |
| Short-term lease cost | 31,997                          | 41,765           | 30,065           |
| <b>Total</b>          | <b>2,612,276</b>                | <b>2,653,910</b> | <b>2,662,056</b> |

Supplemental cash flows information related to leases was as follows:

|  | For the Year Ended December 31, |           |           |
|--|---------------------------------|-----------|-----------|
|  | 2017                            | 2018      | 2019      |
|  | RMB                             | RMB       | RMB       |
|  | (in thousands)                  |           |           |
| <b>Cash paid for amounts included in the measurement of lease liabilities:</b> |                                 |           |           |
| Operating cash flows payment from operating leases                             | 2,473,103                       | 2,511,699 | 2,705,440 |
| <b>Right-of-use assets obtained in exchange for lease liabilities:</b>         |                                 |           |           |
| Right-of-use assets obtained in exchange for new operating lease liabilities   | 2,105,493                       | 2,699,783 | 4,443,056 |

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Leases (Continued)

Supplemental balance sheet information related to leases was as follows:

|  | As of December 31, |                  |                  |
|--|--------------------|------------------|------------------|
|  | 2017               | 2018             | 2019             |
|  | RMB                | RMB              | RMB              |
|  | (in thousands)     |                  |                  |
| <b>Operating Leases</b>                  |                    |                  |                  |
| Administrative office leases             | 406,336            | 787,586          | 764,303          |
| Store leases                             | 4,395,182          | 4,305,016        | 4,371,957        |
| Entrusted house leases                   | —                  | 39,280           | 460,857          |
| Land use rights                          | —                  | —                | 27,898           |
| <b>Total operating lease assets</b>      | <b>4,801,518</b>   | <b>5,131,882</b> | <b>5,625,015</b> |
| Operating lease liabilities, current     | 1,726,206          | 1,916,575        | 2,222,745        |
| Operating lease liabilities, non-current | 2,577,773          | 2,789,012        | 2,914,240        |
| <b>Total operating lease liabilities</b> | <b>4,303,979</b>   | <b>4,705,587</b> | <b>5,136,985</b> |

|   | For the Year ended<br>December 31, |      |       |
|---|------------------------------------|------|-------|
|   | 2017                               | 2018 | 2019  |
| <b>Weighted-average remaining lease term (in years)</b> |                                    |      |       |
| Operating leases  | 2.54                               | 2.19 | 2.91  |
| Land use right  | —                                  | —    | 43.34 |
| <b>Weighted-average discount rate</b>                   |                                    |      |       |
| Operating leases  | 5.1%                               | 5.1% | 5.3%  |
| Land use right  | 5.1%                               | 5.1% | 5.3%  |

Maturities of lease liabilities were as follows:

|  | As of<br>December 31, |
|--|-----------------------|
|  | 2019                  |
|  | RMB                   |
|  | (in thousands)        |
| 2020                                     | 2,385,706             |
| 2021                                     | 1,636,566             |
| 2022                                     | 877,061               |
| 2023                                     | 422,059               |
| 2024                                     | 149,258               |
| Thereafter                               | 47,218                |
| <b>Total undiscounted lease payments</b> | <b>5,517,868</b>      |
| Less: imputed interest                   | (380,883)             |
| <b>Total lease liabilities</b>           | <b>5,136,985</b>      |

The group's lease agreement generally do not contain an option for the group to renew a lease for a term agreed by the group. The group's lease agreement 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 (Continued)

11. Long-term investments, net

The following sets forth the changes in the Group's long-term investments:

|                                     | Investments in<br>equity method<br>investees | Investments<br>accounted<br>for at fair<br>values | Equity<br>investments<br>measured<br>under<br>measurement<br>alternative<br>and NAV<br>practical<br>expedient | Long-term<br>time<br>deposits | Total            |
|-------------------------------------|--|---|---|-------------------------------|------------------|
|                                     | RMB  | RMB   | RMB   | RMB                           | RMB              |
|                                     | (in thousands)                               |   |   |                               |                  |
| <b>Balance at December 31, 2016</b> | <b>73,690</b>                                | <b>16,743</b>                                     | <b>66,430</b>   | <b>1,185</b>                  | <b>158,048</b>   |
| Investments made                    | —  | 270,024   | 21,500  | —                             | 291,524          |
| Income (loss) from investment       | 12,832                                       | —   | —   | 13                            | 12,845           |
| Fair value change through earnings  | —  | (4,015)   | —   | —                             | (4,015)          |
| Disposal of investment              | —  | —   | (66,430)  | —                             | (66,430)         |
| Dividend received                   | (12,000)                                     | —   | —   | —                             | (12,000)         |
| <b>Balance at December 31, 2017</b> | <b>74,522</b>                                | <b>282,752</b>                                    | <b>21,500</b>   | <b>1,198</b>                  | <b>379,972</b>   |
| Investments made                    | 24,230                                       | 30,000  | 42,500  | —                             | 96,730           |
| Acquired in a business combination  | 800  | —   | —   | —                             | 800              |
| Income (loss) from investment       | 1,762  | —   | —   | 6                             | 1,768            |
| Fair value change through earnings  | —  | (61,545)  | 8,744   | —                             | (52,801)         |
| Dividend received                   | (8,000)                                      | —   | —   | —                             | (8,000)          |
| <b>Balance at December 31, 2018</b> | <b>93,314</b>                                | <b>251,207</b>                                    | <b>72,744</b>   | <b>1,204</b>                  | <b>418,469</b>   |
| Investments made                    | 300,030                                      | 1,365,773   | 37,057  | 215,000                       | 1,917,860        |
| Income (loss) from investment       | 12,882                                       | —   | —   | —                             | 12,882           |
| Investment impairment               | (1,500)                                      | —   | —   | —                             | (1,500)          |
| Fair value change through earnings  | —  | (38,384)  | 34,422  | —                             | (3,962)          |
| Disposal of investment              | (800)  | —   | —   | —                             | (800)            |
| Dividend received                   | (8,000)                                      | —   | —   | —                             | (8,000)          |
| Transfer to short-term investments  | —  | —   | —   | (1,204)                       | (1,204)          |
| <b>Balance at December 31, 2019</b> | <b>395,926</b>                               | <b>1,578,596</b>                                  | <b>144,223</b>  | <b>215,000</b>                | <b>2,333,745</b> |

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term investments, net (Continued)

*Investments in equity method investees*

The Group's investments accounted for under the equity method totaled RMB74.5 million, RMB93.3 million, RMB395.9 million as of December 31, 2017, 2018 and 2019, respectively. 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 million equity investment in a company which is primarily engaged in providing residential property rental agency and management services in the PRC.

*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 and (ii) unlisted equity securities or debt securities which uses 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 values:

|   | Cost Basis       | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair Value       |
|---|------------------|------------------------------|-------------------------------|------------------|
|   | RMB              | RMB                          | RMB                           | RMB              |
|   | (in thousands)   |                              |                               |                  |
| Marketable securities <sup>(i)</sup>                    | 170,000          | —                            | (8,779)                       | 161,221          |
| Unlisted equity securities <sup>(ii)</sup>              | 73,645           | —                            | (1,204)                       | 72,441           |
| Investment in convertible note <sup>(ii)</sup>          | 40,000           | 9,090                        | —                             | 49,090           |
| <b>December 31, 2017</b>                                | <b>283,645</b>   | <b>9,090</b>                 | <b>(9,983)</b>                | <b>282,752</b>   |
| Marketable securities <sup>(i)</sup>                    | 200,000          | —                            | (71,295)                      | 128,705          |
| Unlisted equity securities <sup>(ii)</sup>              | 73,645           | —                            | (921)                         | 72,724           |
| Investment in convertible note <sup>(ii)</sup>          | 40,000           | 9,778                        | —                             | 49,778           |
| <b>December 31, 2018</b>                                | <b>313,645</b>   | <b>9,778</b>                 | <b>(72,216)</b>               | <b>251,207</b>   |
| Marketable securities <sup>(i)</sup>                    | 200,000          | —                            | (106,623)                     | 93,377           |
| Unlisted equity securities <sup>(ii)</sup>              | 203,154          | 5,801                        | —                             | 208,955          |
| Loan receivables measured at fair value <sup>(ii)</sup> | 29,834           | —                            | —                             | 29,834           |
| Wealth management product <sup>(iii)</sup>              | 1,246,430        | —                            | —                             | 1,246,430        |
| <b>December 31, 2019</b>                                | <b>1,679,418</b> | <b>5,801</b>                 | <b>(106,623)</b>              | <b>1,578,596</b> |

(i) Marketable securities — investments in Dongyirisheng Home Improvement Group Inc. ("Dongyirisheng")

The Group accounted for the investment in Dongyirisheng, a listed Company on the Shenzhen Stock Exchange, at fair value through earnings. The fair values as of December 31, 2017,

## KE Holdings Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 11. Long-term investments, net (Continued)

2018 and 2019 are RMB161 million, RMB129 million and RMB93 million, respectively. 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) *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. As of December 31, 2017, the fair value of the Group's equity investment in IFM and the convertible note was approximately RMB55 million and RMB49 million, respectively. As of December 31, 2018, the fair value of the Group's equity investment in IFM and convertible note was approximately RMB56 million and RMB50 million, respectively.

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 of December 31, 2019, the Group held 37.6% in IFM and continued to account for the investment in IFM and loan to IFM's controlling shareholder at fair value amounting to RMB225.4 million. 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 a private company focusing on home improvement business in the PRC.

(iii) *Wealth management products*

In December 2019, the Group invested RMB1.05 billion (US\$150 million) in a wealth management product with variable interest rate issued by a financial institution in Hong Kong. The wealth management product has an original maturity of three years, thus is classified as a long-term investment as a whole in the Company's financial statements. As of December 31, 2019, the carrying value approximates to the fair value of the wealth management products.

## KE Holdings Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**11. Long-term investments, net (Continued)**

Other long-term wealth management products are deposits with variable interest rates or principal not-guaranteed with certain financial institutions in the PRC.

***Equity investments measured under measurement alternative and NAV practical expedient***

Equity investments without readily determinable fair values include investments in private equity funds accounted for under NAV practical expedient, and investments in private companies accounted for under measurement alternative.

Investments in private equity generally are not redeemable due to the closed-ended nature of these funds. Investment in private equity funds over which the Group does not have the ability to exercise significant influence are accounted for under the NAV practical expedient. As of December 31, 2017, 2018 and 2019, the carrying amount of the Group's investment in private equity fund was approximately RMB12.5 million, RMB33.7 million and RMB68.1 million, respectively. During the years ended December 31, 2017, 2018, and 2019, fair value changes recognized for this equity investment were nil, RMB8.7 million and RMB34.4 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. As of December 31, 2017, 2018 and 2019, investments accounted for under measurement alternative were RMB9.0 million, RMB39.0 million and RMB76.1 million, respectively. There was no upward or downward adjustment including impairment identified by the management for the year ended December 31, 2017, 2018 and 2019. Also, the Company classifies the valuation techniques on those investments that use similar identifiable transaction prices as Level 2 of fair value measurements.

***Long-term time deposits***

Long -term time deposits represent 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, 2017, 2018 and 2019, there were time deposits denominated in RMB amounting to approximately RMB1.2 million, RMB1.2 million and RMB215 million with maturity date in May 2024, respectively.

**12. Goodwill**

The Group's goodwill as of December 31, 2017, 2018 and 2019 was RMB711.0 million, RMB1,135.0 million and RMB2,477.1 million, respectively.



KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Goodwill (Continued)

For the years ended December 31, 2017, 2018 and 2019, the changes in the carrying value of goodwill by segment are as follows:

|  | Real estate<br>business | Existing<br>home<br>transaction<br>services | New home<br>transaction<br>services | Emerging<br>and other<br>services | Total     |
|--|-------------------------|---|-------------------------------------|-----------------------------------|-----------|
|  | RMB                     | RMB   | RMB                                 | RMB                               | RMB       |
|  | (in thousands)          |   |                                     |                                   |           |
| <b>Balance as of December 31, 2016</b>     | 710,983                 | —   | —                                   | —                                 | 710,983   |
| <b>Balance as of December 31, 2017</b>     | 710,983                 | —   | —                                   | —                                 | 710,983   |
| Goodwill <sup>(i)</sup>                    | 1,342,816               | —   | —                                   | —                                 | 1,342,816 |
| Accumulated impairment loss <sup>(i)</sup> | (631,833)               | —   | —                                   | —                                 | (631,833) |
| New additions <sup>(ii)</sup>              | 424,051                 | —   | —                                   | —                                 | 424,051   |
| Re-assignment of goodwill <sup>(iii)</sup> | (1,135,034)             | 848,732                                     | 286,302                             | —                                 | —         |
| <b>Balance as of December 31, 2018</b>     | —                       | 848,732                                     | 286,302                             | —                                 | 1,135,034 |
| Goodwill                                   | —                       | 1,305,371                                   | 461,496                             | —                                 | 1,766,867 |
| Accumulated impairment loss                | —                       | (456,639)                                   | (175,194)                           | —                                 | (631,833) |
| New additions <sup>(iv)</sup>              | —                       | 1,343,556                                   | —                                   | 16,193                            | 1,359,749 |
| Disposal of a business <sup>(v)</sup>      | —                       | (17,708)                                    | —                                   | —                                 | (17,708)  |
| <b>Balance as of December 31, 2019</b>     | —                       | 2,174,580                                   | 286,302                             | 16,193                            | 2,477,075 |
| Goodwill                                   | —                       | 2,631,219                                   | 461,496                             | 16,193                            | 3,108,908 |
| Accumulated impairment loss                | —                       | (456,639)                                   | (175,194)                           | —                                 | (631,833) |

- (i) During 2011 to 2017, the Group acquired several real estate agency companies, such as Deyou Real Estate Agency, Shenzhen Zhonglian Real Estate Agency Co., Ltd., Sichuan Yicheng Real Estate Brokerage Co., Ltd., Beijing Gaoce Real Estate Agency Co., Ltd., Dalian Haowangjiao Real Estate Agency Co., Ltd. and Mantanghong (China) Real Estate Co., Ltd., which primarily operated existing home transaction services and new home transaction services in the PRC. Total consideration for these acquisitions consisted of issuance of Class A Ordinary Shares of the Company valued at approximately RMB1,871.1 million, issuance of shares of the Group's subsidiaries valued at approximately RMB39.5 million and RMB482.6 million in cash. The excess of purchase price over net tangible assets and identifiable intangible assets acquired were recorded as goodwill which amounted to RMB1,342.8 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, 2016, the Company provided RMB631.8 million of impairment charge on goodwill, as the financial performances of certain acquired business were significantly below the forecasts on the acquisition dates.

## KE Holdings Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 12. Goodwill (Continued)

- (ii) During the year ended December 31, 2018, the additions under real estate business was mainly related to the acquisition of Eall (TianJin) Networking Technology Co., Ltd. ("Eall") (Note 24), which was all reassigned to existing home transaction services segment subsequent to the Reorganization.
- (iii) Prior to the Reorganization, the Group had one reportable segment. Concurrent with the Reorganization, the Group changed its internal organizational structure and separated the real estate business segment into three segments which were existing home transaction services, new home transaction services and emerging and other services. The Company reassigned goodwill, including accumulated impairments, to the reporting units affected at the time the structure change was made using a relative fair value allocation approach. All goodwill was reassigned to existing home transaction services and new home transaction services as the reporting units affected related to these two segments.
- (iv) During the year ended December 31, 2019, the additions under existing home transaction services was related to the acquisition of Nanchang Zhonghuan Hulan Information Co., Ltd. ("Zhonghuan") (Note 24), while all the additions under other service segment was related to the acquisition of a subsidiary operating home improvement business.
- (v) 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.

Considering the fact that the performance and operating profit did not meet expectations, the Group performed a quantitative analysis for the reporting unit of Zhonghuan, 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 provision was made in 2019.

For other reporting units, the management performed a qualitative analysis by taking into consideration the macroeconomics, overall financial performance, industry and market conditions. Based on the assessment, the Group determined that it was not necessary to perform a quantitative goodwill impairment test and concluded that no impairment indicators on its goodwill were noted as of December 31, 2017, 2018, and 2019.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Borrowings

|                                      | As of December 31, |         |           |
|--------------------------------------|--------------------|---------|-----------|
|                                      | 2017               | 2018    | 2019      |
|                                      | RMB                | RMB     | RMB       |
|                                      | (in thousands)     |         |           |
| Current portion:                     |                    |         |           |
| Short-term borrowings <sup>(i)</sup> | 250,000            | 210,000 | 720,000   |
| Non-current portion:                 |                    |         |           |
| Long-term borrowings <sup>(ii)</sup> | —                  | 112,900 | 4,890,030 |
| Total                                | 250,000            | 322,900 | 5,610,030 |

- (i) Short-term borrowings as of December 31, 2017, 2018 and 2019 consisted of several bank loans denominated in RMB. All of these bank borrowings were repayable within one year. The interest rate for the outstanding borrowings for 2017, 2018 and 2019 ranged from approximately 4.35% to 5.22% per annum.

Short-term borrowings as of December 31, 2017, 2018 and 2019 amounted to RMB250 million, RMB200 million and RMB720 million, respectively, were fully guaranteed by Mr Zuo Hui.

- (ii) In February 2018, the Group entered into a 35-month US\$16.45 million (RMB131.6 million) facility agreement with a bank. The facilities were priced at 170 basis points over LIBOR. By the end of December 31, 2018, the facility was fully drawn down, and the borrowings will be due in 2021. A cash security deposit of RMB131.6 million was provided by the Group to facilitate the borrowing at the end of December 31, 2019.

In October 2019, the Group entered into a 3-year US\$675 million (RMB4,774.0 million) revolving credit facilities agreement with a group of 10 arrangers. The debt issuance costs of US\$5.56 million (RMB39.3 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, 2019, the facility was fully drawn down, and the borrowings will be due in 2022. The effective interest rate for the facility was 4.52% as of December 31, 2019.

The revolving credit facilities agreement requires the Group 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) a 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 Company was in compliance with all covenants as of December 31, 2019.

In October 2019, the Group entered into a 5.5-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, and the borrowings will be due in 2025.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Borrowings (Continued)

As of December 31, 2019, the borrowings will be due according to the following schedule:

|                      | Principal amount |
|----------------------|------------------|
|                      | RMB              |
|                      | (in thousands)   |
| within 1 year        | 720,000          |
| between 1 to 2 years | 114,758          |
| between 2 to 3 years | 4,672,492        |
| between 3 to 4 years | —                |
| between 4 to 5 years | —                |
| beyond 5 years       | 102,780          |
| Total                | 5,610,030        |

14. Accounts payable

|  | As of December 31, |           |           |
|--|--------------------|-----------|-----------|
|  | 2017               | 2018      | 2019      |
|  | RMB                | RMB       | RMB       |
|  | (in thousands)     |           |           |
| Payable related to new home transaction business | 254,656            | 761,289   | 3,528,331 |
| Payable for advertising fees                     | 38,344             | 560,760   | 365,379   |
| Payable for internet service fees                | 15,958             | 33,389    | 80,064    |
| Payable for leasehold improvements               | 50,309             | 55,817    | 59,107    |
| Others   | 11,229             | 57,003    | 179,824   |
| Total  | 370,496            | 1,468,258 | 4,212,705 |

15. Accrued expenses and other current liabilities

|  | As of December 31, |           |           |
|--|--------------------|-----------|-----------|
|  | 2017               | 2018      | 2019      |
|  | RMB                | RMB       | RMB       |
|  | (in thousands)     |           |           |
| Payable related to escrow accounts services <sup>(i)</sup> | 549,236            | 421,579   | 425,858   |
| Other tax payables   | 444,000            | 393,058   | 390,952   |
| Deposit related to franchise services                      | —                  | 263,683   | 728,994   |
| Payable related to business combination <sup>(ii)</sup>    | —                  | —         | 780,937   |
| Guarantee liabilities                                      | 40,186             | 31,758    | 50,343    |
| Others   | 718,981            | 514,722   | 625,757   |
| Total  | 1,752,403          | 1,624,800 | 3,002,841 |

- (i) 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

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Accrued expenses and other current liabilities (Continued)

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.

- (ii) Payable related to business combination relates to the consideration payable for acquisition of a subsidiary in the form of mandatorily redeemable non-controlling interest. Please refer to Note 24 for more details.

16. Funding Debts

The following table summarized the Group's outstanding funding debts as of December 31, 2017, 2018 and 2019, respectively:

|   | As of December 31, |                |                  |
|---|--------------------|----------------|------------------|
|   | 2017               | 2018           | 2019             |
|   | RMB                | RMB            | RMB              |
|   | (in thousands)     |                |                  |
| <b>Short-term:</b>                                |                    |                |                  |
| Loan payables to investors of consolidated Trusts | 1,128,230          | 931,209        | 2,291,723        |
| <b>Total short-term funding debt</b>              | <u>1,128,230</u>   | <u>931,209</u> | <u>2,291,723</u> |
| <b>Long-term:</b>                                 |                    |                |                  |
| Loan payables to investors of consolidated Trusts | —                  | —              | 7,500            |
| <b>Total long-term funding debt</b>               | <u>—</u>           | <u>—</u>       | <u>7,500</u>     |

The following table summarizes the remaining contractual maturity dates of the Group's funding debts and associated interest payments:

|   | Less than 1 year | 1 - 2 years  | 2 - 3 years | More than 3 years | Total            |
|---|------------------|--------------|-------------|-------------------|------------------|
|   | RMB              | RMB          | RMB         | RMB               | RMB              |
|   | (in thousands)   |              |             |                   |                  |
| Loan payables to investors of consolidated Trusts | 2,291,723        | 7,500        | —           | —                 | 2,299,223        |
| <b>Total funding debts</b>                        | <u>2,291,723</u> | <u>7,500</u> | <u>—</u>    | <u>—</u>          | <u>2,299,223</u> |
| Interest payments                                 | 8,731            | —            | —           | —                 | 8,731            |
| <b>Total interest payments</b>                    | <u>8,731</u>     | <u>—</u>     | <u>—</u>    | <u>—</u>          | <u>8,731</u>     |

For the years ended December 31, 2017, 2018 and 2019, 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 7.57%, 7.92% and 7.94% for the years ended December 31, 2017, 2018 and 2019, respectively.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Other income, net

|  | For the Year Ended<br>December 31, |                |                |
|--|------------------------------------|----------------|----------------|
|  | 2017                               | 2018           | 2019           |
|  | RMB                                | RMB            | RMB            |
|  | (in thousands)                     |                |                |
| Investment income, net <sup>(i)</sup>                                | 262,924                            | 311,515        | 96,807         |
| Government grants  | 198,188                            | 335,502        | 344,811        |
| Net loss on disposal of property and equipment and intangible assets | (12,052)                           | (13,881)       | (7,448)        |
| Others   | 7,136                              | 1,620          | (2,870)        |
| <b>Total</b>   | <b>456,196</b>                     | <b>634,756</b> | <b>431,300</b> |

- (i) Investment income, net primarily consisted of investment income related to short-term investments, cash dividend from equity investments, and offset in part by losses in disposal of equity investments. Cash dividend from equity investments mainly includes additional cash dividend amount of RMB45 million from a partnership company for the year ended December 31, 2018.

18. Interest Income, net

|                  | For the Year Ended<br>December 31, |                |                |
|------------------|------------------------------------|----------------|----------------|
|                  | 2017                               | 2018           | 2019           |
|                  | RMB                                | RMB            | RMB            |
|                  | (in thousands)                     |                |                |
| Interest income  | 126,381                            | 172,681        | 437,869        |
| Interest expense | (43,791)                           | (43,517)       | (181,099)      |
| Bank charges     | (1,355)                            | (7,767)        | (26,416)       |
| Others           | (64)                               | (23)           | (15)           |
| <b>Total</b>     | <b>81,171</b>                      | <b>121,374</b> | <b>230,339</b> |

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 Company'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

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****19. Taxation (Continued)**

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**

Under the current Hong Kong Inland Revenue Ordinance, the Group's subsidiaries in Hong Kong are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company 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".

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. 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% in 2018 and 2019.

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 2020), or the Western Regions Catalogue, subject to certain general restrictions described in the EIT Law and the related regulations. Four, three and three entities in the Group in 2017, 2018 and 2019, 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, 2020.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Taxation (Continued)

The components of loss before tax are as follows:

|  | For the Year Ended<br>December 31, |           |             |
|--|------------------------------------|-----------|-------------|
|  | 2017                               | 2018      | 2019        |
|  | RMB                                | RMB       | RMB         |
|  | (in thousands)                     |           |             |
| Loss before tax                                    |                                    |           |             |
| Income (loss) from China operations                | 320,605                            | (143,492) | 2,417,298   |
| Loss from non-China operations                     | (458,943)                          | (355,573) | (3,693,062) |
| Total loss before tax                              | (138,338)                          | (499,065) | (1,275,764) |
| Income tax expense (benefit) from China operations |                                    |           |             |
| Current income tax expense                         | 595,188                            | 434,466   | 1,332,238   |
| Deferred tax benefit                               | (203,012)                          | (514,851) | (438,661)   |
| Income tax expense (benefit) from China operations | 392,176                            | (80,385)  | 893,577     |
| Income tax expense from non-China operations       | 7,107                              | 9,001     | 10,786      |
| Total income tax expense (benefit)                 | 399,283                            | (71,384)  | 904,363     |

The loss from non-China operation mainly resulted from share-based compensation and amortization of the advertising resources and consumption of other marketing and cloud services provided by Tencent.

In 2017 and 2018, the Company's non-China operations record share-based compensation expenses amount to RMB475.8 million and RMB382.2 million, respectively and in 2019 the Company's non-China operations record (i) share-based compensation expenses amounting to RMB2,955.6 million, (ii) amortization of the advertising resources and consumption of other marketing and cloud services amounting to RMB563.6 million.

The Income tax expense (benefit) applicable to China operations for each of the years ended December 31 2017, 2018 and 2019 differs from the amount computed by applying the PRC statutory income tax rate of 25% to income before income taxes due to the following:

|  | For the Year Ended<br>December 31, |          |        |
|--|------------------------------------|----------|--------|
|  | 2017                               | 2018     | 2019   |
| Statutory income tax rate              | 25.0%                              | 25.0%    | 25.0%  |
| Tax effect of preferential treatments  | (88.0%)                            | 37.4%    | (1.2%) |
| Tax effect of permanent difference     | 43.1%                              | 243.2%   | (8.3%) |
| Tax effect of R&D Deduction and others | (1.0%)                             | 23.4%    | (2.7%) |
| Change in valuation allowance          | 143.2%                             | (273.0%) | 24.2%  |
| Effective tax rates                    | 122.3%                             | 56.0%    | 37.0%  |



KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Taxation (Continued)

The following table sets forth the effect of tax holiday related to China operations:

|                                     | For the Year Ended<br>December 31,       |        |        |
|-------------------------------------|--|--------|--------|
|                                     | 2017                                     | 2018   | 2019   |
|                                     | RMB                                      | RMB    | RMB    |
|                                     | (in thousands, except per share amounts) |        |        |
| Tax holiday effect                  | 281,963                                  | 53,722 | 31,394 |
| Basic net income per share effect   | 1.05                                     | 0.20   | 0.11   |
| Diluted net income per share effect | 1.05                                     | 0.20   | 0.11   |

The tax effects of temporary differences that give rise to the deferred income tax assets and liabilities as of December 31, 2017, 2018 and 2019 are as follows:

|  | As of December 31, |                  |                 |
|--|--------------------|------------------|-----------------|
|  | 2017               | 2018             | 2019            |
|  | RMB                | RMB              | RMB             |
|  | (in thousands)     |                  |                 |
| <b>Deferred tax asset</b>                |                    |                  |                 |
| Net operating loss carrying forward      | 746,335            | 1,320,158        | 1,476,412       |
| Asset impairment                         | 121,538            | 254,763          | 363,653         |
| Deferred rental cost                     | 59,886             | 61,596           | 75,374          |
| Unrealized profits                       | —                  | 271,717          | 333,064         |
| Accrual expense                          | 86,431             | 74,380           | 59,605          |
| Others                                   | 7,322              | 15,537           | 9,418           |
| Less: valuation allowance                | (873,977)          | (1,325,529)      | (1,797,234)     |
| <b>Net deferred tax asset</b>            | <u>147,535</u>     | <u>672,622</u>   | <u>520,292</u>  |
| <b>Deferred tax liability</b>            |                    |                  |                 |
| Fair value change of certain investments | (28,648)           | (12,195)         | (12,225)        |
| Acquired intangible assets               | (28,374)           | (28,436)         | (6,886)         |
| Deferred revenue                         | (461,069)          | (492,300)        | (3,335)         |
| <b>Total deferred tax liability</b>      | <u>(518,091)</u>   | <u>(532,931)</u> | <u>(22,446)</u> |

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Taxation (Continued)

The movements of the valuation allowance are as follows:

|  | For the Year Ended<br>December 31, |             |             |
|--|------------------------------------|-------------|-------------|
|  | 2017                               | 2018        | 2019        |
|  | RMB                                | RMB         | RMB         |
|  | (in thousands)                     |             |             |
| Balance at the beginning of the period | (490,560)                          | (873,977)   | (1,325,529) |
| Additions                              | (560,710)                          | (659,237)   | (995,557)   |
| Reversals                              | 177,293                            | 207,685     | 523,852     |
| Balance at the end of the period       | (873,977)                          | (1,325,529) | (1,797,234) |

A valuation allowance is provided against deferred tax assets when the Group determines that it is more-likely-than-not that the deferred tax assets will not be utilized in the future. The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will be more-likely-than-not realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses and forecasts of future profitability. These assumptions require significant judgment and the forecasts of future taxable income are consistent with the plans and estimates the Group is using to manage the underlying businesses. The statutory income tax rate of 25% or applicable preferential income tax rates were applied when calculating deferred tax assets.

As of December 31, 2017, 2018 and 2019, the Group had net operating loss carryforwards of approximately RMB3,022.6 million, RMB5,345.3 million and RMB7,054.8 million, respectively, which arose from the Group's certain subsidiaries and consolidated VIEs (inclusive of VIEs' subsidiaries) established in the PRC. As of December 31, 2017, 2018 and 2019, deferred tax assets arose from the net operating loss carryforwards amounted to RMB746.0 million, RMB1,112.7 million and RMB1,475.6 million was provided for full valuation allowance, respectively, while the remaining RMB0.3 million, RMB207.5 million and RMB0.8 million is expected to be utilized prior to expiration considering future taxable income for respective entities. As of December 31, 2019, the net operating loss carryforwards of RMB7,054.8 million will expire in the years ending December 31, 2020 through 2024, respectively, if not utilized.

The Company intends to indefinitely reinvest all the undistributed earnings of the Company's consolidated VIEs (inclusive of VIEs' 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 Company's consolidated VIEs (inclusive of VIEs' subsidiaries) as of December 31, 2017, 2018 and 2019. Although the Company's certain PRC subsidiaries have generated accumulated earnings as of December 31, 2019, 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.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Taxation (Continued)

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 Company did not record any dividend withholding tax on the retained earnings of its FIEs in the PRC, as the Company intends to reinvest all earnings in China to further expand its business in China, and its VIEs do not intend to declare dividends on the retained earnings to their immediate foreign holding companies.

20. Share-based compensation

Compensation expenses recognized for share-based awards granted by the Company were as follows:

|   | For the Year Ended<br>December 31, |                |                  |
|---|------------------------------------|----------------|------------------|
|   | 2017                               | 2018           | 2019             |
|   | RMB                                | RMB            | RMB              |
|   | (in thousands)                     |                |                  |
| General and administrative expenses                                   | 475,783                            | 382,196        | 2,955,590        |
| <b>Total</b>  | <b>475,783</b>                     | <b>382,196</b> | <b>2,955,590</b> |
| Share-based compensation related to share options (a)                 | 161,757                            | 345,473        | 2,523,105        |
| Share-based compensation related to preferred and ordinary shares (b) | 314,026                            | 36,723         | 432,485          |
| <b>Total</b>  | <b>475,783</b>                     | <b>382,196</b> | <b>2,955,590</b> |

## KE Holdings Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 20. Share-based compensation (Continued)

There was no income tax benefit recognized in the consolidated statements of comprehensive 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, 2017, 2018 and 2019.

**(a) Share-based compensations related 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 ( $\frac{1}{4}$ ) 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 20,000,000 of the Company's share options granted by the Company to these employees ("Modification Awards") under the 2018 Share Option Plan as mentioned below; terms and conditions of the Modification Awards were not changed. Concurrently, the unvested portion of the Modification Awards were all vested immediately upon the grant. Cancellation of an award accompanied by the grant of a replacement award in connection to the Reorganization is accounted for as a modification and any incremental compensation cost is measured as the excess of the fair value of the replacement award over the fair value of the cancelled award at the cancellation date. In relation to the Modification Awards, the Group recognized the portion of the incremental value on the grant date of the new awards. The incremental value was insignificant for the Group's financial statements. All Modification Awards were exercised in September 2018.

*2018 Beijing Lianjia Plan*

On July 6, 2018, Beijing Lianjia, the Group's main operation entity in China prior to the Reorganization, adopted the "2018 Employee Share Option Scheme" (the "2018 Beijing Lianjia Plan"), an equity-settled share-based compensation Plan with the purpose of providing incentives and rewards to its employees, officers, directors or any other qualified persons. The maximum number of virtual shares that may be issued under the 2018 Beijing Lianjia Plan (including the share awards granted in 2016 as described above) shall be equivalent to approximately 14.01% of Beijing Lianjia's total equity interests. The share options granted under 2018 Beijing Lianjia Plan have a contractual term of ten years from the stated vesting commencement date, and are generally scheduled to be vested over four years of continuous service subject to one of the vesting schedules below according to each option agreement:

- 25% of the total granted share options are vested on the first, second, third and fourth anniversary of the stated vesting commencement date respectively;
- 50% of the total granted share options are vested on the second anniversary of the stated vesting commencement date, and the remaining of the awards are vested in equal installments on an annual basis over the remaining vesting period.

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****20. Share-based compensation (Continued)**

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\$0.0001 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 6,485,786 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, officers, directors or any other qualified persons. The maximum number of shares that may be issued under the 2018 Share Option Plan shall be 70,045,087 Class A Ordinary Shares of the Company on December 28, 2018. Pursuant to the 2018 Share Option Plan, 2,559,430 share options have been granted to employees of the Group as of December 31, 2019, which 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 vesting schedules similar to 2018 Beijing Lianjia Plan 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.

Pursuant to the 2018 Share Option Plan, the Company has granted 19,038,759 share options with exercise price of US\$0.0001 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 19,038,759 share options granted under 2018 Share Option Plan were exercised immediately after vesting on November 29, 2019.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Share-based compensation (Continued)

The following table summarizes activities of the Company's share options under the Share Awards in 2016, 2018 Beijing Lianjia Plan and 2018 Share Option Plan as converted to the number of ordinary shares of the Company:

|  | Number of<br>Options<br>Outstanding | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life | Aggregate<br>Intrinsic<br>Value |
|--|-------------------------------------|--|---|---------------------------------|
|  |                                     | US\$                                     | In Years  | US\$ (in thousands)             |
| Outstanding as of December 31, 2016            | 20,000,000                          | 0.0001                                   | 9.09  | 153,609                         |
| Outstanding as of December 31, 2017            | 20,000,000                          | 0.0001                                   | 8.09  | 211,325                         |
| Granted  | 5,115,084                           | 0.0001                                   |   |                                 |
| Exercised                                      | (20,000,000)                        | 0.0001                                   |   |                                 |
| Forfeited                                      | (204,742)                           | 0.0001                                   |   |                                 |
| Outstanding as of December 31, 2018            | 4,910,342                           | 0.0001                                   | 8.65  | 74,499                          |
| Granted  | 22,968,891                          | 0.0001                                   |   |                                 |
| Exercised                                      | (19,038,759)                        | 0.0001                                   |   |                                 |
| Forfeited                                      | (1,155,840)                         | 0.0001                                   |   |                                 |
| Outstanding as of December 31, 2019            | 7,684,634                           | 0.0001                                   | 8.12  | 144,869                         |
| Vested and exercisable as of December 31, 2017 | 5,000,000                           | 0.0001                                   | 8.09  | 211,325                         |
| Vested and exercisable as of December 31, 2018 | —                                   | —  | —   | —                               |
| Vested and exercisable as of December 31, 2019 | —                                   | —  | —   | —                               |

The weighted-average grant date fair value for options granted under the Company's 2016, 2018 and 2019 Plans during the years ended December 31, 2018 and 2019 was US\$14.06 and US\$18.42, respectively, computed using the binomial option pricing model.

The total share-based compensation expenses recognized for share options during the years ended December 31, 2017, 2018 and 2019 was RMB162 million, RMB345 million and RMB2,523 million, respectively.

The fair value of each option granted under the Company's Share Awards in 2016, 2018 Beijing Lianjia Plan and 2018 Share Option Plan during 2017, 2018 and 2019 was estimated on the

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Share-based compensation (Continued)

date of each grant using the binomial option pricing model with the assumptions (or ranges thereof) in the following table:

|                                      | For the Year Ended<br>December 31, |               |
|--------------------------------------|------------------------------------|---------------|
|                                      | 2018                               | 2019          |
| Exercise price                       | US\$0.0001                         | US\$0.0001    |
| Fair value of ordinary shares (US\$) | 13.63 ~ 15.17                      | 15.21 ~ 18.85 |
| Expected volatility                  | 50.6% ~ 51.5%                      | 50.8% ~ 52.6% |
| Expected term (in years)             | 10                                 | 10            |
| Expected dividend yield              | 0%                                 | 0%            |
| Risk-free interest rate              | 3.4% ~ 3.7%                        | 2.3% ~ 3.5%   |

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, 2019, there were RMB802 million of unrecognized compensation expenses related to the share options granted to the Group's employees with a performance condition of an IPO, out of which, unrecognized compensation expenses of RMB353 million related to options for which the service condition had been met and are expected to be recognized when the performance target of an IPO is achieved.

**(b) Share-based compensation related to preferred and ordinary shares**

Compensation expenses related to preferred shares and ordinary shares were as follows:

|   | For the Year Ended<br>December 31, |               |                |
|---|------------------------------------|---------------|----------------|
|   | 2017<br>RMB                        | 2018<br>RMB   | 2019<br>RMB    |
|   | (in thousands)                     |               |                |
| Share-based compensation at re-designation of ordinary shares to preferred shares <sup>(i)</sup>    | 314,026                            | 36,723        | —              |
| Share-based compensation at transfer of ordinary shares from employees to investors <sup>(ii)</sup> | —                                  | —             | 323,199        |
| Share-based compensation at repurchase of ordinary shares <sup>(iii)</sup>                          | —                                  | —             | 46,048         |
| Share-based compensation at repurchase of deemed issued shares <sup>(iii)</sup>                     | —                                  | —             | 63,238         |
| <b>Total</b>  | <b>314,026</b>                     | <b>36,723</b> | <b>432,485</b> |

(i) For the detail, please refer to Note 22.

(ii) For the detail, please refer to Note 21.

(iii) For the detail, please refer to Note 24.

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****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 500,000,000 ordinary shares of par value US\$0.0001 each. Upon its incorporation, 87,540 and 4,140 ordinary shares were issued to Mr. Zuo Hui and Shan Yigang, respectively.

On September 4, 2018, 194,315,460 and 11,565,860 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 20,000,000 ordinary shares of the Company.

On December 28, 2018, in connection with the Reorganization, the Company increased its authorized share capital to US\$500,000 divided into 5,000,000,000 shares comprising of:

- (i) 4,250,000,000 Class A Ordinary Shares of at par value of US\$0.0001 each;
- (ii) 250,000,000 Class B Ordinary Shares of at par value of US\$0.0001 each;
- (iii) 150,000,000 Series B Preferred Shares at par value of US\$0.0001 each;
- (iv) 150,000,000 Series C Preferred Shares at par value of US\$0.0001 each;
- (v) 200,000,000 Series D Preferred Shares at par value of US\$0.0001 each.

On that same date, ordinary shares held by Mr. Zuo Hui and Shan Yigang were reduced to 186,657,850 Class B Ordinary Shares and 10,529,832 Class A Ordinary Shares, respectively, and other ordinary shares were all re-designated as Class A Ordinary Shares. The Company issued another 57,806,897 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 November 29, 2019, the Company authorized 150,000,000 Series D+ Preferred Shares at par value of US\$0.0001 each, and reduced the authorized number of Class A Ordinary Shares to 4,100,000,000 shares.

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, his wholly owned holding entities, or any trust or other entity established for bona fide estate planning purposes for the benefit of or on behalf of him or his Immediate Family Member (together, the "Permitted Class B Holders"). If any Class B Ordinary Shares are transferred to a shareholder other than the Permitted Class B Holders, or if the Founder ceases to be an employee of any Group, such Class B Ordinary Shares shall automatically and immediately be converted into an equal number of Class A Ordinary Shares. Under no circumstances shall any preferred shares other than preferred shares that may be owned by the Founder or any Permitted Class B Holder be convertible into the Class B Ordinary Shares.

On June 17, 2019, the Company repurchased 1,761,201 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



## KE Holdings Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**21. Ordinary shares (Continued)**

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, 22,443,063 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 19,038,759 Class A Ordinary Shares of the Company.

As of December 31, 2017, 2018 and 2019, after giving effect to the Reorganization and on an as if basis, the Company had issued and outstanding 259,994,576 ordinary shares, 274,994,579 ordinary shares, and 294,033,338 ordinary shares, respectively.

**22. Preferred shares**

The following table summarizes the issuances of convertible redeemable preferred shares as of December 31, 2019:

| Name                       | Issuance date  | Issuance price<br>per share | Number of<br>shares |
|----------------------------|--|-----------------------------|---------------------|
|                            |  | US\$                        |                     |
| Series B Preferred Shares  | February to December 2016                                | 12.41                       | 80,578,253          |
| Series C Preferred Shares  | May to October 2017, and October 2018                    | 15.66                       | 95,556,044          |
| Series D Preferred Shares  | December 2018 to April 2019, August<br>and November 2019 | 19.00                       | 86,167,106          |
| Series D+ Preferred Shares | November to December 2019                                | 22.80                       | 62,175,831          |

The major rights, preferences and privileges of the Preferred Shares are as follows:

## (a) Dividends rights

Each Preferred Share shall have 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 may, 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 has not been fully paid in accordance with the terms of issue thereof prior to such conversion, the ordinary share(s) so converted shall remain subject to the payment requirements in

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****22. Preferred shares (Continued)**

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 shall automatically be 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 shall be 1:1, subject to adjustments in the event of (i) share subdivisions, combinations or consolidations of equity securities, share dividends and similar events, or (ii) issuance or deemed issuance of new securities for a consideration per ordinary share received by the Company (net of any selling concessions, discounts or commissions) less than the conversion price with respect to any preferred share in effect immediately prior to such issue or deemed issue.

**(c) Redemption rights**

Upon the occurrence of any Redemption Event as described below, the Company shall redeem, at the written request of any holder of the preferred shares, 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 would give 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" means 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" means the occurrence of any 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 have 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 is 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,

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****22. Preferred shares (Continued)**

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 including: (i) any transaction or series of transactions, whether by merger, consolidation, amalgamation, sale or issuance of equity, scheme of arrangement or otherwise, which results 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 shall be 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 shall vote together on an as-converted basis and not as a separate class.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Preferred shares (Continued)

The Company's preferred shares activities for the years ended December 31, 2017, 2018 and 2019 are summarized as below:

|  | Series B Shares  |             | Series C Shares  |            | Series D Shares  |            | Series D+ Shares |            | Total            |             |
|--|------------------|-------------|------------------|------------|------------------|------------|------------------|------------|------------------|-------------|
|  | Number of shares | Amount      | Number of shares | Amount     | Number of shares | Amount     | Number of shares | Amount     | Number of shares | Amount      |
| (in thousands, except for shares)  |                  |             |                  |            |                  |            |                  |            |                  |             |
| <b>Balance as of December 31, 2016</b>                                     | 80,578,253       | 7,124,974   | —                | —          | —                | —          | —                | —          | 80,578,253       | 7,124,974   |
| Issuance of Series C Preferred Shares, net of issuance cost                | —                | —           | 81,239,517       | 8,730,000  | —                | —          | —                | —          | 81,239,517       | 8,730,000   |
| Re-designation of Series C Preferred Shares from ordinary shares           | —                | —           | 8,142,564        | 875,000    | —                | —          | —                | —          | 8,142,564        | 875,000     |
| Re-designation of Series C Preferred Shares from Series B Preferred Shares | (1,173,966)      | (108,354)   | 1,173,966        | 126,151    | —                | —          | —                | —          | —                | 17,797      |
| Accretion on convertible redeemable preferred shares to redemption value   | —                | 491,643     | —                | 358,009    | —                | —          | —                | —          | —                | 849,652     |
| <b>Balance as of December 31, 2017</b>                                     | 79,404,287       | 7,508,263   | 90,556,047       | 10,089,160 | —                | —          | —                | —          | 169,960,334      | 17,597,423  |
| Issuance of Series D Preferred shares, net of issuance cost                | —                | —           | —                | —          | 40,868,421       | 5,330,187  | —                | —          | 40,868,421       | 5,330,187   |
| Re-designation of Series C Preferred Shares from ordinary shares           | —                | —           | 4,999,997        | 656,234    | —                | —          | —                | —          | 4,999,997        | 656,234     |
| Repurchase of Series B and C Preferred Shares                              | (19,707,535)     | (1,989,902) | (1,442,409)      | (168,742)  | —                | —          | —                | —          | (21,149,944)     | (2,158,644) |
| Accretion on convertible redeemable preferred shares to redemption value   | —                | 521,255     | —                | 711,853    | —                | 4,001      | —                | —          | —                | 1,237,109   |
| <b>Balance as of December 31, 2018</b>                                     | 59,696,752       | 6,039,616   | 94,113,635       | 11,288,505 | 40,868,421       | 5,334,188  | —                | —          | 194,678,808      | 22,662,309  |
| Issuance of Series D and Series D+ Preferred Shares, net of issuance cost  | —                | —           | —                | —          | 45,298,685       | 5,909,282  | 62,175,831       | 9,934,776  | 107,474,516      | 15,844,058  |
| Accretion on convertible redeemable preferred shares to redemption value   | —                | 366,440     | —                | 829,746    | —                | 587,753    | —                | 82,589     | —                | 1,866,528   |
| <b>Balance as of December 31, 2019</b>                                     | 59,696,752       | 6,406,056   | 94,113,635       | 12,118,251 | 86,167,106       | 11,831,223 | 62,175,831       | 10,017,365 | 302,153,324      | 40,372,895  |

## KE Holdings Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**22. Preferred shares (Continued)***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 2010 and 2015, the Group issued a total of 6,573,763 Series A Convertible Redeemable Preferred Shares ("Series A Preferred Shares") to an investor. In 2016, the Group issued 31,348,116 Series B Convertible Redeemable Preferred Shares ("Series B Preferred Shares") for an aggregated cash consideration of RMB2,670 million. In addition, 42,656,374 ordinary shares held by the Founder were re-designated to Series B Preferred Shares, which were then transferred to certain new investors for a total consideration of RMB3,633 million; all Series A Preferred Shares were re-designated to Series B Preferred Shares, which were then transferred to certain new investors for a total consideration of RMB560 million. The Company did not receive any proceeds from these transfers.

In 2017, the Group issued 81,239,517 Series C Convertible Redeemable Preferred Shares ("Series C Preferred Shares") for an aggregated cash consideration of RMB8,730 million. In addition, 8,142,564 ordinary shares held by the Founder and certain employees of the Group were re-designated to Series C Preferred Shares, which were then transferred to certain new investors for a total consideration of RMB875 million; 1,173,966 Series B Preferred Shares held by an investor were re-designated to Series C Preferred Shares, which were then transferred to certain new investors for a total consideration of RMB126 million. The Company did not receive any proceeds from these transfers.

In October 2018, 4,999,997 ordinary shares held by the Founder were re-designated to Series C Preferred Shares, which were then transferred to a new investor for a total consideration of RMB656 million. The Company did not receive any proceeds from the transaction.

The Company considered that such re-designation, in substance, was the same as a repurchase and cancellation of the former ordinary shares or preferred shares, and simultaneously an issuance of the preferred shares. Therefore the Company recorded 1) the difference between the fair value and the par value of the ordinary shares against additional paid-in capital or by increasing accumulated deficit once additional paid-in capital has been exhausted; 2) the difference between the fair value and the carrying amount of the former preferred shares against retained earnings, or in the absence of retained earnings, by charging against additional paid-in capital or by increasing the accumulated deficit once additional paid-in capital has been exhausted; and 3) difference between the fair value of the newly issued preferred shares and the former ordinary shares or preferred shares as i) share based compensation expenses when the selling shareholders were directors or employees of the Group, or ii) deemed distribution to shareholders when the selling shareholders were third-party investor, against retained earnings, or in the absence of retained earnings, by charging against additional paid-in capital or by increasing the accumulated deficit once additional paid-in capital has been exhausted. During the years ended December 31, 2017, 2018 and 2019, RMB314 million, RMB36.7 million and nil share based compensations expenses, and RMB17.8 million, RMB118.9 million and nil deemed dividends to preferred shareholders were recognized in connection with the re-designation.

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****22. Preferred shares (Continued)**

Before the Reorganization, in December 2018, the Group repurchased 19,707,535 Series B Preferred Shares and 1,442,409 Series C Preferred Shares held by certain investors at consideration of RMB2,537 million and RMB184 million, respectively. The difference between the repurchase price and the carrying amount of the Series B and Series C Preferred Shares amounted to RMB562 million, and was accounted for as deemed dividends to the preferred shareholders. As of 31 December, 2018, RMB306 million was paid to related investors, and the remaining consideration of RMB2,415 million was payable to the preferred shareholders.

In connection with the Reorganization discussed in Note 1, in December 2018, the Company issued 59,696,752 series B Preferred Shares and 94,113,635 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 40,868,421 Series D Preferred Shares to certain investors at US\$19 per share, with a total cash and in-kind consideration amounted to US\$776.5 million (RMB5,330 million).

From January to August 2019, the Company issued 24,246,053 Series D Preferred Shares to certain investors at US\$19 per share, with total cash consideration amounted to US\$461 million (RMB3,108 million).

In November 2019, the Company issued 21,052,632 series D Preferred Shares to certain investors at US\$19 per share, with total cash consideration amounted to US\$400 million (RMB2,801 million).

In November to December 2019, the Company issued 62,175,831 Series D+ Preferred Shares to certain investors at US\$22.8 per share, 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\$0.0001 per share.

*Accounting for Preferred Shares*

The Company has classified the Preferred Shares in the mezzanine equity of the consolidated balance sheets as they are contingently redeemable at the options of the holders. The Company records 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, is recorded against retained earnings, or in the absence of retained earnings, by charging against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges are recorded by increasing the accumulated deficit. The accretion of Preferred Shares was RMB850 million, RMB1,237 million and RMB1,866 million for the year ended December 31 2017, 2018 and 2019, respectively. Each issuance of the Preferred Shares is 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.

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****22. Preferred shares (Continued)**

The Company determined that the embedded conversion features and the redemption features do not require bifurcation as they either are clearly and closely related to the Preferred Shares or do not meet the definition of a derivative.

The Company has 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 assesses whether an amendment to the terms of its Preferred Shares is an extinguishment or a modification using the fair value model. When Preferred Shares are extinguished, the difference between the fair value of the consideration transferred to the convertible preferred shareholders and the carrying amount of the convertible preferred shares (net of issuance costs) is treated as deemed dividends to preferred shareholders. The Company considers that a significant change in fair value after the change of the terms to be substantive and thus triggers extinguishment. A change in fair value, which is not significant immediately after the change of the terms is considered non-substantive and thus is subject to modification accounting. When the Preferred Shares are modified, the Company evaluates whether there is a transfer of value between ordinary shareholders and preferred shareholders as a result of the modification and therefore, should be recorded as a reduction of, or increase to, accumulated deficit as a deemed dividend. When value is transferred from preferred shareholders to ordinary shareholders, the value is recorded as an increase to accumulated deficit while charges against additional paid-in capital.

In connection with the issuance of Series D Preferred Shares in 2018, the earliest redemption date of the Series B and Series C Preferred Shares was changed from the (5) year anniversary of the issuance dates of Series B and Series C Preferred Shares to December 28, 2023, to be in line with the earliest redemption date of the Series D Preferred Shares. In addition, the strike price of the Series B and Series C Preferred Shares was changed from RMB to US\$, and therefore, the strike price for the conversion feature, redemption feature and liquidation preference is considered modified to US\$ accordingly. From both quantitative and qualitative perspectives, the Company assessed the impact of the above modification and concluded that the amended represents a modification rather than extinguishment of the Preferred Shares, and the impact of the modification is immaterial.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2017, 2018 and 2019:

|   | December 31,<br>2017 | Fair value measurement at<br>reporting date using                                |   |   |
|---|----------------------|--|---|---|
|   |                      | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Other<br>Unobservable<br>Inputs<br>(Level 3) |
|   | RMB                  | RMB  | RMB   | RMB   |
| (in thousands)  |                      |  |   |   |
| Long-term time deposits <sup>(i)</sup>  | 1,198                | —  | 1,198   | —   |
| Restricted cash, current  | 2,980,144            | —  | 2,980,144   | —   |
| Short-term investments  | 7,587,433            | —  | 7,587,433   | —   |
| Long-term investments accounted for at fair values <sup>(i)</sup>             |                      |  |   |   |
| Listed equity securities  | 161,221              | 161,221  | —   | —   |
| Unlisted equity securities  | 72,441               | —  | —   | 72,441  |
| Convertible notes accounted for under the fair value<br>option <sup>(i)</sup> | 49,090               | —  | —   | 49,090  |
| <b>Total</b>  | <b>10,851,527</b>    | <b>161,221</b>   | <b>10,568,775</b>   | <b>121,531</b>  |
| <b>Liabilities</b>  |                      |  |   |   |
| Guarantee liabilities <sup>(ii)</sup>   | 40,186               | —  | —   | 40,186  |
| Payables to limited partners <sup>(ii)</sup>                                  | 258,247              | —  | —   | 258,247   |
| <b>Total</b>  | <b>298,433</b>       | <b>—</b>   | <b>—</b>  | <b>298,433</b>  |



KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Fair Value measurement (Continued)

|   | December 31,<br>2018 | Fair value measurement at<br>reporting date using                                |   |   |
|---|----------------------|--|---|---|
|   |                      | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Other<br>Unobservable<br>Inputs<br>(Level 3) |
|   | RMB                  | RMB  | RMB   | RMB   |
| (in thousands)  |                      |  |   |   |
| Long-term time deposits <sup>(i)</sup>  | 1,204                | —  | 1,204   | —   |
| Restricted cash, current  | 3,516,594            | —  | 3,516,594   | —   |
| Non-current restricted cash   | 127,955              | —  | 127,955   | —   |
| Short-term investments  | 2,523,199            | —  | 2,523,199   | —   |
| Long-term investments accounted for at fair values <sup>(i)</sup>             |                      |  |   |   |
| Listed equity securities  | 128,705              | 128,705  | —   | —   |
| Unlisted equity securities  | 72,724               | —  | —   | 72,724  |
| Convertible notes accounted for under the fair value<br>option <sup>(i)</sup> | 49,778               | —  | —   | 49,778  |
| <b>Total</b>  | <b>6,420,159</b>     | <b>128,705</b>   | <b>6,168,952</b>  | <b>122,502</b>  |
| <b>Liabilities</b>  |                      |  |   |   |
| Guarantee liabilities <sup>(ii)</sup>   | 31,758               | —  | —   | 31,758  |

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Fair Value measurement (Continued)

|   | December 31,<br>2019 | Fair value measurement at<br>reporting date using                                |   |   |
|---|----------------------|--|---|---|
|   |                      | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Other<br>Unobservable<br>Inputs<br>(Level 3) |
|   | RMB                  | RMB  | RMB   | RMB   |
| (in thousands)  |                      |  |   |   |
| Bank time deposits (maturing within 3 months) <sup>(iii)</sup>                                  | 1,328,231            | —  | 1,328,231   | —   |
| Long-term time deposits <sup>(i)</sup>  | 215,000              | —  | 215,000   | —   |
| Restricted cash, current  | 7,380,341            | —  | 7,380,341   | —   |
| Non-current restricted cash   | 230,903              | —  | 230,903   | —   |
| Short-term investments  | 1,844,595            | —  | 1,844,595   | —   |
| Contingently returnable consideration in relation to an<br>acquisition <sup>(iv)</sup>          | 53,349               | —  | —   | 53,349  |
| Long-term investments accounted for at fair values <sup>(i)</sup>                               |                      |  |   |   |
| Listed equity securities  | 93,377               | 93,377   | —   | —   |
| Unlisted equity securities  | 208,955              | —  | —   | 208,955   |
| Wealth management products  | 1,246,430            | —  | 1,246,430   | —   |
| Loan receivables under fair value option  | 29,834               | —  | —   | 29,834  |
| Total   | 12,631,015           | 93,377   | 12,245,500  | 292,138   |
| <b>Liabilities</b>  |                      |  |   |   |
| Guarantee liabilities <sup>(ii)</sup>   | 50,343               | —  | —   | 50,343  |
| Mandatorily redeemable non-controlling interest in<br>relation to an acquisition <sup>(v)</sup> | 780,937              | —  | —   | 780,937   |
| Contingent consideration in relation to an acquisition <sup>(iv)</sup>                          | 88,138               | —  | —   | 88,138  |
| Foreign exchange options <sup>(vi)</sup>  | 9,691                | —  | 9,691   | —   |
| Total   | 929,109              | —  | 9,691   | 919,418   |

(i) Included in long-term investments on the Company's consolidated balance sheets.

(ii) Included in accrued expenses and other current liabilities on the Company's consolidated balance sheets.

(iii) Included in cash and cash equivalents on the Company's consolidated balance sheets.

(iv) Included in other non-current assets and other non-current liabilities on the Company's consolidated balance sheets; please refer to Note 24 for more details.

(v) Included in accrued expenses and other current liabilities on the Company's consolidated balance sheets; please refer to Note 24 for more details.

## KE Holdings Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 23. Fair Value measurement (Continued)

(vi) Included in other non-current liabilities on the Company's consolidated balance sheets.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

When available, the Company uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Company 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 Company uses to measure the fair value of assets that the Company 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 Company classifies the valuation techniques that use these inputs as Level 2.

*Short-term investments.* Short-term investment represents interest-bearing deposit placed with financial institution, which is restricted to withdrawal and use. The investment is issued by commercial bank in the PRC with a variable interest rate. To estimate the fair value, the Company uses the expected return provided by the bank. As there are no quoted prices in active markets for the investment at the reporting date, the Company classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

*Convertible notes and loan receivables accounted for under the fair value option.* The fair value of the convertible notes and 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).

*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 and the fair value is provided by the commercial bank and the asset management company using alternative pricing sources and models utilizing market observable inputs, and accordingly the Group classifies the valuation techniques that use these inputs as Level 2.

*Mandatorily redeemable non-controlling interest in relation to an acquisition.* The mandatorily redeemable non-controlling interest will be settled by a variable number of newly issued ordinary shares and is classified as liabilities (Note 24). The valuation of this liability is performed based on the fair value of the Company'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 (Continued)

**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.

*Payables to limited partners.* The Group served as the general partner in a limited partnership with an investor in 2016 for an effective period of 3 years. The investor's benefit sharing is calculated based on a pre-determined ratio with a minimum proceeds guarantee of 7%. Therefore, the limited partnership was consolidated by the Group, and the amount payable to the investor, including principal and variable interest, was accounted for under fair value, based on unobservable inputs including profits from the new home transaction services involved, thus the Group classifies the valuation techniques that use these inputs as Level 3. The limited partnership was liquidated in 2018.

*Foreign exchange options.* Foreign exchange options are 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.

*Guarantee liabilities.* For the off-balance sheet loans funded by certain third-party commercial banks and external individuals, the Group accounts for financial guarantee provided to the commercial banks or external individuals at fair value. Subsequent to initial recognition, the repurchase obligations are measured at the greater of the amount determined based on ASC 460 and the amount determined based on ASC 450-"Contingencies". In accordance with ASC 450, a contingent liability was determined based on historical default rates, representing the obligation to make future payouts, measured using the guidance in ASC 450. The ASC 450 contingent component is determined on a loan by loan basis, but considers the actual and expected performance of the pool when estimating the contingent liability. The Group classifies the valuation techniques that use these inputs as Level 3.

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 borrowing and long-term borrowings approximates to fair value. The Group classifies the valuation techniques that use these inputs as Level 2 fair value measurement.

## KE Holdings Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**23. Fair Value measurement (Continued)**

*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***

For those investments without readily determinable fair value, the Company measures them at fair value when observable price changes are identified or impairment charge were recognized. The fair values of the Company'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 Company classifies the valuation techniques on those investments that use similar identifiable transaction prices as Level 2 of fair value measurements.

*Non-financial assets.* The Company'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 Company 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. No impairment was recognized on the acquired intangible assets based on management's assessment for the years ended December 31, 2017, 2018 and 2019.

**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 Company 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, 2017, 2018 and 2019.

**Acquisition of Eall**

On April 20, 2018, the Group acquired 100% equity interests of Eall, a private company that is a SaaS cloud service provider for the real estate agency service industry. Total consideration for this acquisition consisted of deemed issued shares, which is a right to receive 986,602 ordinary shares of the Company valued at RMB76.8 million upon completion of certain events and RMB401.0 million in cash. On August 12, 2019, the right to receive shares was replaced by a cash payment agreement with a cash consideration of RMB140.0 million. The difference between the cash consideration and the fair value of deemed issue shares which amounted to RMB63.2 million was

**KE Holdings Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**24. Business Combinations (Continued)**

recorded as compensation expenses as the ordinary shareholders of Eall were employees of the Group.

The acquisition was accounted for as a business combination and the operation results of Eall and its subsidiaries from the acquisition date have been included in the Group's consolidated financial statements. The Group estimated the fair value of acquired assets and liabilities with the assistance of an independent valuation firm. Consideration for Eall 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                   | 39,996         |
| Identifiable intangible assets        |                |
| SaaS system                           | 12,730         |
| Customer relationships                | 2,950          |
| Non-competition agreement             | 2,740          |
| Goodwill                              | 424,051        |
| Deferred tax liabilities              | (4,605)        |
| Total                                 | 477,862        |
| Total purchase price is comprised of: |                |
| Cash consideration                    | 401,026        |
| Fair value of deemed issued shares    | 76,836         |
| Total                                 | 477,862        |

The total cash consideration of RMB401.0 million less cash acquired of RMB42.2 million resulted in a net cash outlay of RMB358.8 million at the acquisition date. The excess of purchase price over net tangible assets and identifiable intangible assets acquired were recorded as goodwill. Goodwill primarily represents the expected synergies expected from the combined operations of Eall and the Group, the assembled workforce and their knowledge and experience in the real estate industry of SaaS cloud service business in the PRC. The goodwill is not expected to be deductible for tax purposes. The fair value of deemed issue shares was classified as equity and recorded in additional paid-in capital. No subsequent purchase price adjustment has been made. Total identifiable intangible assets included SaaS system of RMB12.7 million with estimated useful life of 4 years, customer relationships of RMB2.9 million with estimated useful life of 3 years and non-competition agreement of RMB2.7 million with estimated useful life of 2.8 years.

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.

**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

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Business Combinations (Continued)

administrative procedures. The acquisition of Phase I and Phase II Shares are 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 would be 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\$19. 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 are reflected in earnings. As of December 31, 2019, the Series D+ Preferred Shares financing has been completed, thus the number of shares to be issued shall be determined based on a per share price of US\$22.8 and the Company is to issue 4,463,027 Class A Ordinary Shares to the selling shareholders of Zhonghuan.

The acquisition had been accounted for as a business combination and the results of operations of Zhonghuan and its subsidiaries from the acquisition date have been included in the Group's consolidated financial statements from August 1, 2019. The Group estimated the fair value of acquired assets and liabilities with the assistance of an independent valuation firm.

Consideration for Zhonghuan was allocated on the acquisition date based on the fair value of the assets acquired and the liabilities assumed as follows:

|  | Amounts        |
|--|----------------|
|  | RMB            |
|  | (in thousands) |
| Net assets acquired <sup>(i)</sup>   | 114,849        |
| Identifiable intangible assets <sup>(ii)</sup>   |                |
| License  | 316,800        |
| Trademark and domain name  | 28,600         |
| Software   | 41,700         |
| Goodwill <sup>(iii)</sup>  | 1,343,556      |
| Non-controlling interests <sup>(iv)</sup>  | (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 RMB193,982 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 RMB(17,349) and contingent consideration payable to seller of RMB49,890 <sup>(v)</sup> | 32,541         |
| Total  | 1,640,193      |

(i) Net assets acquired primarily included cash, cash equivalents of RMB163 million as of the date of acquisition

**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****24. Business Combinations (Continued)**

- (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. No subsequent purchase price adjustment has been made. The acquisitions above did not have a material impact on the Group's consolidated financial statements, and, therefore, pro forma disclosures have not been presented.

**25. Segment information****(a) Description of segments**

The Group's organizational structure is based on a number of factors that 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 loss or consolidated statements of cash flows. The Group retrospectively revised prior period segment information, to conform to current period presentation.



**KE Holdings Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****25. Segment information (Continued)**

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 mobilize 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. Commission 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 (Continued)

25. Segment information (Continued)

(b) Segments data

The following tables present summary information by segment:

|  | For the Year Ended December 31, |                     |                     |
|--|---------------------------------|---------------------|---------------------|
|  | 2017                            | 2018                | 2019                |
|  | RMB                             | RMB                 | RMB                 |
|  | (in thousands)                  |                     |                     |
| <b>Net revenues:</b>                                   |                                 |                     |                     |
| Existing home transaction services                     | 18,461,231                      | 20,154,642          | 24,568,508          |
| New home transaction services                          | 6,419,251                       | 7,471,924           | 20,273,860          |
| Emerging and other services                            | 625,216                         | 1,019,933           | 1,172,538           |
| <b>Total</b>   | <b>25,505,698</b>               | <b>28,646,499</b>   | <b>46,014,906</b>   |
| <b>Commission and compensation:</b>                    |                                 |                     |                     |
| Existing home transaction services                     | (12,825,899)                    | (12,422,796)        | (15,014,264)        |
| New home transaction services                          | (3,552,988)                     | (4,444,102)         | (15,355,160)        |
| Emerging and other services                            | (217,576)                       | (293,851)           | (229,401)           |
| <b>Total</b>   | <b>(16,596,463)</b>             | <b>(17,160,749)</b> | <b>(30,598,825)</b> |
| <b>Contribution:</b>                                   |                                 |                     |                     |
| Existing home transaction services                     | 5,635,332                       | 7,731,846           | 9,554,244           |
| New home transaction services                          | 2,866,263                       | 3,027,822           | 4,918,700           |
| Emerging and other services                            | 407,640                         | 726,082             | 943,137             |
| <b>Total</b>   | <b>8,909,235</b>                | <b>11,485,750</b>   | <b>15,416,081</b>   |
| <b>Unallocated cost and expenses:</b>                  |                                 |                     |                     |
| Cost related to stores <sup>(i)</sup>                  | (3,543,781)                     | (3,400,545)         | (3,078,672)         |
| Other operating costs <sup>(ii)</sup>                  | (597,397)                       | (1,215,229)         | (1,069,365)         |
| Sales and marketing expenses                           | (998,575)                       | (2,489,692)         | (3,105,899)         |
| General and administrative expenses                    | (4,281,571)                     | (4,927,367)         | (8,376,531)         |
| Research and development expenses                      | (251,802)                       | (670,922)           | (1,571,154)         |
| <b>Total unallocated cost and expenses</b>             | <b>(9,673,126)</b>              | <b>(12,703,755)</b> | <b>(17,201,621)</b> |
| <b>Contribution less unallocated cost and expenses</b> | <b>(763,891)</b>                | <b>(1,218,005)</b>  | <b>(1,785,540)</b>  |
| Total other income (expense), net <sup>(iii)</sup>     | 625,553                         | 718,940             | 509,776             |
| <b>Loss before tax</b>                                 | <b>(138,338)</b>                | <b>(499,065)</b>    | <b>(1,275,764)</b>  |

- (i) Cost related to stores includes operating lease cost, short-term lease cost, and other operating costs related to Lianjia service stores, which are not allocated to segments.
- (ii) Other operating costs mainly include cost related to human resource and training costs incurred for internal agents and sales professionals, operating taxes and surcharges, funding cost, provision for credit losses of financing receivables, and operating defaults and compensation, which are not allocated to segments.
- (iii) Total other income (expense) mainly includes net interest income, share of results of equity investees, fair value changes in investments, foreign currency exchange gain (loss) and other income, which are not allocated to segments.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Net loss per share

Basic net loss per share is the amount of net loss attributable to each share of ordinary shares outstanding during the reporting period. Diluted net loss per share is the amount of net loss attributable to each share of ordinary shares outstanding during the reporting period adjusted to include the effect of potentially dilutive ordinary shares. The obligation to issue ordinary shares in relation to the acquisition of Zhonghuan has an anti-dilutive impact on the net loss per share which were 2,103,125 shares on a weighted average basis are excluded from the calculation of diluted net loss per share for the year ended December 31, 2019. For the years ended December 31, 2017, 2018 and 2019, the Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series D+ Preferred Shares convertible into ordinary shares that were anti-dilutive and excluded from the calculation of diluted net loss per share of the Company were 128,456,100 shares, 171,057,587 shares and 219,702,900 shares on a weighted average basis.

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated:

|  | For the Year Ended December 31,                     |                    |                    |
|--|---|--------------------|--------------------|
|  | 2017  | 2018               | 2019               |
|  | (RMB in thousands, except share and per share data) |                    |                    |
| <b>Basic loss per share calculation:</b>   |   |                    |                    |
| <b>Numerator:</b>  |   |                    |                    |
| <b>Net loss attributable to KE Holdings Inc.</b>   | (574,430)   | (467,824)          | (2,183,546)        |
| Accretion on Series B Preferred Shares to redemption value   | (491,643)   | (521,255)          | (366,440)          |
| Accretion on Series C Preferred Shares to redemption value   | (358,009)   | (711,853)          | (829,746)          |
| Accretion on Series D Preferred Shares to redemption value   | —   | (4,001)            | (587,753)          |
| Accretion on Series D+ Preferred Shares to redemption value  | —   | —                  | (82,589)           |
| Deemed dividends to Series B preferred shareholders  | (17,797)  | (562,138)          | —                  |
| Deemed dividends to Series C preferred shareholders  | —   | (118,934)          | —                  |
| <b>Net loss attributable to KE Holdings Inc.'s ordinary shareholders</b>                           | <b>(1,441,879)</b>                                  | <b>(2,386,005)</b> | <b>(4,050,074)</b> |
| <b>Denominator:</b>  |   |                    |                    |
| Weighted average number of ordinary shares used in computing net loss per share, basic and diluted | 269,038,865   | 272,513,176        | 275,647,105        |
| <b>Net loss per share attributable to ordinary shareholders:</b>                                   |   |                    |                    |
| —Basic   | (5.36)  | (8.76)             | (14.69)            |
| —Diluted   | (5.36)  | (8.76)             | (14.69)            |

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2017, 2018 and 2019, 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 controlled by Mr. Zuo Hui                 |
| Yuanjing Mingde Management Consulting Co., Ltd. ("Yuanjing Mingde") | A Group controlled by Mr. Zuo Hui                 |
| Vanlian (Beijing) Decoration Co., Ltd. ("Vanlian")                  | An affiliate company of the Group                 |
| IFM Investments Limited ("IFM")                                     | An affiliate company of the Group                 |
| Mr. Zuo Hui   | Controlling shareholder of the Group              |
| Brokerage firms   | Firms that the Group has significant influence in |

- (i) The Group entered into the following transactions with related parties:

|   | For the Year Ended<br>December 31, |                |                |
|---|------------------------------------|----------------|----------------|
|   | 2017                               | 2018           | 2019           |
|   | RMB                                | RMB            | RMB            |
|   | (in thousands)                     |                |                |
| <b>Revenues from related parties</b>                        |                                    |                |                |
| Agency services provided to Ziroom                          | 268,784                            | 354,247        | 281,769        |
| Online marketing services provided to Ziroom                | —                                  | 628            | 19,269         |
| Agency services provided to Yuanjing Mingde                 | 27,422                             | 2,105          | 11,365         |
| Agency services provided to Vanlian                         | 1,423                              | 4,731          | 2,610          |
| Online marketing services provided to Vanlian               | —                                  | 276            | 913            |
| Platform services provided to IFM                           | —                                  | —              | 6,942          |
| Commission support services provided to brokerage firms     | —                                  | —              | 58,194         |
| Platform and franchise services provided to brokerage firms | —                                  | 80             | 4,541          |
| <b>Total</b>  | <b>297,629</b>                     | <b>362,067</b> | <b>385,603</b> |

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 (Continued)

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<br>December 31, |                |
|---|------------------------------------|----------------|
|   | 2018                               | 2019           |
|   | RMB                                | RMB            |
|   | (in thousands)                     |                |
| <b>Services provided by related parties</b> |                                    |                |
| Services from Ziroom                        | 4,604                              | 482            |
| Services from Yuanjing Mingde               | —                                  | 850            |
| Services from IFM                           | —                                  | 2,776          |
| Services from brokerage firms               | 515                                | 101,312        |
| Others                                      | 43                                 | 2,970          |
| <b>Total</b>                                | <b>5,162</b>                       | <b>108,390</b> |

Services provided by related parties mainly refer to customer referrals from related parties.

|  | For the Year Ended<br>December 31, |               |                |
|--|------------------------------------|---------------|----------------|
|  | 2017                               | 2018          | 2019           |
|  | RMB                                | RMB           | RMB            |
|  | (in thousands)                     |               |                |
| <b>Other income</b>                                    |                                    |               |                |
| Interest income from loans provided to Ziroom          | —                                  | 1,822         | 7,825          |
| Interest income from loans provided to Yuanjing Mingde | —                                  | 58,709        | 215,158        |
| Interest income from loans provided to IFM             | —                                  | 1,227         | 3,993          |
| Interest income from loans provided to Vanlian         | 218                                | 20            | —              |
| <b>Total</b>   | <b>218</b>                         | <b>61,778</b> | <b>226,976</b> |

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Related party transactions (Continued)

(ii) As of December 31, 2017, 2018 and 2019, the Group had the following balances with related parties:

|   | As of December 31, |                  |                |
|---|--------------------|------------------|----------------|
|   | 2017               | 2018             | 2019           |
|   | RMB                | RMB              | RMB            |
|   | (in thousands)     |                  |                |
| <b>Amounts due from related parties</b>     |                    |                  |                |
| Ziroom                                      |                    |                  |                |
| Commission receivables from Ziroom          | 201,474            | 263,677          | 272,156        |
| Other receivables from Ziroom               | 336,075            | 338,571          | 337,586        |
| <b>Total</b>                                | <b>537,549</b>     | <b>602,248</b>   | <b>609,742</b> |
| Yuanjing Mingde                             |                    |                  |                |
| Commission receivables from Yuanjing Mingde | 19,373             | 4,475            | 3,014          |
| Interest receivable from Yuanjing Mingde    | —                  | 29,601           | 134,900        |
| Other receivables from Yuanjing Mingde      | —                  | 3,421            | 2,700          |
| <b>Total</b>                                | <b>19,373</b>      | <b>37,497</b>    | <b>140,614</b> |
| Vanlian                                     |                    |                  |                |
| Commission receivables from Vanlian         | 1,497              | 2,927            | 6,289          |
| Other receivables from Vanlian              | 37,172             | 37,000           | —              |
| <b>Total</b>                                | <b>38,669</b>      | <b>39,927</b>    | <b>6,289</b>   |
| IFM   |                    |                  |                |
| Prepayment for investment in IFM            | —                  | 40,000           | —              |
| Interest receivables from IFM               | —                  | 1,227            | 5,220          |
| Accounts receivable from IFM                | —                  | —                | 57             |
| <b>Total</b>                                | <b>—</b>           | <b>41,227</b>    | <b>5,277</b>   |
| Brokerage firms                             | —                  | 1,022            | 5,574          |
| Others                                      | 107,067            | 318,820          | 159,810        |
| <b>Total</b>                                | <b>702,658</b>     | <b>1,040,741</b> | <b>927,306</b> |
| <b>Amounts due to related parties</b>       |                    |                  |                |
| Ziroom                                      | 85,973             | 104,393          | 123,149        |
| Yuanjing Mingde                             | —                  | 3,931            | 5,384          |
| Vanlian                                     | —                  | —                | 100            |
| IFM   | —                  | —                | 46,280         |
| Mr. Zuo Hui                                 | 1,000              | 116,886          | 1,094          |
| Brokerage firms                             | —                  | 653              | 86,867         |
| Others                                      | —                  | 39               | 785            |
| <b>Total</b>                                | <b>86,973</b>      | <b>225,902</b>   | <b>263,659</b> |

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Related party transactions (Continued)

|   | As of December 31, |        |      |
|---|--------------------|--------|------|
|   | 2017               | 2018   | 2019 |
|   | RMB                | RMB    | RMB  |
|   | (in thousands)     |        |      |
| <b>Prepayment for investment in IFM</b> | —                  | 40,000 | —    |

The Group converted the prepayment into investment in 2019 and holds 37.6% equity interest in IFM. The amounts advanced to IFM were unsecured and non-interest bearing. The investment prepayment to IFM as of December 31, 2017, 2018 and 2019 were nil, RMB40 million and nil, respectively and presented as prepayments, receivables and other assets in the consolidated balance sheets.

|  | As of December 31, |                  |                  |
|--|--------------------|------------------|------------------|
|  | 2017               | 2018             | 2019             |
|  | RMB                | RMB              | RMB              |
|  | (in thousands)     |                  |                  |
| <b>Loan receivables from related parties</b> |                    |                  |                  |
| Short-term loans to Yuanjing Mingde          | —                  | 115,792          | 1,900,000        |
| Short-term loans to Vanlian                  | 5,000              | —                | —                |
| Short-term loans IFM                         | —                  | —                | 20,000           |
| Short-term loans to others                   | —                  | —                | 9,076            |
| Long-term loans to Yuanjing Mingde           | —                  | 1,900,000        | —                |
| Long-term loans to others                    | 4,500              | 4,500            | —                |
| <b>Total</b>                                 | <b>9,500</b>       | <b>2,020,292</b> | <b>1,929,076</b> |

(i) In June 2018, the Group entered into a one month RMB1.5 billion loan agreement with Yuanjing Mingde at a fixed borrowing rate of 10%. Yuanjing Mingde repaid RMB1.2 billion in August 2018, and extended the maturity date of the remaining RMB0.3 billion to August 31, 2018, with a fixed borrowing rate of 12%. On August 31, 2018, Yuanjing Mingde repaid RMB0.18 billion, and extended the maturity date of remaining balance to December 26, 2019 with Mr. Zuo Hui's deposit as guarantee.

In November 2018, the Group entered into a 6-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 increase to 12%.

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.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Commitments and contingencies

|                                     | As of<br>December 31,<br>2019<br>RMB<br>(in thousands) |
|-------------------------------------|--|
| Purchase of property and equipment. | 4,530  |
| Purchase of services                | 2,241  |
| Investment commitments(i)           | 10,935   |
| Operating leases commitments(ii)    | 557,294  |
| Total                               | 575,000  |

|  | Amounts<br>RMB<br>(in thousands) |
|--|----------------------------------|
| No later than 1 year                         | 200,367                          |
| Later than 1 year and no later than 3 years  | 267,244                          |
| Later than 3 years and no later than 5 years | 94,340                           |
| More than 5 years                            | 13,049                           |
| Total  | 575,000                          |

(i) Investment commitments obligations primarily relate to capital contributions obligation under certain arrangements, the payment is due in one year.

(ii) Operating leases commitments represent the Group's obligations for leasing premises.

**Funding Debt Obligations**

The expected repayment amount of the funding debt obligations are as follows:

|                                       | Less than<br>1 year<br>RMB | 1 - 2<br>years<br>RMB | 2 - 3<br>years<br>RMB | More than<br>3 years<br>RMB | Total<br>RMB     |
|---------------------------------------|----------------------------|-----------------------|-----------------------|-----------------------------|------------------|
|                                       | (in thousands)             |                       |                       |                             |                  |
| <b>Funding debt obligations</b>       |                            |                       |                       |                             |                  |
| Consolidated trusts                   | 2,291,723                  | 7,500                 | —                     | —                           | 2,299,223        |
| Interest payments                     | 8,731                      | 55                    | —                     | —                           | 8,786            |
| <b>Total funding debt obligations</b> | <u>2,300,454</u>           | <u>7,555</u>          | <u>—</u>              | <u>—</u>                    | <u>2,308,009</u> |



KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Unaudited pro forma loss per share

Immediately prior to the completion of a planned qualified public offering of the Company, the convertible redeemable preferred shares of the Company shall be converted automatically into ordinary shares on a one-for-one basis.

The unaudited pro-forma balance sheet as of December 31, 2019 presents an adjusted financial position as if the convertible redeemable preferred shares had been converted into ordinary shares as of December 31, 2019 at the conversion ratio of one for one.

Unaudited pro-forma basic and diluted net loss per share were computed to give effect to the automatic conversion of the Series B, Series C, Series D and Series D+ Preferred Shares using the "if converted" method as though the conversion and reclassification had occurred as of the beginning of the year or the original date of issuance, if later.

|  | For the Year Ended<br>December 31, 2019                             |
|--|---|
|  | RMB   |
|  | (in thousands, except for<br>shares, per share data)<br>(unaudited) |
| <b>Numerator:</b>  |   |
| Net loss attributable to ordinary shareholders   | (4,050,074)   |
| Reversal of preferred shares redemption value accretion                                    | 1,866,528   |
| Pro-forma net loss attributable to the Company's ordinary shareholders — basic and diluted | (2,183,546)   |
| <b>Denominator:</b>  |   |
| Weighted-average number of ordinary shares   | 275,647,105   |
| Pro-forma effect of the conversion of preferred shares                                     | 219,702,900   |
| Denominator for pro-forma basic calculation  | 495,350,005   |
| Pro forma net loss per share — basic and diluted   |   |
| —Basic   | (4.41)  |
| —Diluted   | (4.41)  |

30. 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, 2017, 2018 and 2019, appropriations to the

**KE Holdings Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**30. Statutory reserves and restricted net assets (Continued)**

statutory reserve have been made by the Group, which was RMB57.5 million, RMB30.2 million, and RMB79.1 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 RMB8.8 billion as of December 31, 2019.

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 loss of the subsidiaries is presented as "share of loss of subsidiaries and VIEs". Certain information and footnote disclosures generally included in financial statements prepared in accordance with US 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 statements of comprehensive loss of the parent company from December 28, 2018 to December 31, 2018 were not material. The following disclosures present the financial positions of the parent company as of December 31, 2018 and 2019, the operation results for the year ended December 31, 2019, and the statements of cash flows for the year ended December 31, 2018 and 2019. The Company did not have significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2018 and 2019.

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Statutory reserves and restricted net assets (Continued)

Condensed balance sheets of the parent company

|   | As of December 31, |                    |
|---|--------------------|--------------------|
|   | 2018               | 2019               |
|   | RMB                | RMB                |
|   | (in thousands)     |                    |
| <b>ASSETS</b>   |                    |                    |
| <b>Current assets:</b>  |                    |                    |
| Cash and cash equivalents   | 2,515,377          | 12,525,274         |
| Amounts due from subsidiaries and VIEs  | —                  | 69,763             |
| Prepaid expenses and other current assets   | —                  | 25,679             |
| <b>Non-current assets:</b>  |                    |                    |
| Investment in subsidiaries and VIEs   | 9,587,416          | 16,630,877         |
| Intangible assets, net  | —                  | 2,075,420          |
| Other non-current assets  | 2,745,280          | 145,806            |
| <b>Total assets</b>   | <b>14,848,073</b>  | <b>31,472,819</b>  |
| <b>LIABILITIES</b>  |                    |                    |
| <b>Current liabilities</b>  |                    |                    |
| Accrued expenses and other current liabilities  | —                  | 24,430             |
| <b>TOTAL LIABILITIES</b>  | <b>—</b>           | <b>24,430</b>      |
| <b>MEZZANINE EQUITY</b>   |                    |                    |
| Series B convertible redeemable preferred shares (US\$0.0001 par value; 150,000,000 shares authorized as of December 31, 2018 and 2019, respectively; 59,696,752 and 59,696,752 issued and outstanding with redemption value of 6,039,616 and 6,406,056 as of December 31, 2018 and 2019, respectively)   | 6,039,616          | 6,406,056          |
| Series C convertible redeemable preferred shares (US\$0.0001 par value; 150,000,000 shares authorized as of December 31, 2018 and 2019, respectively; 94,113,635 and 94,113,635 issued and outstanding with redemption value of 11,288,505 and 12,118,251 as of December 31, 2018 and 2019, respectively)   | 11,288,505         | 12,118,251         |
| Series D convertible redeemable preferred shares (US\$0.0001 par value; 200,000,000 and 200,000,000 shares authorized as of December 31, 2018 and 2019, respectively; 55,276,316 and 86,167,106 issued and outstanding with redemption value of 5,334,188 and 11,831,223 as of December 31, 2018 and 2019, respectively)  | 5,334,188          | 11,831,223         |
| Series D+ convertible redeemable preferred shares (US\$0.0001 par value; nil and 150,000,000 shares authorized as of December 31, 2018 and 2019, respectively; nil and 62,175,831 issued and outstanding with redemption value of nil and 10,017,365 as of December 31, 2018 and 2019, respectively)  | —                  | 10,017,365         |
| <b>TOTAL MEZZANINE EQUITY</b>   | <b>22,662,309</b>  | <b>40,372,895</b>  |
| <b>SHAREHOLDERS' DEFICIT</b>  |                    |                    |
| Ordinary Shares (US\$0.0001 par value; 4,250,000,000 and 4,100,000,000 Class A Ordinary Shares authorized as of December 31, 2018 and 2019, respectively; 250,000,000 Class B Ordinary Shares authorized as of December 31, 2018 and 2019, respectively; 88,399,729 and 116,973,082 Class A Ordinary Shares issued and outstanding as of December 31, 2018 and 2019, respectively; 186,657,850 and 177,060,256 Class B Ordinary Shares issued and outstanding as of December 31, 2018 and 2019, respectively) | 189                | 202                |
| Additional paid-in capital  | —                  | 2,533,889          |
| Accumulated other comprehensive income (loss)   | (134)              | 63,308             |
| Accumulated deficit   | (7,814,291)        | (11,521,905)       |
| <b>Total shareholders' deficit</b>  | <b>(7,814,236)</b> | <b>(8,924,506)</b> |
| <b>TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT</b>  | <b>14,848,073</b>  | <b>31,472,819</b>  |

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Statutory reserves and restricted net assets (Continued)

Condensed statements of comprehensive loss of the parent company

|  | For the Year Ended<br>December 31, 2019 |
|--|---|
|  | RMB                                     |
|  | (in thousands)                          |
| Sales and marketing expenses   | (500,040)                               |
| General and administrative expenses  | (18,981)                                |
| Research and development expenses  | (65,927)                                |
| Interest income, net   | 36,063                                  |
| Share of loss of subsidiaries and VIEs   | (1,588,194)                             |
| Foreign currency exchange loss, net  | (46,467)                                |
| <b>Loss before income tax expense</b>  | <b>(2,183,546)</b>                      |
| Income tax expenses  | —                                       |
| <b>Net loss</b>  | <b>(2,183,546)</b>                      |
| Accretion on convertible redeemable preferred shares to redemption value                 | (1,866,528)                             |
| <b>Net loss attributable to KE Holdings Inc.'s ordinary shareholders</b>                 | <b>(4,050,074)</b>                      |
| <b>Net loss</b>  | <b>(2,183,546)</b>                      |
| <b>Other comprehensive income</b>  |   |
| Currency translation adjustments   | 63,442                                  |
| <b>Total comprehensive loss</b>  | <b>(2,120,104)</b>                      |
| Accretion on convertible redeemable preferred shares to redemption value                 | (1,866,528)                             |
| <b>Total comprehensive loss attributable to KE Holdings Inc.'s ordinary shareholders</b> | <b>(3,986,632)</b>                      |

KE Holdings Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Statutory reserves and restricted net assets (Continued)

Condensed statements of cash flows of the parent company

|   | For the Year Ended<br>December 31, 2018 | For the Year Ended<br>December 31, 2019 |
|---|---|---|
|   | RMB                                     | RMB                                     |
|   | (in thousands)                          |   |
| Net cash provided by operating activities                                     | 15                                      | 9,224                                   |
| Net cash used in investing activities   | (68,895)                                | (15,719,863)                            |
| Net cash provided by financing activities                                     | 2,584,907                               | 25,763,789                              |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (650)                                   | (43,253)                                |
| Net increase in cash, cash equivalents and restricted cash                    | 2,515,377                               | 10,009,897                              |
| Cash, cash equivalents and restricted cash at beginning of the year           | —                                       | 2,515,377                               |
| Cash, cash equivalents and restricted cash at end of the year                 | 2,515,377                               | 12,525,274                              |

31. Subsequent events

The Group evaluated subsequent events from December 31, 2019 through the date when the consolidated financial statements were 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.

The current COVID-19 pandemic has already 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. The Group, the real estate agents on their platform, and their business partners are still recovering from the general shutdown and delay in the commencement of operations in China. Even though the business is currently operational, the operating efficiency and capacity are still 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 visit and purchase property and the necessity to comply with disease control protocols in their 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. The pandemic also resulted further delays in payment, as the business of many of the real estate developers with outstanding trade receivable balances with the Group was suspended in early 2020. 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.

During the three months ended March 31, 2020, the Company granted 9,480,191 share options to employees of the Group pursuant to the 2018 Share Option Plan at an exercise price of

**KE Holdings Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**31. Subsequent events (Continued)**

US\$0.0001 per share, which are only exercisable upon the occurrence of an initial public offering of the Group.

On April 10, 2020, the Group entered into share purchase agreements with selling shareholders of Zhonghuan, pursuant to which the Group agreed to issue 4,463,027 Class A Ordinary Shares to the selling shareholders of Zhonghuan to settle the mandatorily redeemable non-controlling interest mentioned in Note 24. The shares were issued on April 13, 2020.

KE Holdings Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | As of<br>December 31,<br>2019 | As of March 31,<br>2020 |                  | As of March 31,<br>2020 |                  |
|---|-------------------------------|-------------------------|------------------|-------------------------|------------------|
|   |                               |                         | US\$<br>Note 2.6 |                         | US\$<br>Note 2.6 |
|   | RMB                           | RMB                     |                  | RMB                     |                  |
|   |                               |                         |                  | Pro forma               |                  |
| ASSETS  |                               |                         |                  |                         |                  |
| Current assets:   |                               |                         |                  |                         |                  |
| Cash and cash equivalents   | 24,319,332                    | 15,538,844              | 2,194,504        | 15,538,844              | 2,194,504        |
| Restricted cash   | 7,380,341                     | 6,276,621               | 886,428          | 6,276,621               | 886,428          |
| Short-term investments  | 1,844,595                     | 7,709,598               | 1,088,803        | 7,709,598               | 1,088,803        |
| Short-term financing receivables, net of allowance for credit losses of RMB92,223 and RMB117,240 as of December 31, 2019 and March 31, 2020, respectively | 2,125,621                     | 1,372,428               | 193,824          | 1,372,428               | 193,824          |
| Accounts receivable, net of allowance for credit losses of RMB460,962 and RMB522,389 as of December 31, 2019 and March 31, 2020, respectively             | 8,093,219                     | 7,302,843               | 1,031,358        | 7,302,843               | 1,031,358        |
| Amounts due from related parties  | 927,306                       | 1,148,941               | 162,261          | 1,148,941               | 162,261          |
| Loan receivables from related parties   | 1,929,076                     | 1,943,895               | 274,530          | 1,943,895               | 274,530          |
| Prepayments, receivables and other assets   | 5,292,996                     | 5,087,227               | 718,455          | 5,087,227               | 718,455          |
| Total current assets  | 51,912,486                    | 46,380,397              | 6,550,163        | 46,380,397              | 6,550,163        |
| Non-current assets  |                               |                         |                  |                         |                  |
| Property and equipment, net   | 1,134,228                     | 1,117,637               | 157,840          | 1,117,637               | 157,840          |
| Right-of-use assets   | 5,625,015                     | 5,582,632               | 788,418          | 5,582,632               | 788,418          |
| Long-term financing receivables, net of allowance for credit losses of RMB847 and RMB35,847 as of December 31, 2019 and March 31, 2020, respectively      | 265,868                       | 196,567                 | 27,761           | 196,567                 | 27,761           |
| Long-term investments, net  | 2,333,745                     | 2,347,955               | 331,595          | 2,347,955               | 331,595          |
| Intangible assets, net  | 2,560,442                     | 2,433,454               | 343,669          | 2,433,454               | 343,669          |
| Goodwill  | 2,477,075                     | 2,477,075               | 349,831          | 2,477,075               | 349,831          |
| Non-current restricted cash   | 230,903                       | 82,650                  | 11,672           | 82,650                  | 11,672           |
| Other non-current assets  | 725,550                       | 622,158                 | 87,865           | 622,158                 | 87,865           |
| Total non-current assets  | 15,352,826                    | 14,860,128              | 2,098,651        | 14,860,128              | 2,098,651        |
| TOTAL ASSETS  | 67,265,312                    | 61,240,525              | 8,648,814        | 61,240,525              | 8,648,814        |

KE Holdings Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | As of<br>December 31,<br>2019 | As of March 31,<br>2020 | US\$<br>Note 2.6 | As of March 31,<br>2020 | US\$<br>Note 2.6 |
|---|-------------------------------|-------------------------|------------------|-------------------------|------------------|
|   | RMB                           | RMB                     |                  | RMB                     | Pro forma        |
| <b>LIABILITIES</b>  |                               |                         |                  |                         |                  |
| <b>Current liabilities</b>  |                               |                         |                  |                         |                  |
| Accounts payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB120,892 and RMB178,087 as of December 31, 2019 and March 31, 2020, respectively)                               | 4,212,705                     | 3,404,198               | 480,765          | 3,404,198               | 480,765          |
| Amounts due to related parties (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB104,957 and RMB105,955 as of December 31, 2019 and March 31, 2020, respectively)                 | 263,659                       | 242,936                 | 34,309           | 242,936                 | 34,309           |
| Employee compensation and welfare payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB1,587,750 and RMB803,050 as of December 31, 2019 and March 31, 2020, respectively)    | 9,113,011                     | 6,026,303               | 851,077          | 6,026,303               | 851,077          |
| Customer deposits payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB3,173,825 and RMB3,554,436 as of December 31, 2019 and March 31, 2020, respectively)                  | 4,382,803                     | 5,116,675               | 722,613          | 5,116,675               | 722,613          |
| Income taxes payable (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB206,334 and RMB46,017 as of December 31, 2019 and March 31, 2020, respectively)                            | 994,815                       | 204,908                 | 28,939           | 204,908                 | 28,939           |
| Short-term borrowings (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB720,000 and RMB420,000 as of December 31, 2019 and March 31, 2020, respectively)                          | 720,000                       | 420,000                 | 59,315           | 420,000                 | 59,315           |
| Long term borrowings current portion  | —                             | 116,550                 | 16,460           | 116,550                 | 16,460           |
| Lease liabilities current portion (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB98,260 and RMB54,691 as of December 31, 2019 and March 31, 2020, respectively)                | 2,222,745                     | 2,306,871               | 325,792          | 2,306,871               | 325,792          |
| Short-term funding debt (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB2,291,723 and RMB1,651,294 as of December 31, 2019 and March 31, 2020, respectively)                    | 2,291,723                     | 1,651,294               | 233,207          | 1,651,294               | 233,207          |
| Contract liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB49,191 and RMB39,112 as of December 31, 2019 and March 31, 2020, respectively)                             | 593,373                       | 616,695                 | 87,094           | 616,695                 | 87,094           |
| Accrued expenses and other current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB205,337 and RMB146,824 as of December 31, 2019 and March 31, 2020, respectively) | 3,002,841                     | 2,770,557               | 391,277          | 2,770,557               | 391,277          |
| <b>Total current liabilities</b>  | <b>27,797,675</b>             | <b>22,876,987</b>       | <b>3,230,848</b> | <b>22,876,987</b>       | <b>3,230,848</b> |



KE Holdings Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | As of<br>December 31,<br>2019 | As of March 31,<br>2020 | As of March 31,<br>2020 | As of March 31,<br>2020 | As of March 31,<br>2020 |
|---|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | RMB                           | RMB                     | US\$<br>Note 2.6        | RMB                     | US\$<br>Note 2.6        |
|   |                               |                         |                         | Pro forma               |                         |
| <b>Non-current liabilities</b>  |                               |                         |                         |                         |                         |
| Deferred tax liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB49,524 and RMB49,524 as of December 31, 2019 and March 31, 2020, respectively)   | 22,446                        | 22,446                  | 3,170                   | 22,446                  | 3,170                   |
| Lease liabilities non-current portion (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB101,727 and RMB26,496 as of December 31, 2019 and March 31, 2020, respectively)   | 2,914,240                     | 2,877,517               | 406,384                 | 2,877,517               | 406,384                 |
| Long-term borrowings  | 4,890,030                     | 4,886,322               | 690,080                 | 4,886,322               | 690,080                 |
| Long-term funding debt (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB7,500 and RMB7,500 as of December 31, 2019 and March 31, 2020, respectively)   | 7,500                         | 7,500                   | 1,059                   | 7,500                   | 1,059                   |
| Other non-current liabilities   | 97,829                        | 185,053                 | 26,134                  | 185,053                 | 26,134                  |
| <b>Total non-current liabilities</b>  | <b>7,932,045</b>              | <b>7,978,838</b>        | <b>1,126,827</b>        | <b>7,978,838</b>        | <b>1,126,827</b>        |
| <b>TOTAL LIABILITIES</b>  | <b>35,729,720</b>             | <b>30,855,825</b>       | <b>4,357,675</b>        | <b>30,855,825</b>       | <b>4,357,675</b>        |
| <b>Commitments and contingencies (Note 25)</b>  |                               |                         |                         |                         |                         |
| <b>MEZZANINE EQUITY</b>   |                               |                         |                         |                         |                         |
| Series B convertible redeemable preferred shares (US\$0.0001 par value; 150,000,000 shares authorized, 59,696,752 issued and outstanding with redemption value of 6,406,056 and 6,501,921 as of December 31, 2019 and March 31, 2020; no shares issued and outstanding, pro forma)    | 6,406,056                     | 6,501,921               | 918,247                 | —                       | —                       |
| Series C convertible redeemable preferred shares (US\$0.0001 par value; 150,000,000 shares authorized, 94,113,635 issued and outstanding with redemption value of 12,118,251 and 12,337,091 as of December 31, 2019 and March 31, 2020; no shares issued and outstanding, pro forma)  | 12,118,251                    | 12,337,091              | 1,742,330               | —                       | —                       |
| Series D convertible redeemable preferred shares (US\$0.0001 par value; 200,000,000 shares authorized, 86,167,106 issued and outstanding with redemption value of 11,831,223 and 12,036,316 as of December 31, 2019 and March 31, 2020; no shares issued and outstanding, pro forma)  | 11,831,223                    | 12,036,316              | 1,699,853               | —                       | —                       |
| Series D+ convertible redeemable preferred shares (US\$0.0001 par value; 150,000,000 shares authorized, 62,175,831 issued and outstanding with redemption value of 10,017,365 and 10,190,870 as of December 31, 2019 and March 31, 2020; no shares issued and outstanding, pro forma) | 10,017,365                    | 10,190,870              | 1,439,225               | —                       | —                       |
| <b>TOTAL MEZZANINE EQUITY</b>   | <b>40,372,895</b>             | <b>41,066,198</b>       | <b>5,799,655</b>        | <b>—</b>                | <b>—</b>                |

KE Holdings Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | As of<br>December 31,<br>2019 | As of March 31,<br>2020 | As of March 31,<br>2020 | As of March 31,<br>2020 | As of March 31,<br>2020 |
|---|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | RMB                           | RMB                     | US\$<br>Note 2.6        | RMB                     | US\$<br>Note 2.6        |
|   |                               |                         |                         | Pro forma               |                         |
| <b>SHAREHOLDERS' DEFICIT</b>  |                               |                         |                         |                         |                         |
| <b>KE Holdings Inc. shareholders' deficit:</b>  |                               |                         |                         |                         |                         |
| Ordinary shares(US\$0.0001 par value; 4,100,000,000 Class A ordinary shares and 250,000,000 Class B ordinary shares authorized, 116,973,082 Class A ordinary shares and 177,060,256 Class B ordinary shares issued and outstanding as of December 31, 2019 and March 31, 2020; 596,186,662 shares (including 419,126,406 Class A and 177,060,256 Class B) issued and outstanding as of March 31, 2020, pro forma) | 202                           | 202                     | 29                      | 416                     | 59                      |
| Additional paid-in capital  | 2,533,889                     | 1,840,586               | 259,940                 | 42,906,570              | 6,059,565               |
| Statutory reserves  | 253,732                       | 254,012                 | 35,873                  | 254,012                 | 35,873                  |
| Accumulated other comprehensive income  | 63,308                        | 234,320                 | 33,092                  | 234,320                 | 33,092                  |
| Accumulated deficit   | (11,775,637)                  | (13,095,084)            | (1,849,379)             | (13,095,084)            | (1,849,379)             |
| <b>Total KE Holdings Inc. shareholders' deficit</b>   | <b>(8,924,506)</b>            | <b>(10,765,964)</b>     | <b>(1,520,445)</b>      | <b>30,300,234</b>       | <b>4,279,210</b>        |
| Non-controlling interests   | 87,203                        | 84,466                  | 11,929                  | 84,466                  | 11,929                  |
| <b>TOTAL SHAREHOLDERS' DEFICIT</b>  | <b>(8,837,303)</b>            | <b>(10,681,498)</b>     | <b>(1,508,516)</b>      | <b>30,384,700</b>       | <b>4,291,139</b>        |
| <b>TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT</b>  | <b>67,265,312</b>             | <b>61,240,525</b>       | <b>8,648,814</b>        | <b>61,240,525</b>       | <b>8,648,814</b>        |

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

KE Holdings Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | For the Three Months Ended<br>March 31, |                    |                    |
|---|---|--------------------|--------------------|
|   | 2019                                    | 2020               | 2020               |
|   | RMB                                     | RMB                | US\$<br>(Note 2.6) |
| <b>Net revenues:</b>  |   |                    |                    |
| Existing home transaction services (including revenue from related parties of RMB74,807 and RMB26,877 for the three months ended March 31, 2019 and 2020, respectively) | 6,019,381                               | 3,375,332          | 476,688            |
| New home transaction services (including revenue from related parties of RMB4,513 and RMB7,393 for the three months ended March 31, 2019 and 2020, respectively)        | 1,964,521                               | 3,452,735          | 487,619            |
| Emerging and other services (including revenue from related parties of RMB1,009 and RMB98 for the three months ended March 31, 2019 and 2020, respectively)             | 175,855                                 | 291,692            | 41,195             |
| <b>Total net revenues</b>   | <b>8,159,757</b>                        | <b>7,119,759</b>   | <b>1,005,502</b>   |
| <b>Cost of revenues:</b>  |   |                    |                    |
| Commission-split  | (542,255)                               | (2,140,436)        | (302,287)          |
| Commission and compensation-internal  | (4,644,561)                             | (3,554,617)        | (502,008)          |
| Cost related to stores  | (738,267)                               | (717,662)          | (101,353)          |
| Others (including cost from related parties of RMB26,035 and RMB27,156 for the three months ended March 31, 2019 and 2020, respectively)                                | (134,699)                               | (205,512)          | (29,024)           |
| <b>Total cost of revenues</b>   | <b>(6,059,782)</b>                      | <b>(6,618,227)</b> | <b>(934,672)</b>   |
| <b>Gross profit</b>   | <b>2,099,975</b>                        | <b>501,532</b>     | <b>70,830</b>      |
| <b>Operating expenses:</b>  |   |                    |                    |
| Sales and marketing expenses  | (634,031)                               | (577,095)          | (81,501)           |
| General and administrative expenses   | (1,054,310)                             | (1,105,029)        | (156,060)          |
| Research and development expenses   | (312,050)                               | (450,761)          | (63,660)           |
| <b>Total operating expenses</b>   | <b>(2,000,391)</b>                      | <b>(2,132,885)</b> | <b>(301,221)</b>   |
| <b>Income (loss) from operations</b>  | <b>99,584</b>                           | <b>(1,631,353)</b> | <b>(230,391)</b>   |
| Interest income, net (including interest income from related parties of RMB54,247 and RMB56,608 for the three months ended March 31, 2019 and 2020, respectively)       | 55,361                                  | 78,209             | 11,045             |
| Share of results of equity investees  | 4,132                                   | (3,090)            | (436)              |
| Fair value changes in investments, net  | 55,244                                  | (104,195)          | (14,715)           |
| Foreign currency exchange gain  | 7,007                                   | 5,491              | 775                |
| Other income, net   | 35,333                                  | 274,690            | 38,794             |
| <b>Income (loss) before income tax expense</b>  | <b>256,661</b>                          | <b>(1,380,248)</b> | <b>(194,928)</b>   |
| Income tax benefit (expense)  | (90,901)                                | 148,861            | 21,023             |
| <b>Net income (loss)</b>  | <b>165,760</b>                          | <b>(1,231,387)</b> | <b>(173,905)</b>   |
| Less: net loss attributable to non-controlling interests shareholders   | (584)                                   | (2,737)            | (387)              |
| <b>Net income (loss) attributable to KE Holdings Inc.</b>   | <b>166,344</b>                          | <b>(1,228,650)</b> | <b>(173,518)</b>   |
| Accretion on convertible redeemable preferred shares to redemption value  | (402,411)                               | (693,303)          | (97,913)           |
| <b>Net loss attributable to KE Holdings Inc.'s ordinary shareholders</b>  | <b>(236,067)</b>                        | <b>(1,921,953)</b> | <b>(271,431)</b>   |

KE Holdings Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Continued)

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | For the Three Months Ended<br>March 31, |             |                    |
|---|---|-------------|--------------------|
|   | 2019                                    | 2020        | 2020               |
|   | RMB                                     | RMB         | US\$<br>(Note 2.6) |
| <b>Net income (loss)</b>  | 165,760                                 | (1,231,387) | (173,905)          |
| <b>Other comprehensive income (loss)</b>  |   |             |                    |
| Currency translation adjustments  | (137,500)                               | 171,012     | 24,152             |
| <b>Total other comprehensive income (loss)</b>  | (137,500)                               | 171,012     | 24,152             |
| <b>Total comprehensive income (loss)</b>  | 28,260                                  | (1,060,375) | (149,753)          |
| Less: Comprehensive loss attributable to non-controlling interests<br>shareholders                            | (584)                                   | (2,737)     | (387)              |
| <b>Comprehensive income (loss) attributable to KE Holdings Inc.</b>   | 28,844                                  | (1,057,638) | (149,366)          |
| Accretion on convertible redeemable preferred shares to redemption<br>value                                   | (402,411)                               | (693,303)   | (97,913)           |
| <b>Comprehensive loss attributable to KE Holdings Inc.'s ordinary<br/>shareholders</b>                        | (373,567)                               | (1,750,941) | (247,279)          |
| <b>Weighted average number of ordinary shares used in computing net<br/>loss per share, basic and diluted</b> | 275,981,181                             | 294,033,338 | 294,033,338        |
| <b>Net loss per share attributable to ordinary shareholders</b>   |   |             |                    |
| — Basic   | (0.86)                                  | (6.54)      | (0.92)             |
| — Diluted   | (0.86)                                  | (6.54)      | (0.92)             |
| <b>Share-based compensation expenses included in:</b>   |   |             |                    |
| Cost  | —                                       | —           | —                  |
| Sales and marketing expenses  | —                                       | —           | —                  |
| General and administrative expenses   | —                                       | —           | —                  |
| Research and development expenses   | —                                       | —           | —                  |

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

**KE Holdings Inc.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT**  
**(All amounts in thousands, except for share and per share data, unless otherwise noted)**

|  | Attributable to owners of KE Holdings Inc. |     |                                  |                       |  |                        |              |                                  |                  |
|--|--|-----|----------------------------------|-----------------------|--|------------------------|--------------|----------------------------------|------------------|
|  | Ordinary Shares                            |     | Additional<br>Paid-in<br>Capital | Statutory<br>Reserves | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Accumulated<br>Deficit | Total        | Non-<br>controlling<br>Interests | Total<br>Deficit |
|  |  |     |                                  |                       |  |                        |              |                                  |                  |
|  | Shares                                     | RMB | RMB                              | RMB                   | RMB  | RMB                    | RMB          | RMB                              | RMB              |
| Balance at 1 January, 2019   | 274,994,579                                | 189 | —                                | 174,645               | (134)  | (7,988,936)            | (7,814,236)  | 10,467                           | (7,803,769)      |
| Net income (loss)  | —  | —   | —                                | —                     | —  | 166,344                | 166,344      | (584)                            | 165,760          |
| Accretion on convertible redeemable preferred shares to redemption value (Note 20) | —  | —   | —                                | —                     | —  | (402,411)              | (402,411)    | —                                | (402,411)        |
| Currency translation adjustments   | —  | —   | —                                | —                     | (137,500)  | —                      | (137,500)    | —                                | (137,500)        |
| Balance at 31 March, 2019  | 274,994,579                                | 189 | —                                | 174,645               | (137,634)  | (8,225,003)            | (8,187,803)  | 9,883                            | (8,177,920)      |
| Balance at 31 December, 2019   | 294,033,338                                | 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 1 January, 2020   | 294,033,338                                | 202 | 2,533,889                        | 253,732               | 63,308   | (11,866,154)           | (9,015,023)  | 87,203                           | (8,927,820)      |
| Net loss   | —  | —   | —                                | —                     | —  | (1,228,650)            | (1,228,650)  | (2,737)                          | (1,231,387)      |
| Accretion on convertible redeemable preferred shares to redemption value (Note 20) | —  | —   | (693,303)                        | —                     | —  | —                      | (693,303)    | —                                | (693,303)        |
| Appropriation to statutory reserves  | —  | —   | —                                | 280                   | —  | (280)                  | —            | —                                | —                |
| Currency translation adjustments   | —  | —   | —                                | —                     | 171,012  | —                      | 171,012      | —                                | 171,012          |
| Balance at 31 March, 2020  | 294,033,338                                | 202 | 1,840,586                        | 254,012               | 234,320  | (13,095,084)           | (10,765,964) | 84,466                           | (10,681,498)     |

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

KE Holdings Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|  | For the Three Months Ended<br>March 31, |                    |                  |
|--|---|--------------------|------------------|
|  | 2019                                    | 2020               | 2020             |
|  |   |                    | US\$             |
|  | RMB                                     | RMB                | (Note<br>2.6)    |
| <b>Cash flows from operating activities:</b>   |   |                    |                  |
| Net income (loss)  | 165,760                                 | (1,231,387)        | (173,905)        |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: |   |                    |                  |
| Depreciation of property and equipment   | 137,176                                 | 114,364            | 16,151           |
| Amortization of intangible assets  | 17,445                                  | 157,481            | 22,241           |
| Net impairment losses (reversal) on financial assets                                 | (31,805)                                | 71,987             | 10,167           |
| Provision of credit losses (reversal) for financing receivables                      | 1,975                                   | (882)              | (125)            |
| Share of results of equity investees   | (4,132)                                 | 3,090              | 436              |
| Fair value changes in investments  | (55,244)                                | 104,195            | 14,715           |
| Realized gain on short-term investments  | (3,430)                                 | (20,993)           | (2,965)          |
| Foreign currency exchange gain   | (7,007)                                 | (5,491)            | (775)            |
| Gain (loss) on disposal of property, equipment and intangible assets                 | 1,492                                   | (114)              | (16)             |
| Changes in assets and liabilities:   |   |                    |                  |
| Accounts receivable  | (1,039,529)                             | 719,861            | 101,664          |
| Amounts due from related parties   | (74,927)                                | (221,635)          | (31,301)         |
| Prepayments, receivables and other assets  | (274,737)                               | 176,520            | 24,929           |
| Right-of-use assets  | 78,136                                  | 42,383             | 5,986            |
| Other non-current assets   | 25,453                                  | 150,311            | 21,228           |
| Accounts payable   | (151,741)                               | (808,507)          | (114,183)        |
| Amounts due to related parties   | (74,982)                                | (20,723)           | (2,927)          |
| Employee compensation and welfare payable  | (955,344)                               | (3,086,708)        | (435,928)        |
| Customer deposits payable  | 1,343,222                               | 733,872            | 103,643          |
| Contract liabilities   | 129,323                                 | 23,322             | 3,294            |
| Lease liabilities  | (72,417)                                | 47,403             | 6,695            |
| Accrued expenses and other current liabilities                                       | (79,225)                                | (247,543)          | (34,960)         |
| Income taxes payable   | (76,397)                                | (789,907)          | (111,556)        |
| Other liabilities  | 2                                       | —                  | —                |
| <b>Net cash used in operating activities</b>   | <b>(1,000,933)</b>                      | <b>(4,089,101)</b> | <b>(577,492)</b> |

KE Holdings Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|   | For the Three Months Ended<br>March 31, |                     |                    |
|---|---|---------------------|--------------------|
|   | 2019                                    | 2020                | 2020               |
|   | RMB                                     | RMB                 | US\$<br>(Note 2.6) |
| <b>Cash flows from investing activities:</b>  |   |                     |                    |
| Purchases of short-term investments   | (1,512,499)                             | (9,561,630)         | (1,350,360)        |
| Maturities of short-term investments  | 1,647,939                               | 3,781,388           | 534,034            |
| Purchases of property, equipment and intangible assets  | (116,312)                               | (149,136)           | (21,062)           |
| Proceeds from disposal of property, equipment and intangible assets                               | 7,329                                   | 11,478              | 1,621              |
| Financing receivables originated  | (2,054,503)                             | (4,062,089)         | (573,677)          |
| Collections of financing receivables principal  | 2,066,105                               | 4,824,566           | 681,359            |
| Purchases of long-term investments  | (26,240)                                | (6,121)             | (864)              |
| Loans to related parties  | (360,000)                               | (21,119)            | (2,983)            |
| Repayments of loans to related parties  | —                                       | 6,300               | 890                |
| <b>Net cash used in investing activities</b>  | <b>(348,181)</b>                        | <b>(5,176,363)</b>  | <b>(731,042)</b>   |
| <b>Cash flows from financing activities:</b>  |   |                     |                    |
| Proceeds from issuance of preferred shares  | 749,293                                 | —                   | —                  |
| Proceeds from short-term borrowings   | 2,710,000                               | —                   | —                  |
| Repayments of short-term borrowings   | —                                       | (300,000)           | (42,368)           |
| Proceeds from long-term borrowings  | —                                       | 42,040              | 5,937              |
| Proceeds from funding debt  | 251,473                                 | 842,231             | 118,946            |
| Repayments of funding debt  | (318,850)                               | (1,482,660)         | (209,392)          |
| Reinjection of capital from preferred shareholders in connection with the Reorganization (Note 1) | 3,007,105                               | —                   | —                  |
| Repatriation of capital to preferred shareholders to facilitate the Reorganization (Note 1)       | (50,000)                                | —                   | —                  |
| Repurchases of preferred shares   | (2,414,607)                             | —                   | —                  |
| <b>Net cash provided by (used in) financing activities</b>  | <b>3,934,414</b>                        | <b>(898,389)</b>    | <b>(126,877)</b>   |
| <b>Effect of exchange rate change on cash, cash equivalents and restricted cash</b>               | <b>(94,336)</b>                         | <b>131,392</b>      | <b>18,556</b>      |
| <b>Net increase (decrease) in cash and cash equivalents and restricted cash</b>                   | <b>2,490,964</b>                        | <b>(10,032,461)</b> | <b>(1,416,855)</b> |

KE Holdings Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(All amounts in thousands, except for share and per share data, unless otherwise noted)

|  | For the Three Months Ended<br>March 31, |                   |                    |
|--|---|-------------------|--------------------|
|  | 2019                                    | 2020              | 2020               |
|  | RMB                                     | RMB               | US\$<br>(Note 2.6) |
| <b>Cash, cash equivalents and restricted cash at the beginning of the period</b> |   |                   |                    |
| Including:   |   |                   |                    |
| Cash and cash equivalents at the beginning of the period                         | 9,115,649                               | 24,319,332        | 3,434,546          |
| Restricted cash at the beginning of the period                                   | 3,516,594                               | 7,380,341         | 1,042,303          |
| Non-current restricted cash at the beginning of the period                       | 127,955                                 | 230,903           | 32,610             |
| <b>Total</b>   | <b>12,760,198</b>                       | <b>31,930,576</b> | <b>4,509,459</b>   |
| <b>Cash, cash equivalents and restricted cash at the end of the period</b>       |   |                   |                    |
| Including:   |   |                   |                    |
| Cash and cash equivalents at the end of the period                               | 7,967,522                               | 15,538,844        | 2,194,504          |
| Restricted cash at the end of the period   | 7,155,685                               | 6,276,621         | 886,428            |
| Non-current restricted cash at the end of the period                             | 127,955                                 | 82,650            | 11,672             |
| <b>Total</b>   | <b>15,251,162</b>                       | <b>21,898,115</b> | <b>3,092,604</b>   |
| <b>Supplemental disclosures:</b>   |   |                   |                    |
| Right-of-use assets obtained in exchange for new operating lease liabilities     | (755,529)                               | (849,335)         | (119,949)          |
| <b>Non-cash investing and financing activities</b>                               |   |                   |                    |
| Accretions of convertible redeemable preferred shares                            | 402,411                                 | 693,303           | 97,913             |
| Changes in accounts payable related to property and equipment addition           | (1,304)                                 | (48,866)          | (6,901)            |

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.



**KE Holdings Inc.**

**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization**

**(a) Principle activities and subsidiaries**

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 March 31, 2020, the details of the Company's major subsidiaries, consolidated VIEs (inclusive of the VIEs' subsidiaries) are as follows:

| Name  | Date of incorporation or acquisition | Place of incorporation | Percentage of direct or indirect economic ownership |
|---|--------------------------------------|------------------------|---|
| <b>Subsidiaries</b>   |                                      |                        |   |
| 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")             | June 25, 2008                        | PRC                    | 100%  |
| Beijing Fangyuan Real Estate Consulting Services Co., Ltd.                          | October 24, 2016                     | PRC                    | 100%  |
| Beijing Lianjia Gaoce Real Estate Brokerage Co., Ltd.                               | September 20, 2016                   | PRC                    | 100%  |
| Deyou Real Estate Agency Co., Ltd. ("Deyou Real Estate Agency")                     | December 30, 2015                    | PRC                    | 100%  |
| Shanghai Deyou Property Consulting Co., Ltd.  | December 30, 2015                    | PRC                    | 100%  |
| Shenzhen Lianjia Real Estate Brokerage Co., Ltd.                                    | December 23, 2015                    | PRC                    | 100%  |
| Shenzhen Fangjianghu Technology Co., Ltd.   | August 25, 2016                      | PRC                    | 100%  |
| Sichuan Lianjia Real Estate Brokerage Co., Ltd.                                     | December 31, 2015                    | PRC                    | 100%  |
| Chengdu Fangjianghu Information Technology Co., Ltd.                                | April 12, 2016                       | PRC                    | 100%  |
| Tianjin Lianjia Baoye Real Estate Agency Co., Ltd.                                  | May 20, 2008                         | PRC                    | 100%  |
| Tianjin Lianjia Fangjianghu Technology Co., Ltd.                                    | September 23, 2016                   | PRC                    | 100%  |
| Zhengzhou Fangjianghu Information Technology Co., Ltd.                              | August 28, 2017                      | PRC                    | 100%  |
| Beike Zhaofang (Beijing) Technology Co., Ltd. ("Beike Zhaofang")                    | August 3, 2015                       | PRC                    | 100%  |
| Beike Technology Co., Ltd.  | June 28, 2017                        | PRC                    | 100%  |
| <b>Consolidated VIEs</b>  |                                      |                        |   |
| 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%  |
| <b>Subsidiaries of VIEs</b>   |                                      |                        |   |
| Beijing Zhongrongxin Financing Guarantee Co., Ltd.                                  | July 25, 2008                        | PRC                    | 100%  |
| Beijing Ehomepay Technologies Co., Ltd.   | August 8, 2013                       | PRC                    | 100%  |

**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****1. Organization (Continued)****(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 chairman of the board of directors). Beijing Lianjia and its subsidiaries developed various businesses over time and expanded nationwide in China. During January 2017, the Group restructured Yiju Taihe, which was originally a subsidiary of Beijing Lianjia and operated financial service businesses, to mirror the holding structure substantially identical to that of Beijing Lianjia. In November 2017, the Group incorporated Tianjin Xiaowu, to conduct operations related to value-added telecommunication services. The Founder is the ultimate controlling party of the Group as he has held majority voting power over the Group throughout the Group's history.

Along with the launch of the Group's Beike platform, the Company was incorporated in the Cayman Islands in July 2018 as the Group's holding company to facilitate offshore financing.

On December 28, 2018, the Company completed a series of reorganization transactions (the "Reorganization"), through which most of the original subsidiaries of Beijing Lianjia have become the subsidiaries of the Company's wholly-owned PRC subsidiaries (collectively, "WFOEs"), and 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. During the three months ended March 31, 2020, certain subsidiaries of Yiju Taihe operating businesses that do not restrict foreign ownership became the subsidiaries of the WOFEs.

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 of the corporate structure of the Group had been in existence since inception of the Group.

**(c) VIE Companies (excluding the consolidated trusts as discussed in Note 2.9)**

Due to the restrictions imposed by PRC laws and regulations on foreign ownership of companies engaged in value-added telecommunication services, finance business 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 ("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,

## KE Holdings Inc.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**1. Organization (Continued)**

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 then-effective articles of association (subject to the amendments) of the VIEs. Each power of attorney agreement is irrevocable and remains in effect as long as the Nominee Shareholder continues to be a shareholder of the VIEs.

*Exclusive Business Cooperation Agreements*

Pursuant to the exclusive business cooperation agreements among the WFOEs and the VIEs, respectively, the WFOEs have the exclusive right to provide the VIEs with services related to, among other things, comprehensive technical support, professional training, consulting services and marketing and promotional services. Without prior written consent of the WFOEs, the VIEs agree not to directly or indirectly accept the same or any similar services provided by any others regarding the matters ascribed by the exclusive business cooperation agreements. The VIEs agree to pay the WFOEs services fees, which will be determined by the WFOEs. The WFOEs have the exclusive ownership of intellectual property rights created as a result of the performance of the agreements. The agreements will remain effective except that the WFOEs are entitled to terminate the agreements in writing.

*Exclusive Option Agreements*

Pursuant to the exclusive option agreements among the WFOEs, the VIEs and their respective Nominee Shareholders, the Nominee Shareholders of the VIEs irrevocably grant the respective WFOEs an exclusive option to purchase, or have its designated person to purchase, at its discretion, to the extent permitted under PRC law, all or part of their equity interests in the VIEs (except for 3.03% of Beijing Lianjia's equity interests pledged to a third party as of December 31, 2018, while the pledge was removed in December 2019 and all equity interests were subject to the exclusive option agreements). The purchase price with respect to the equity interests in Tianjin

**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****1. Organization (Continued)**

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 till all of the equity interests of the relevant VIEs have been transferred to the WFOEs and/or its designated person. Jinbei Technology has 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, while the pledge was removed in December 2019 and all equity interests were 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 have registered all such equity pledges with the local branch of the State Administration for Market Regulation 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 its shareholders of contractual obligations under these agreements, the WFOEs, as pledgee, 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

**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****1. Organization (Continued)**

addition, each of them agrees not to assert any rights over the equity interest in the VIEs held by her respective spouses. In addition, in the event that any of them obtains any equity interest in the VIEs held by their respective spouses for any reason, such spouses agree to be bound by similar obligations and agreed to enter into similar contractual arrangements.

**ii) Risks in relation to VIE structure**

Part of the Group's business is conducted through the VIEs of the Group, of which the Company is the ultimate primary beneficiary. The Company has concluded that (i) the ownership structure of the VIEs is not in violation of any existing PRC law or regulation in any material respect; and (ii) each of the VIE Contractual Agreements is valid, legally binding and enforceable to each party of such agreements and will not result in any violation of PRC laws or regulations currently in effect. However, uncertainties in the PRC legal system could cause the relevant regulatory authorities to find the current VIE Contractual Agreements and businesses to be in violation of any existing or future PRC laws or regulations.

On March 15, 2019, the National People's Congress adopted the Foreign Investment Law of the PRC, which became effective on January 1, 2020, together with their implementation rules and ancillary regulations. The Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, but it contains a catch-all provision under the definition of "foreign investment", which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. It is unclear that whether the Group's corporate structure will be seen as violating the foreign investment rules as the Group are currently leveraging the contractual arrangements to operate certain businesses in which foreign investors are prohibited from or restricted to investing. If variable interest entities fall within the definition of foreign investment entities, the Group's ability to use the contractual arrangements with its 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 UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****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 Group's 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 was considered as ultimate primary beneficiary of the VIEs and had consolidated the VIEs' financial results of operations, assets and liabilities in the Company's unaudited interim condensed consolidated financial statements. Therefore, the Company considers that there are no assets in the VIEs that can be used only to settle obligations of the VIEs, except for the registered capital of the VIEs amounting to approximately RMB1.9 billion and RMB1.8 billion as of December 31, 2019 and March 31, 2020, as well as certain non-distributable statutory reserves amounting to approximately RMB61.2 million and RMB61.7 million as of December 31, 2019 and March 31, 2020. 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 set 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) taken as a whole, which were included in the Group's unaudited interim condensed consolidated financial statements with intercompany transactions eliminated. The VIE Contractual Arrangements were effected upon the completion of the Reorganization on December 28, 2018. The following disclosures present the financial positions of the businesses that currently constitute the VIE entities

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Organization (Continued)

as of December 31, 2019 and March 31, 2020 and the operation results for the three months ended March 31, 2019 and 2020:

|  | As of             |                   |
|--|-------------------|-------------------|
|  | December 31, 2019 | March 31, 2020    |
|  | RMB               | RMB               |
|  | (in thousands)    |                   |
| Cash and cash equivalents                      | 3,569,728         | 5,476,018         |
| Restricted cash                                | 3,792,659         | 4,319,607         |
| Short-term investments                         | 1,821,946         | 1,212,701         |
| Short-term financing receivables, net          | 2,125,621         | 990,102           |
| Accounts receivable, net                       | 78,480            | 79,316            |
| Amounts due from related parties               | 664,078           | 431,188           |
| Loan receivables from related parties          | 1,924,500         | 1,921,800         |
| Prepayments, receivables and other assets      | 718,610           | 882,904           |
| Amounts due from non-VIE subsidiaries          | 18,089,207        | 18,984,566        |
| <b>Total current assets</b>                    | <b>32,784,829</b> | <b>34,298,202</b> |
| Property and equipment, net                    | 163,450           | 158,625           |
| Right-of-use assets                            | 219,632           | 119,986           |
| Long-term financing receivables, net           | 265,868           | 133,531           |
| Long-term investments, net                     | 306,874           | 301,010           |
| Intangible assets, net                         | 58,262            | 54,713            |
| Goodwill                                       | 7,522             | 7,522             |
| Non-current restricted cash                    | 131,574           | 82,650            |
| Other non-current assets                       | 8,045             | 17,917            |
| <b>Total non-current assets</b>                | <b>1,161,227</b>  | <b>875,954</b>    |
| <b>Total assets</b>                            | <b>33,946,056</b> | <b>35,174,156</b> |
| Accounts payable                               | 120,892           | 178,087           |
| Amounts due to related parties                 | 104,957           | 105,955           |
| Employee compensation and welfare payable      | 1,587,750         | 803,050           |
| Customer deposits payable                      | 3,173,825         | 3,554,436         |
| Income taxes payable                           | 206,334           | 46,017            |
| Short-term borrowings                          | 720,000           | 420,000           |
| Lease liabilities current portion              | 98,260            | 54,691            |
| Short-term funding debt                        | 2,291,723         | 1,651,294         |
| Contract liabilities                           | 49,191            | 39,112            |
| Accrued expenses and other current liabilities | 205,337           | 146,824           |
| Amounts due to non-VIE subsidiaries            | 20,487,070        | 22,726,994        |
| <b>Total current liabilities</b>               | <b>29,045,339</b> | <b>29,726,460</b> |
| Deferred tax liabilities                       | 49,524            | 49,524            |
| Lease liabilities non-current portion          | 101,727           | 26,496            |
| Long-term funding debt                         | 7,500             | 7,500             |
| <b>Total non-current liabilities</b>           | <b>158,751</b>    | <b>83,520</b>     |
| <b>Total liabilities</b>                       | <b>29,204,090</b> | <b>29,809,980</b> |

## KE Holdings Inc.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 1. Organization (Continued)

|   | For the Three Months<br>Ended March 31, |           |
|---|---|-----------|
|   | 2019                                    | 2020      |
|   | RMB                                     | RMB       |
|   | (in thousands)                          |           |
| Total net revenues  | 2,889,117                               | 230,229   |
| Net income  | 365,173                                 | 57,079    |
| Net cash provided by operating activities                             | 717,014                                 | 2,308,557 |
| Net cash provided by (used in) investing activities                   | (12,427)                                | 1,016,187 |
| Net cash used in financing activities                                 | (1,631,485)                             | (940,429) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (926,898)                               | 2,384,315 |

## (d) Impact of COVID-19

The current COVID-19 pandemic has already 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. 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. The pandemic also resulted further delays in payment, as the business of many of the real estate developers with outstanding trade receivable balances with the Group was suspended in early 2020. 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 have 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 current assessment of these estimates, as the Group, the real estate agents on their platform, and their business partners are recovering from the general shutdown, the Group concluded that, although the COVID-19 outbreak had adversely affected the Group's business in the first quarter of 2020, there would be 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 at March 31, 2020. While the adverse impact from COVID-19 is currently expected to be temporary, there is 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 three months ended March 31, 2020, the Group recognized government grants related to the above support program of approximately RMB190.8 million, net-off employee benefits in related cost and expenses, in the



**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****1. Organization (Continued)**

consolidated statements of comprehensive income (loss). It is uncertain whether such government support program will continue in the future.

**2. Significant accounting policies****2.1 (a) Impact of newly adopted accounting pronouncement**

In 2016, the FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326)," which replaces the existing incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The Company adopted Topic 326 using a modified retrospective method for all financial assets measured at amortized cost and liabilities for guarantee arrangements. Results for reporting periods beginning after January 1, 2020 are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a decrease to retained earnings, net of tax, of RMB91 million as of January 1, 2020 for the cumulative effect of adopting Topic 326. The Company assesses all financial assets subject to credit losses quarterly and establish 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 August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The ASU is part of the FASB's disclosure framework project to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by generally accepted accounting principles. The ASU modifies disclosure requirements on fair value measurements in Topic 820. The Company adopted ASU 2018-13 effective January 1, 2020. ASU 2018-13 did not have a material impact on disclosures in the Group's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement ("CCA") That Is a Service Contract. This update amends the current guidance that exists for CCAs by providing explicit accounting for implementation costs of a hosting arrangement that is a service contract. The amendments effectively align the accounting for implementation costs for hosting arrangements, regardless of whether they convey a license to the hosted software. Thus, a hosting arrangement that is a service contract will follow the guidance in ASC 350-40 — "Intangibles — Goodwill and other, Internal-use software", to determine which implementation costs to capitalize or expense. This new standard is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company adopted the new standard effective January 1, 2020 on a prospective basis. The adoption of the new standard did not have a material impact on the Company's condensed consolidated financial statements.

**2.1 (b) Recent issued accounting pronouncements not yet adopted**

In December 2019, the FASB issued ASU 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

**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements.

In January 2020, the FASB issued ASU 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. Early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements.

In March 2020, FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting", which provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments are effective for all entities beginning on March 12, 2020, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements.

**2.2 Basis of preparation**

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes normally included in the annual financial statements prepared in accordance with U.S. GAAP. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted consistent with Article 10 of Regulation S-X. In the opinion of management, the unaudited interim condensed consolidated financial statements and accompanying notes include all adjustments (consisting of normal recurring adjustments) considered necessary for the fair statement of the Company's financial position as of December 31, 2019 and March 31, 2020, and results of operations and cash flows for the three months ended March 31, 2019 and 2020. Interim results of operations are not necessarily indicative of the results for the full year or for any future period. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019, and related notes included in the Company's audited consolidated financial statements. The financial information as of December 31, 2019 presented in the unaudited interim condensed consolidated financial statements is derived from the audited consolidated financial statements as of December 31, 2019. Significant accounting policies followed by the Group in the preparation of its accompanying unaudited interim condensed consolidated financial statements are summarized below.

**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)****2.3 Basis of consolidation**

The unaudited interim condensed 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 period 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 unaudited interim condensed consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Group's unaudited interim condensed 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) fair value of financial guarantee, (v) valuation and recognition of share-based compensation expenses, (vi) useful lives of property and equipment and intangible assets, (vii) fair value of short-term and long-term investments, and derivative instruments, (viii) fair value of ordinary shares and convertible redeemable preferred shares, (ix) liabilities related to employee welfare benefits and (x) 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 unaudited interim condensed consolidated financial statements.

**2.5 Foreign currencies and foreign currency translation**

The Group's reporting currency is Renminbi ("RMB"). The functional currency of the Company and its subsidiaries incorporated in the Cayman Islands, BVI and Hong Kong is United States dollars ("US\$") and the functional currency of the PRC entities in the Group is RMB. The Company's subsidiaries with operations in other jurisdictions generally use their respective local currencies as their functional currencies.

**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

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 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 three months ended March 31, 2020 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB7.0808, representing the index rates stipulated by the federal reserve board/ the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on March 31, 2020. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on March 31, 2020, 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 UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****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 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. The Company assesses the accounts receivables quarterly and establish 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.

**2.9 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 UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****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 improvements 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 of credit losses*

The allowance for credit losses reflects the Group's estimated probable expected losses. The Group assesses 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 (i.e. probability of default ("PD") and loss given default ("LGD") (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 probable 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 all 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 all 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 UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**2. Significant accounting policies (Continued)****2.10 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 Company 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 Company as an integral part of its risk management program. The Company does not engage in derivative instruments for speculative or trading purposes. The Company 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.

**2.11 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 name | 3 - 5 years  |
| • Customer relationships     | 3 - 5 years  |
| • Non-competition agreement  | 3 - 5 years  |
| • Advertising resources      | 5 years      |
| • Licence                    | 6 - 10 years |

Separately identifiable intangible 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.

No impairment charges of intangible assets were recognized for the three months ended March 31, 2019 and 2020.

**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)****2.12 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 Company early adopted ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, and 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 Company 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 Company 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 each reporting unit exceeds its fair value, an impairment loss equal to the difference will be recorded. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit. The Group performs goodwill impairment testing at the reporting unit level on December 31 annually, and between annual tests whenever a triggering event occurs. No impairment of goodwill was recognized for the three months ended March 31, 2019 and 2020.

**2.13 Revenue recognition**

The Group adopted ASC 606—"Revenue from Contracts with Customers" for all periods presented. According to ASC 606, revenues from contracts with customers are recognized when control of the promised goods or services is transferred to 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



**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

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 which is the split commission.

For agency commissions earned by the Group, either as the principal agent or participating agent, after deducting estimated potential refunds due to a terminated transaction, the Group recognizes them 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.

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 system, (ii) franchise fees from brokerage firms as a percentage of the transaction commissions earned under the Group's franchise brands such as 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 UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****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 at that time.

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 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) Also, 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

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant accounting policies (Continued)

it has the unconditional right to receive consideration. The Group does not have any capitalized contract cost. No contract assets were identified as of December 31, 2019 and March 31, 2020.

Contract liabilities are recognized if the Group receives consideration in advance of performance, which is mainly in relation to the existing home transaction services, new home transaction services and emerging and other services. The Group expects to recognize a significant majority of this balance as revenue over the next 12 months, and the remainder thereafter. The contract liabilities of the Group as of December 31, 2019 and March 31, 2020 were listed in the below table.

|                                    | As of             |                |
|------------------------------------|-------------------|----------------|
|                                    | December 31, 2019 | March 31, 2020 |
|                                    | RMB               | RMB            |
|                                    | (in thousands)    |                |
| <b>Contract liabilities:</b>       |                   |                |
| Existing home transaction services | 136,498           | 125,592        |
| New home transaction services      | 334,429           | 376,068        |
| Emerging and other services        | 122,446           | 115,035        |
| <b>Total</b>                       | <b>593,373</b>    | <b>616,695</b> |

2.14 Advertising expenses

For the three months ended March 31, 2019 and 2020, advertising expenses recognized in the consolidated statements of comprehensive income (loss) were RMB288.0 million and RMB254.3 million, respectively.

2.15 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.

## KE Holdings Inc.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**2. Significant accounting policies (Continued)***Uncertain tax positions*

The Company 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 three months ended March 31, 2019 and 2020. The Group did not have any significant unrecognized uncertain tax positions for the three months ended March 31, 2019 and 2020.

**2.16 Employee benefits**

Full-time employees of the Group in mainland China are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurances, medical insurances, unemployment benefits and housing fund plans through a PRC government-mandated defined contribution plan. Chinese labor regulations require that the Group makes payments to the government for these benefits based on a certain percentage of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond making the required contributions.

Historically, the contributions made by the Group for employees might have been insufficient under the PRC laws and regulations, for which the Group made provisions based on its best estimates considering general administrative practice, historical precedent cases, legal advice and other factors. The provisions made are to be reversed if a) the potential exposures that the provisions were made for do not occur for a period of time and b) the Group believes that the probability that such exposures would materialize in the future is remote based on most recent developments. The balances of the provisions are included in employee compensation and welfare payable. The net impact of additions and reversals of the provisions was an increase or (decrease) in employee welfare benefit expenses of (RMB47.9) million and RMB23.1 million for the three months ended March 31, 2019 and 2020, respectively. Currently, the Group is implementing a remediation plan to reduce the possibility 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 RMB467.5 million and RMB373.4 million for the three months ended March 31, 2019 and 2020, respectively.

**2.17 Net loss per share**

Basic loss per share is computed by dividing net loss attributable to ordinary shareholders, considering the accretion on convertible redeemable preferred shares to redemption value and deemed dividends to a preferred shareholder, by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net loss is

**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Significant accounting policies (Continued)**

not allocated to other participating securities if based on their contractual terms they are not obligated to share in the loss.

Diluted loss per share is computed using the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**2.18 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 22.

**2.19 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 revenues or the total purchases of the Group for the three months ended March 31, 2019 and 2020.

*Concentration of credit risk*

Assets that potentially subject the Group to significant concentrations of credit risk primarily consist of cash and cash equivalents, restricted cash, accounts receivable, other receivables, short-term investments, long-term investments and financing receivables. As of December 31, 2019 and March 31, 2020, 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. Such 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, other receivables and long-term investments 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

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant accounting policies (Continued)

ongoing monitoring processes of outstanding balances. The risk with respect to the financing receivables and off-balance sheet guarantees are mitigated by credit evaluations the Group performs on its borrowers and the Group's ongoing monitoring controls for the outstanding balances. As of December 31, 2019 and March 31, 2020, only one customer's total receivable amounting to RMB3,148 million and RMB2,969 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 RMB17.0 billion as of March 31, 2020. 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, and in recent years RMB has depreciated significantly against US\$. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US\$ in the future.

3. Short-term Investments

|                            | As of             |                |
|----------------------------|-------------------|----------------|
|                            | December 31, 2019 | March 31, 2020 |
|                            | RMB               | RMB            |
|                            | (in thousands)    |                |
| Short-term investments:    |                   |                |
| Bank time deposits         | 1,225             | 3,277          |
| Wealth management products | 1,843,370         | 7,706,321      |
| Total                      | 1,844,595         | 7,709,598      |

Bank time deposits are time deposits with original maturities of longer than three months but less than one year or the long-term bank deposit with maturity date within one year.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Short-term Investments (Continued)

The Company's wealth management products are issued by multiple financial institutions, which are mainly money market funds and structural deposits containing a variable interest rate. To estimate the fair value of short-term investments, the Company refers to the quoted rate of return provided by financial institutions at the end of each year using discounted cash flow method. The Company classifies the valuation techniques that use these inputs as level 2 of fair value measurement. The weighted average interest rate for the wealth management products is 3.59% for the quarter ended March 31, 2020. The Group elects to measure the investment in wealth management products at fair value with the fair value changes recorded in fair value changes in investments, net in the consolidated statements of comprehensive income (loss).

4. Prepayments, receivables and other assets

|  | As of             |                |
|--|-------------------|----------------|
|  | December 31, 2019 | March 31, 2020 |
|  | RMB               | RMB            |
|  | (in thousands)    |                |
| <b>Current:</b>                          |                   |                |
| Advances to suppliers                    | 254,534           | 369,694        |
| Deposits paid to new home developers     | 3,311,371         | 3,027,492      |
| Prepaid rental and other deposits        | 439,775           | 526,128        |
| Staff advances                           | 247,353           | 255,519        |
| Receivables from escrow account          | 18,982            | 17,989         |
| Interest receivables                     | 93,950            | 31,737         |
| VAT-input deductible                     | 608,958           | 532,179        |
| Others                                   | 318,073           | 326,489        |
| Total                                    | 5,292,996         | 5,087,227      |
| <b>Non-current:</b>                      |                   |                |
| Prepayment for advertising resources (i) | 145,806           | —              |
| Deferred tax asset (Note 17)             | 520,292           | 530,164        |
| Others                                   | 59,452            | 91,994         |
| Total                                    | 725,550           | 622,158        |

(i) Prepayment for advertising resources

In December 2018, the Group and Tencent Holdings Limited and its subsidiaries ("Tencent") entered into a business cooperation agreement (the "BCA") pursuant to which Tencent would provide the Group a) certain advertising resources; and b) certain marketing and cloud services, as part of the consideration for Series D Preferred Shares issued to Tencent. The prepayment for advertising resources, marketing and cloud services was charged to expense on an actual consumption basis. The prepayment was included in other non-current assets as of December 31, 2019 and subsequently reclassified to current assets as of March 31, 2020 as the Management expected that the remaining prepayments would be consumed within one year.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Accounts receivable, net

Accounts receivable, net consists of the following:

|                                    | As of             |                |
|------------------------------------|-------------------|----------------|
|                                    | December 31, 2019 | March 31, 2020 |
|                                    | RMB               | RMB            |
|                                    | (in thousands)    |                |
| New home transaction services      | 7,838,045         | 7,151,286      |
| Existing home transaction services | 604,191           | 640,721        |
| Emerging and other services        | 111,945           | 33,225         |
| Accounts receivable                | 8,554,181         | 7,825,232      |
| Allowance for credit losses        | (460,962)         | (522,389)      |
| Accounts receivable, net           | 8,093,219         | 7,302,843      |

The movement in the allowance for credit losses were as follows:

|  | For the Three Months Ended March 31, |           |
|--|--------------------------------------|-----------|
|  | 2019                                 | 2020      |
|  | RMB                                  | RMB       |
|  | (in thousands)                       |           |
| Balance at the beginning of the period | (207,245)                            | (460,962) |
| Additions                              | (17,601)                             | (70,515)  |
| Write-offs                             | —                                    | 9,088     |
| Balance at the end of the period       | (224,846)                            | (522,389) |



KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Financing receivables, net

Financing receivables, net as of December 31, 2019 and March 31, 2020 consisted of the followings:

|   | As of                |                   |
|---|----------------------|-------------------|
|   | December 31,<br>2019 | March 31,<br>2020 |
|   | RMB                  | RMB               |
|   | (in thousands)       |                   |
| <b>Short-term:</b>                              |                      |                   |
| Financing receivables from consolidated Trusts  | 1,915,721            | 1,147,959         |
| Financing receivables from micro-loan platforms | 302,123              | 341,709           |
| Total short-term financing receivables          | 2,217,844            | 1,489,668         |
| Allowance for credit losses                     | (92,223)             | (117,240)         |
| Total short-term financing receivables, net     | 2,125,621            | 1,372,428         |
| <b>Long-term:</b>                               |                      |                   |
| Financing receivables from consolidated Trusts  | 28,565               | 24,659            |
| Financing receivables from micro-loan platforms | 238,150              | 207,755           |
| Total long-term financing receivables           | 266,715              | 232,414           |
| Allowance for credit losses                     | (847)                | (35,847)          |
| Total long-term financing receivables, net      | 265,868              | 196,567           |

These balances represent short-term and long-term financing receivables are personal credit loans to home buyers and tenants, and to other individual borrowers.

The following table summarizes the balances of financing receivables by due date as of December 31, 2019 and March 31, 2020:

|                                    | As of                |                   |
|------------------------------------|----------------------|-------------------|
|                                    | December 31,<br>2019 | March 31,<br>2020 |
|                                    | RMB                  | RMB               |
|                                    | (in thousands)       |                   |
| Due in months                      |                      |                   |
| 0 - 12                             | 2,217,844            | 1,489,668         |
| 13 - 24                            | 102,274              | 85,634            |
| 25 - 36                            | 164,441              | 146,780           |
| <b>Total financing receivables</b> | <b>2,484,559</b>     | <b>1,722,082</b>  |

*Finance Receivables — Allowance for Credit Losses and Credit Quality*

Consistent with the adoption of ASU 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

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Financing receivables, net (Continued)

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 macroeconomic and market turmoil caused by COVID-19, the management updated the CECL model based on the continuously monitoring result and took the latest available information into consideration. The major assumption i.e. the projected one year PD was updated accordingly, which resulted in the allowance for credit losses increased to 8.86% of gross finance receivables (net of unearned income) at March 31, 2020 from 6.20% at December 31, 2019.

Amounts disclosed below for the three months ended and at March 31, 2020 reflect the adoption of ASU 2016-13 in January 2020. Amounts disclosed below for comparable periods in 2019 reflect superseded guidance.

|                                    | For the Three<br>Months Ended<br>March 31, |                         |
|------------------------------------|--|-------------------------|
|                                    | 2019                                       | 2020                    |
|                                    | RMB  | RMB                     |
|                                    | (in thousands)                             |                         |
| Beginning balance prior to ASC 326 | —  | (93,070)                |
| Impact of adoption of ASC 326      | —  | (60,899)                |
| <b>Beginning balance</b>           | <b>(54,645)</b>                            | <b>(153,969)</b>        |
| Provisions                         | (1,975)                                    | 882                     |
| Write-offs                         | —  | —                       |
| <b>Ending balance</b>              | <b><u>(56,620)</u></b>                     | <b><u>(153,087)</u></b> |

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 8.50%.

Non-property transaction related business: This segmentation mainly includes consumer loans. The average loss rate in this category is 10.13%.

Delinquency:

Based on the past due days, the Company separates the contracts into 5 groups including current, 1-29 days past due, 30-89 days past due, 90-179 days past due and over 180 days past due. The delinquency rate was 7.62% and 16.32% as at December 31, 2019 and March 31, 2020 respectively.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Financing receivables, net (Continued)

Credit quality indicators are updated quarterly, and the credit quality of any given customer can change during the life of the portfolio.

Financing receivables portfolio based on customer type, origination year and delinquency are as follows:

|   | 1 - 29 Days<br>Past Due | 30 - 59 Days<br>Past Due | 60 - 89 Days<br>Past Due | 90 - 179 Days<br>Past Due | 180 days<br>or greater<br>Past Due | Total<br>Past Due | Current          | Total            |
|---|-------------------------|--------------------------|--------------------------|---------------------------|------------------------------------|-------------------|------------------|------------------|
|   | RMB                     | RMB                      | RMB                      | RMB                       | RMB                                | RMB               | RMB              | RMB              |
| (in thousands)                            |                         |                          |                          |                           |                                    |                   |                  |                  |
| Property transaction related business     | 34,825                  | 17,797                   | 9,386                    | 10,355                    | 114,322                            | 186,685           | 1,882,360        | 2,069,045        |
| Non-property transaction related business | 51                      | 10                       | 2                        | 106                       | 2,381                              | 2,550             | 412,964          | 415,514          |
| <b>December 31, 2019</b>                  | <b>34,876</b>           | <b>17,807</b>            | <b>9,388</b>             | <b>10,461</b>             | <b>116,703</b>                     | <b>189,235</b>    | <b>2,295,324</b> | <b>2,484,559</b> |
| Property transaction related business     |                         |                          |                          |                           |                                    |                   |                  |                  |
| 2017                                      | —                       | —                        | —                        | —                         | 6,653                              | 6,653             | —                | 6,653            |
| 2018                                      | —                       | —                        | —                        | —                         | 94,739                             | 94,739            | —                | 94,739           |
| 2019                                      | 13,885                  | 43,804                   | 34,548                   | 24,280                    | 23,374                             | 139,891           | 42,942           | 182,833          |
| 2020                                      | 29,210                  | 9,472                    | —                        | —                         | —                                  | 38,682            | 1,023,460        | 1,062,142        |
| <b>Total</b>                              | <b>43,095</b>           | <b>53,276</b>            | <b>34,548</b>            | <b>24,280</b>             | <b>124,766</b>                     | <b>279,965</b>    | <b>1,066,402</b> | <b>1,346,367</b> |
| Non-property transaction related business |                         |                          |                          |                           |                                    |                   |                  |                  |
| 2017                                      | —                       | —                        | —                        | —                         | —                                  | —                 | 959              | 959              |
| 2018                                      | 5                       | —                        | 8                        | —                         | 369                                | 382               | 43,408           | 43,790           |
| 2019                                      | 310                     | 159                      | 86                       | 31                        | 118                                | 704               | 271,434          | 272,138          |
| 2020                                      | —                       | —                        | —                        | —                         | —                                  | —                 | 58,828           | 58,828           |
| <b>Total</b>                              | <b>315</b>              | <b>159</b>               | <b>94</b>                | <b>31</b>                 | <b>487</b>                         | <b>1,086</b>      | <b>374,629</b>   | <b>375,715</b>   |
| <b>March 31, 2020</b>                     | <b>43,410</b>           | <b>53,435</b>            | <b>34,642</b>            | <b>24,311</b>             | <b>125,253</b>                     | <b>281,051</b>    | <b>1,441,031</b> | <b>1,722,082</b> |

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Property and equipment, net

|   | As of                |                   |
|---|----------------------|-------------------|
|   | December 31,<br>2019 | March 31,<br>2020 |
|   | RMB                  | RMB               |
|   | (in thousands)       |                   |
| Office building                               | 424,508              | 424,508           |
| Vehicles                                      | 29,199               | 29,000            |
| Computer equipment                            | 716,833              | 738,566           |
| Furniture and office equipment                | 313,915              | 317,954           |
| Leasehold improvement                         | 1,687,359            | 1,742,281         |
| Construction in progress                      | 122,343              | 122,143           |
|   | 3,294,157            | 3,374,452         |
| Less: accumulated depreciation and impairment | (2,159,929)          | (2,256,815)       |
| Net book value                                | 1,134,228            | 1,117,637         |

Depreciation expenses recognized for the three months ended March 31, 2019 and 2020 amounted to RMB137.2 million and RMB114.4 million, respectively.

8. Intangible assets, net

|                                | As of                |                   |
|--------------------------------|----------------------|-------------------|
|                                | December 31,<br>2019 | March 31,<br>2020 |
|                                | RMB                  | RMB               |
|                                | (in thousands)       |                   |
| Software                       | 157,041              | 153,721           |
| Trademarks and domain name     | 161,417              | 165,021           |
| Customer relationships         | 35,642               | 35,642            |
| Non-competition agreement      | 122,480              | 122,480           |
| Advertising resources (Note 4) | 2,441,670            | 2,479,785         |
| Licence                        | 340,413              | 340,413           |
| Total                          | 3,258,663            | 3,297,062         |
| Less: accumulated amortization | (644,931)            | (810,318)         |
| Less: accumulated impairment   | (53,290)             | (53,290)          |
| Net book value                 | 2,560,442            | 2,433,454         |

Amortization expenses recognized for the three months ended March 31, 2019 and 2020 amounted to RMB17 million and RMB157 million, respectively.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Long-term investments, net

The following sets forth the changes in the Group's long-term investments:

|                                    | Investments in<br>equity method<br>investees | Investments<br>accounted for<br>at fair values | Equity<br>investments<br>measured under<br>measurement<br>alternative and<br>NAV practical<br>expedient | Long-term<br>time deposits | Total            |
|------------------------------------|--|--|---|----------------------------|------------------|
|                                    | RMB  | RMB  | RMB   | RMB                        | RMB              |
|                                    | (in thousands)                               |  |   |                            |                  |
| <b>Balance at January 1, 2019</b>  | <b>93,314</b>                                | <b>251,207</b>                                 | <b>72,744</b>   | <b>1,204</b>               | <b>418,469</b>   |
| Investments made                   | 26,240                                       | —  | —   | —                          | 26,240           |
| Income (loss) from investment      | 4,132  | —  | —   | —                          | 4,132            |
| Fair value change through earnings | —  | 42,165   | 6,476   | —                          | 48,641           |
| Transfer to short-term investments | —  | —  | —   | (1,204)                    | (1,204)          |
| <b>Balance at March 31, 2019</b>   | <b>123,686</b>                               | <b>293,372</b>                                 | <b>79,220</b>   | <b>—</b>                   | <b>496,278</b>   |
| <b>Balance at January 1, 2020</b>  | <b>395,926</b>                               | <b>1,578,596</b>                               | <b>144,223</b>  | <b>215,000</b>             | <b>2,333,745</b> |
| Investments made                   | 3,440  | —  | 2,681   | —                          | 6,121            |
| Income (loss) from investment      | (3,090)                                      | —  | —   | —                          | (3,090)          |
| Investment impairment              | —  | —  | (9,000)   | —                          | (9,000)          |
| Exchange adjustments               | —  | 16,335   | —   | —                          | 16,335           |
| Fair value change through earnings | —  | 134  | 2,232   | 1,478                      | 3,844            |
| <b>Balance at March 31, 2020</b>   | <b>396,276</b>                               | <b>1,595,065</b>                               | <b>140,136</b>  | <b>216,478</b>             | <b>2,347,955</b> |

*Investments in equity method investees*

The Group's investments accounted for under the equity method totaled RMB395.9 million and RMB396.3 million as of December 31, 2019 and March 31, 2020, respectively. 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.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Long-term investments, net (Continued)

*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 and (ii) unlisted equity securities or debt securities which uses 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<br>basis    | Gross<br>unrealized<br>gains | Gross<br>unrealized<br>losses | Exchange<br>adjustments | Fair<br>value    |
|---|------------------|------------------------------|-------------------------------|-------------------------|------------------|
|   | RMB              | RMB                          | RMB                           | RMB                     | RMB              |
|   |                  |                              | (in thousands)                |                         |                  |
| Marketable securities                   | 200,000          | —                            | (118,837)                     | —                       | 81,163           |
| Unlisted equity securities              | 203,154          | 735                          | —                             | —                       | 203,889          |
| Loan receivables measured at fair value | 29,834           | —                            | (1,844)                       | —                       | 27,990           |
| Wealth management product               | 1,246,430        | 19,258                       | —                             | 16,335                  | 1,282,023        |
| <b>March 31, 2020</b>                   | <b>1,679,418</b> | <b>19,993</b>                | <b>(120,681)</b>              | <b>16,335</b>           | <b>1,595,065</b> |
| Marketable securities                   | 200,000          | —                            | (106,623)                     | —                       | 93,377           |
| Unlisted equity securities              | 203,154          | 5,801                        | —                             | —                       | 208,955          |
| Loan receivables measured at fair value | 29,834           | —                            | —                             | —                       | 29,834           |
| Wealth management product               | 1,246,430        | —                            | —                             | —                       | 1,246,430        |
| <b>December 31, 2019</b>                | <b>1,679,418</b> | <b>5,801</b>                 | <b>(106,623)</b>              | <b>—</b>                | <b>1,578,596</b> |

*Equity investments measured under measurement alternative and NAV practical expedient*

Equity investments without readily determinable fair values include investments in private equity funds accounted for under NAV practical expedient, and investments in private companies accounted for under measurement alternative.

Investments in private equity generally are not redeemable due to the closed-ended nature of these funds. Investment in private equity funds over which the Group does not have the ability to exercise significant influence are accounted for under the NAV practical expedient. As of December 31, 2019 and March 31, 2020, the carrying amount of the Group's investment in private equity fund was approximately RMB68.1 million and RMB70.4 million, respectively. During the three months ended March 31, 2019 and 2020, fair value changes recognized for this equity investment were RMB6.5 million and RMB2.3 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.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Long-term investments, net (Continued)

As of December 31, 2019 and March 31, 2020, investments accounted for under measurement alternative were RMB76.1 million and RMB69.7 million, respectively. There was no upward adjustment identified by the management for the three months ended March 31, 2019 and 2020. Because certain investees' operation metrics and financial performance did not meet the expectations, the Group recorded RMB9.0 million impairments for an investment accounted for under the measurement alternative method for the three months ended March 31, 2020. The impairment was recorded in "Fair value changes in investments, net" in the Group's unaudited interim condensed consolidated statements of comprehensive income (loss). Also, the Company classifies the valuation techniques on those investments that use similar identifiable transaction prices as Level 2 of fair value measurements.

*Long-term time deposits*

Long-term time deposits represent time deposits placed with banks with original maturities more than one year and those matured date within one year will be reclassified to short-term investments. As of December 31, 2019 and March 31, 2020, there were time deposits denominated in RMB amounting to approximately RMB215 million and RMB216.5 million with maturity date in May 2024, respectively.

10. Goodwill

For the three months ended March 31, 2019 and 2020, the changes in the carrying value of goodwill by segment are as follows:

|                                      | Existing<br>home<br>transaction<br>services<br>RMB | New home<br>transaction<br>services<br>RMB | Emerging<br>and other<br>services<br>RMB | Total<br>RMB |
|--------------------------------------|--|--|--|--------------|
|                                      | (in thousands)                                     |  |  |              |
| <b>Balance as of January 1, 2019</b> | 848,732  | 286,302                                    | —  | 1,135,034    |
| <b>Balance as of March 31, 2019</b>  | 848,732  | 286,302                                    | —  | 1,135,034    |
| Goodwill                             | 1,305,371  | 461,496                                    | —  | 1,766,867    |
| Accumulated impairment loss          | (456,639)  | (175,194)                                  | —  | (631,833)    |
| <b>Balance as of January 1, 2020</b> | 2,174,580  | 286,302                                    | 16,193                                   | 2,477,075    |
| <b>Balance as of March 31, 2020</b>  | 2,174,580  | 286,302                                    | 16,193                                   | 2,477,075    |
| Goodwill                             | 2,631,219  | 461,496                                    | 16,193                                   | 3,108,908    |
| Accumulated impairment loss          | (456,639)  | (175,194)                                  | —  | (631,833)    |

The management performed a qualitative analysis by taking into consideration the macroeconomics, overall financial performance, industry and market conditions. Based on the assessment, the Group concluded that the adverse impact from COVID-19 is currently expected to be temporary and there would be no material impact on the Group's long-term forecast, and

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Goodwill (Continued)

determined that it was not necessary to perform a quantitative goodwill impairment test, and no impairment of goodwill were recognized as of March 31, 2020. The Group will continue to monitor and evaluate the fair value of goodwill for each reporting unit, and should facts and circumstances change, a non-cash impairment charge could be recorded in the future.

11. Borrowings

|  | As of                |                   |
|--|----------------------|-------------------|
|  | December 31,<br>2019 | March 31,<br>2020 |
|  | RMB                  | RMB               |
|  | (in thousands)       |                   |
| Current portion:                                     |                      |                   |
| Short-term borrowings <sup>(i)</sup>                 | 720,000              | 420,000           |
| Long term borrowings current portion <sup>(ii)</sup> | —                    | 116,550           |
| Non-current portion:                                 |                      |                   |
| Long-term borrowings <sup>(iii)</sup>                | 4,890,030            | 4,886,322         |
| Total  | 5,610,030            | 5,422,872         |

- (i) Short-term borrowings as of March 31, 2020 consisted of several bank loans denominated in RMB. All of these bank borrowings were repayable within one year and were fully guaranteed by Mr Zuo Hui. The interest rate for the outstanding borrowings is approximately 4.35% as of March 31, 2020.
- (ii) In February 2018, the Group entered into a 35-month US\$16.45 million (RMB116.6 million) facility agreement with a bank. The facilities were priced at 170 basis points over LIBOR. By the end of December 31, 2018, the facility was fully drawn down, and the borrowings will be due in February 2021. A cash security deposit of RMB131.6 million was provided by the Group to facilitate the borrowing at the end of March 31, 2020.
- (iii) In October 2019, the Group entered into a 3-year US\$675 million (RMB4,782.4 million) revolving credit facilities agreement with a group of 10 arrangers. The debt issuance costs of US\$5.56 million (RMB39.4 million) were presented as a direct deduction from the principal amount of the facility in the condensed consolidated balance sheets. By the end of March 31, 2020, the facility was fully drawn down, and the borrowings will be due in 2022. The effective interest rate for the facility was 3.29% as of March 31, 2020.

The revolving credit facilities agreement requires the Group 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 Company was in compliance with all covenants as of March 31, 2020.

In October 2019, the Group entered into a 5.5-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 March 31, 2020, RMB144.82 million of the facility was drawn down, RMB102.78 million will be due in 2025, and RMB42.04 million will be due in 2026.



KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Borrowings (Continued)

As of March 31, 2020, the borrowings will be due according to the following schedule:

|                      | Principal amount |
|----------------------|------------------|
|                      | RMB              |
|                      | (in thousands)   |
| Within 1 year        | 536,550          |
| Between 1 to 2 years | —                |
| Between 2 to 3 years | 4,741,502        |
| Between 3 to 4 years | —                |
| Between 4 to 5 years | —                |
| Beyond 5 years       | 144,820          |
| Total                | 5,422,872        |

12. Accounts payable

|  | As of             |                |
|--|-------------------|----------------|
|  | December 31, 2019 | March 31, 2020 |
|  | RMB               | RMB            |
|  | (in thousands)    |                |
| Payable related to new home transaction business | 3,528,331         | 2,836,561      |
| Payable for advertising fees                     | 365,379           | 354,793        |
| Payable for internet service fees                | 80,064            | 67,132         |
| Payable for leasehold improvements               | 59,107            | 39,440         |
| Others   | 179,824           | 106,272        |
| Total  | 4,212,705         | 3,404,198      |

13. Accrued expenses and other current liabilities

|   | As of             |                |
|---|-------------------|----------------|
|   | December 31, 2019 | March 31, 2020 |
|   | RMB               | RMB            |
|   | (in thousands)    |                |
| Payable related to escrow accounts services | 425,858           | 406,968        |
| Other tax payables                          | 390,952           | 112,541        |
| Deposit related to franchise services       | 728,994           | 751,429        |
| Payable related to business combination     | 780,937           | 790,324        |
| Deferred guarantee revenue                  | 50,343            | 49,876         |
| Others                                      | 625,757           | 659,419        |
| Total                                       | 3,002,841         | 2,770,557      |

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Funding Debts

The following table summarized the Group's outstanding funding debts:

|   | As of             |                  |
|---|-------------------|------------------|
|   | December 31, 2019 | March 31, 2020   |
|   | RMB               | RMB              |
|   | (in thousands)    |                  |
| <b>Short-term:</b>                                |                   |                  |
| Loan payables to investors of consolidated Trusts | 2,291,723         | 1,651,294        |
| <b>Total short-term funding debt</b>              | <b>2,291,723</b>  | <b>1,651,294</b> |
| <b>Long-term:</b>                                 |                   |                  |
| Loan payables to investors of consolidated Trusts | 7,500             | 7,500            |
| <b>Total long-term funding debt</b>               | <b>7,500</b>      | <b>7,500</b>     |

The following table summarizes the remaining contractual maturity dates of the Group's funding debts and associated interest payments as of 31 March, 2020:

|   | Less than 1 year | 1 - 2 years  | 2 - 3 years | More than 3 years | Total            |
|---|------------------|--------------|-------------|-------------------|------------------|
|   | RMB              | RMB          | RMB         | RMB               | RMB              |
|   | (in thousands)   |              |             |                   |                  |
| Loan payables to investors of consolidated Trusts | 1,651,294        | 7,500        | —           | —                 | 1,658,794        |
| <b>Total funding debts</b>                        | <b>1,651,294</b> | <b>7,500</b> | <b>—</b>    | <b>—</b>          | <b>1,658,794</b> |
| Interest payments                                 | 60,606           | 1,242        | —           | —                 | 61,848           |
| <b>Total interest payments</b>                    | <b>60,606</b>    | <b>1,242</b> | <b>—</b>    | <b>—</b>          | <b>61,848</b>    |

For the three months ended March 31, 2019 and 2020, 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 7.87% and 8.63% for the three months ended March 31, 2019 and 2020, respectively.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Other income, net

|   | For the<br>Three Months<br>Ended<br>March 31, |                |
|---|---|----------------|
|   | 2019  | 2020           |
|   | RMB   | RMB            |
|   | (in thousands)                                |                |
| Investment income, net  | 3,430   | 20,993         |
| Government grants   | 18,797  | 261,497        |
| Net gain (loss) on disposal of property and equipment and intangible assets | (1,492)                                       | 114            |
| Others  | 14,598  | (7,914)        |
| <b>Total</b>  | <b>35,333</b>                                 | <b>274,690</b> |

16. Interest Income, net

|                  | For the<br>Three Months<br>Ended<br>March 31, |               |
|------------------|---|---------------|
|                  | 2019  | 2020          |
|                  | RMB   | RMB           |
|                  | (in thousands)                                |               |
| Interest income  | 87,386  | 131,186       |
| Interest expense | (26,783)                                      | (50,113)      |
| Bank charges     | (5,238)                                       | (2,491)       |
| Others           | (4)   | (373)         |
| <b>Total</b>     | <b>55,361</b>                                 | <b>78,209</b> |

17. Taxation

For interim financial reporting, the Group estimates the annual tax rate based on projected taxable income for the full year and records a quarterly income tax provision in accordance with the guidance on accounting for income taxes in an interim period.

As the year progresses, the Group refines the estimates of the year's taxable income as new information becomes available. This continual estimation process often results in a change to the expected effective tax rate for the year. When this occurs, the Group adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected annual tax rate.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Taxation (Continued)

The following table summarizes the China operations' income tax expenses and effective tax rates for the three months ended March 31, 2019 and 2020:

|                                 | For the<br>Three Months<br>Ended<br>March 31, |             |
|---------------------------------|---|-------------|
|                                 | 2019  | 2020        |
|                                 | RMB   | RMB         |
|                                 | (in thousands, except<br>for tax rate)        |             |
| Income (loss) before income tax | 237,014                                       | (1,161,233) |
| Income tax expense (benefit)    | 87,695  | (151,436)   |
| Effective tax rate              | 37.0%   | 13.0%       |

The change of effective tax rate is primarily resulted from the change in mix of loss before income tax in different entities and the increased permanent difference.

As of December 31, 2019 and March 31, 2020, net deferred tax assets were RMB520.3 million and RMB530.2 million, the increase of net deferred tax assets is mainly due to the tax impact of initial adoption of ASU No. 2016-13.

18. Share-based compensation

Compensation expenses recognized for share-based awards granted by the Company were nil for the three months ended March 31, 2019 and 2020. 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 three months ended March 31, 2019 and 2020.

*Share-based compensations related to share options*

*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;

## KE Holdings Inc.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**18. Share-based compensation (Continued)**

- 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\$0.0001 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 6,485,786 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, officers, directors or any other qualified persons. The maximum number of shares that may be issued under the 2018 Share Option Plan shall be 70,045,087 Class A Ordinary Shares of the Company on December 28, 2018. Pursuant to the 2018 Share Option Plan, 2,559,430 share options have been granted to employees of the Group as of December 31, 2019, which 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 vesting schedules similar to 2018 Beijing Lianjia Plan 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.

Pursuant to the 2018 Share Option Plan, the Company has granted 19,038,759 share options with exercise price of US\$0.0001 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 19,038,759 share options granted under 2018 Share Option Plan were exercised immediately after vesting on November 29, 2019.

For the three months ended of March 31, 2020, pursuant to 2018 Share Option Plan, the Company further granted 9,480,191 share options with exercise price of US\$0.0001 per share which have a contractual term of ten years from the stated vesting commencement date, and are generally scheduled to be vested over three to five years of continuous service subject to vesting schedules similar to 2018 Beijing Lianjia Plan 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.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Share-based compensation (Continued)

The following table summarizes activities of the Company's share options under 2018 Beijing Lianjia Plan and 2018 Share Option Plan as converted to the number of ordinary shares of the Company:

|   | Number of<br>options<br>outstanding | Weighted<br>average<br>exercise<br>price | Weighted<br>average<br>remaining<br>contractual<br>life | Aggregate<br>intrinsic<br>value |
|---|-------------------------------------|--|---|---------------------------------|
|   |                                     | US\$                                     | In Years  | US\$ (in thousands)             |
| Outstanding as of January 1, 2019           | 4,910,342                           | 0.0001                                   | 8.65  | 74,499                          |
| Granted                                     | 827,139                             | 0.0001                                   |   |                                 |
| Exercised                                   | —                                   | 0.0001                                   |   |                                 |
| Forfeited                                   | (226,718)                           | 0.0001                                   |   |                                 |
| Outstanding as of March 31, 2019            | 5,510,763                           | 0.0001                                   | 8.54  | 83,813                          |
| Outstanding as of January 1, 2020           | 7,684,634                           | 0.0001                                   | 8.12  | 144,869                         |
| Granted                                     | 9,480,191                           | 0.0001                                   |   |                                 |
| Exercised                                   | —                                   | 0.0001                                   |   |                                 |
| Forfeited                                   | (292,086)                           | 0.0001                                   |   |                                 |
| Outstanding as of March 31, 2020            | 16,872,739                          | 0.0001                                   | 8.53  | 318,202                         |
| Vested and exercisable as of March 31, 2019 | —                                   | —  | —   | —                               |
| Vested and exercisable as of March 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 three months ended March 31, 2019 and 2020 was US\$15.21 and US\$18.86, respectively, computed using the binomial option pricing model.

The total share-based compensation expenses recognized for share options during the three months ended March 31, 2019 and 2020 was nil.

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 three months ended March 31, 2019 and 2020 was

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Share-based compensation (Continued)

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<br>Three Months<br>Ended<br>March 31, |             |
|--------------------------------------|---|-------------|
|                                      | 2019  | 2020        |
| Exercise price                       | US\$0.0001                                    | US\$ 0.0001 |
| Fair value of ordinary shares (US\$) | 15.21   | 18.86       |
| Expected volatility                  | 51.4% ~ 52.6%                                 | 51.8%       |
| Expected term (in years)             | 10  | 10          |
| Expected dividend yield              | 0%  | 0%          |
| Risk-free interest rate              | 3.5%  | 1.3%        |

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 March 31, 2020, there were RMB2,037.3 million of unrecognized compensation expenses related to the share options granted to the Group's employees with a performance condition of an IPO, out of which, unrecognized compensation expenses of RMB673.4 million related to options for which the service condition had been met and are expected to be recognized when the performance target of an IPO is achieved.

19. 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 500,000,000 ordinary shares of par value US\$0.0001 each.

On December 28, 2018, in connection with the Reorganization, the Company increased its authorized share capital to US\$500,000 divided into 5,000,000,000 shares comprising of:

- (i) 4,250,000,000 Class A Ordinary Shares of at par value of US\$0.0001 each;
- (ii) 250,000,000 Class B Ordinary Shares of at par value of US\$0.0001 each;
- (iii) 150,000,000 Series B Preferred Shares at par value of US\$0.0001 each;
- (iv) 150,000,000 Series C Preferred Shares at par value of US\$0.0001 each;
- (v) 200,000,000 Series D Preferred Shares at par value of US\$0.0001 each.

On November 29, 2019, the Company authorized 150,000,000 Series D+ Preferred Shares at par value of US\$0.0001 each, and reduced the authorized number of Class A Ordinary Shares to 4,100,000,000 shares.

## KE Holdings Inc.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**19. Ordinary shares (Continued)**

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, his wholly owned holding entities, or any trust or other entity established for bona fide estate planning purposes for the benefit of or on behalf of him or his Immediate Family Member (together, the "Permitted Class B Holders"). If any Class B Ordinary Shares are transferred to a shareholder other than the Permitted Class B Holders, or if the Founder ceases to be an employee of any Group, such Class B Ordinary Shares shall automatically and immediately be converted into an equal number of Class A Ordinary Shares. Under no circumstances shall any preferred shares other than preferred shares that may be owned by the Founder or any Permitted Class B Holder be convertible into the Class B Ordinary Shares.

As of December 31, 2019 and March 31, 2020, the Company had issued and outstanding 294,033,338 and 294,033,338 ordinary shares, respectively.

**20. Preferred shares**

The following table summarizes the issuances of convertible redeemable preferred shares as of March 31, 2020:

| Name                       | Issuance date  | Issuance price<br>per share | Number of<br>shares |
|----------------------------|--|-----------------------------|---------------------|
|                            |  | US\$                        |                     |
| Series B Preferred Shares  | February to December 2016                                | 12.41                       | 80,578,253          |
| Series C Preferred Shares  | May to October 2017, and October 2018                    | 15.66                       | 95,556,044          |
| Series D Preferred Shares  | December 2018 to April 2019, August<br>and November 2019 | 19.00                       | 86,167,106          |
| Series D+ Preferred Shares | November to December 2019                                | 22.80                       | 62,175,831          |

The major rights, preferences and privileges of the Preferred Shares are as follows:

## (a) Dividends rights

Each Preferred Share shall have 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 may, 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 has not been fully paid in accordance with the terms of issue thereof prior to such conversion, the ordinary share(s) so converted shall remain 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.



**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****20. Preferred shares (Continued)***Automatic Conversion:*

Each preferred share shall automatically be 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 shall be 1:1, subject to adjustments in the event of (i) share subdivisions, combinations or consolidations of equity securities, share dividends and similar events, or (ii) issuance or deemed issuance of new securities for a consideration per ordinary share received by the Company (net of any selling concessions, discounts or commissions) less than the conversion price with respect to any preferred share in effect immediately prior to such issue or deemed issue.

**(c) Redemption rights**

Upon the occurrence of any Redemption Event as described below, the Company shall redeem, at the written request of any holder of the preferred shares, 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 would give 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" means 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" means the occurrence of any 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 have 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 is 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

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Preferred shares (Continued)

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 including: (i) any transaction or series of transactions, whether by merger, consolidation, amalgamation, sale or issuance of equity, scheme of arrangement or otherwise, which results 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 shall be 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 shall vote together on an as-converted basis and not as a separate class.

The Company's preferred shares activities for the three months ended March 31, 2019 and 2020 are summarized as below:

|  | Series B Shares   |                  | Series C Shares   |                   | Series D Shares   |                   | Series D+ Shares  |                   | Total              |                   |
|--|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
|  | Number of shares  | Amount           | Number of shares  | Amount            | Number of shares  | Amount            | Number of shares  | Amount            | Number of shares   | Amount            |
| (in thousands, except for shares)  |                   |                  |                   |                   |                   |                   |                   |                   |                    |                   |
| Balance as of January 1, 2019  | 59,696,752        | 6,039,616        | 94,113,635        | 11,288,505        | 40,868,421        | 5,334,188         | —                 | —                 | 194,678,808        | 22,662,309        |
| Issuance of Series D Preferred Shares, net of issuance cost              | —                 | —                | —                 | —                 | 5,863,158         | 749,293           | —                 | —                 | 5,863,158          | 749,293           |
| Accretion on convertible redeemable preferred shares to redemption value | —                 | 86,424           | —                 | 194,719           | —                 | 121,268           | —                 | —                 | —                  | 402,411           |
| Balance as of March 31, 2019   | <u>59,696,752</u> | <u>6,126,040</u> | <u>94,113,635</u> | <u>11,483,224</u> | <u>46,731,579</u> | <u>6,204,749</u>  | <u>—</u>          | <u>—</u>          | <u>200,541,966</u> | <u>23,814,013</u> |
| Balance as of January 1, 2020  | 59,696,752        | 6,406,056        | 94,113,635        | 12,118,251        | 86,167,106        | 11,831,223        | 62,175,831        | 10,017,365        | 302,153,324        | 40,372,895        |
| Accretion on convertible redeemable preferred shares to redemption value | —                 | 95,865           | —                 | 218,840           | —                 | 205,093           | —                 | 173,505           | —                  | 693,303           |
| Balance as of March 31, 2020   | <u>59,696,752</u> | <u>6,501,921</u> | <u>94,113,635</u> | <u>12,337,091</u> | <u>86,167,106</u> | <u>12,036,316</u> | <u>62,175,831</u> | <u>10,190,870</u> | <u>302,153,324</u> | <u>41,066,198</u> |

**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****20. Preferred shares (Continued)***Accounting for Preferred Shares*

The Company has classified the Preferred Shares in the mezzanine equity of the consolidated balance sheets as they are contingently redeemable at the options of the holders. The Company records 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, is recorded against retained earnings, or in the absence of retained earnings, by charging against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges are recorded by increasing the accumulated deficit. The accretion of Preferred Shares was RMB402 million and RMB693 million for the three months ended March 31, 2019, and 2020, respectively. Each issuance of the Preferred Shares is 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 do not require bifurcation as they either are clearly and closely related to the Preferred Shares or do not meet the definition of a derivative.

The Company has 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.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Fair Value measurement

The following table sets forth the financial instruments, measured at fair value, by level within the fair value hierarchy on recurring basis as of December 31, 2019 and March 31, 2020:

|  | December 31,<br>2019 | Fair value measurement at<br>reporting date using                                |   |   |
|--|----------------------|--|---|---|
|  |                      | Quoted<br>prices in<br>active<br>markets for<br>identical<br>assets<br>(Level 1) | Significant<br>other<br>observable<br>inputs<br>(Level 2) | Significant<br>other<br>unobservable<br>inputs<br>(Level 3) |
|  | RMB                  | RMB  | RMB   | RMB   |
|  |                      | (in thousands)   |   |   |
| Bank time deposits (maturing within 3 months) <sup>(i)</sup>                                     | 1,328,231            | —  | 1,328,231   | —   |
| Long-term time deposits <sup>(ii)</sup>  | 215,000              | —  | 215,000   | —   |
| Restricted cash, current   | 7,380,341            | —  | 7,380,341   | —   |
| Non-current restricted cash  | 230,903              | —  | 230,903   | —   |
| Short-term investments   | 1,844,595            | —  | 1,844,595   | —   |
| Contingently returnable consideration in relation to<br>acquisitions <sup>(iii)</sup>            | 53,349               | —  | —   | 53,349  |
| Long-term investments accounted for at fair values <sup>(ii)</sup>                               |                      |  |   |   |
| Listed equity securities   | 93,377               | 93,377   | —   | —   |
| Unlisted equity securities   | 208,955              | —  | —   | 208,955   |
| Wealth management products   | 1,246,430            | —  | 1,246,430   | —   |
| Loan receivables under fair value option   | 29,834               | —  | —   | 29,834  |
| <b>Total</b>   | <b>12,631,015</b>    | <b>93,377</b>  | <b>12,245,500</b>   | <b>292,138</b>  |
| <b>Liabilities</b>   |                      |  |   |   |
| Mandatorily redeemable non-controlling interest in<br>relation to an acquisition <sup>(iv)</sup> | 780,937              | —  | —   | 780,937   |
| Contingent consideration in relation to an acquisition <sup>(v)</sup>                            | 88,138               | —  | —   | 88,138  |
| Foreign exchange options <sup>(v)</sup>  | 9,691                | —  | 9,691   | —   |
| <b>Total</b>   | <b>878,766</b>       | <b>—</b>   | <b>9,691</b>  | <b>869,075</b>  |

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Fair Value measurement (Continued)

|  | March 31,<br>2020<br>RMB | Fair value measurement at<br>reporting date using                                       |  |  |
|--|--------------------------|---|--|--|
|  |                          | Quoted<br>prices in<br>active<br>markets for<br>identical<br>assets<br>(Level 1)<br>RMB | Significant<br>other<br>observable<br>inputs<br>(Level 2)<br>RMB | Significant<br>other<br>unobservable<br>inputs<br>(Level 3)<br>RMB |
|  |                          | (in thousands)  |  |  |
| Bank time deposits (maturing within 3 months) <sup>(iii)</sup>                                   | 1,993,969                | —   | 1,993,969  | —  |
| Long-term time deposits <sup>(ii)</sup>  | 216,478                  | —   | 216,478  | —  |
| Restricted cash, current   | 6,276,621                | —   | 6,276,621  | —  |
| Non-current restricted cash  | 82,650                   | —   | 82,650   | —  |
| Short-term investments   | 7,709,598                | —   | 7,709,598  | —  |
| Contingently returnable consideration in relation to<br>acquisitions <sup>(iii)</sup>            | 90,396                   | —   | —  | 90,396   |
| Long-term investments accounted for at fair values <sup>(ii)</sup>                               |                          |   |  |  |
| Listed equity securities   | 81,163                   | 81,163  | —  | —  |
| Unlisted equity securities   | 203,889                  | —   | —  | 203,889  |
| Wealth management products   | 1,282,023                | —   | 1,282,023  | —  |
| Loan receivables under fair value option   | 27,990                   | —   | —  | 27,990   |
| <b>Total</b>   | <b>17,964,777</b>        | <b>81,163</b>   | <b>17,561,339</b>  | <b>322,275</b>   |
| <b>Liabilities</b>   |                          |   |  |  |
| Mandatorily redeemable non-controlling interest in relation<br>to an acquisition <sup>(iv)</sup> | 596,342                  | —   | —  | 596,342  |
| Contingent consideration in relation to an acquisition <sup>(v)</sup>                            | 97,919                   | —   | —  | 97,919   |
| Foreign exchange options <sup>(iv)</sup>   | 36,514                   | —   | 36,514   | —  |
| Interest rate swap <sup>(v)</sup>  | 87,134                   | —   | 87,134   | —  |
| <b>Total</b>   | <b>817,909</b>           | <b>—</b>  | <b>123,648</b>   | <b>694,261</b>   |

(i) Included in cash and cash equivalents on the Company's unaudited interim condensed consolidated balance sheets;

(ii) Included in long-term investments on the Company's unaudited interim condensed consolidated balance sheets;

(iii) Included in other non-current assets on the Company's unaudited interim condensed consolidated balance sheets;

(iv) Included in accrued expenses and other current liabilities on the Company's unaudited interim condensed consolidated balance sheets;

(v) Included in other non-current liabilities on the Company's unaudited interim condensed consolidated balance sheets.

## KE Holdings Inc.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 21. Fair Value measurement (Continued)

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

When available, the Company uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Company 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 Company uses to measure the fair value of assets that the Company 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 Company classifies the valuation techniques that use these inputs as Level 2.

*Short-term investments.* Short-term investment represents interest-bearing deposit placed with financial institution, which is restricted to withdrawal and use. The investment is issued by commercial bank in the PRC with a variable interest rate. To estimate the fair value, the Company uses the expected return provided by the bank. As there are no quoted prices in active markets for the investment at the reporting date, the Company classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

*Convertible notes and loan receivables accounted for under the fair value option.* The fair value of the convertible notes and 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).

*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 and the fair value is provided by the commercial bank and the asset management company using alternative pricing sources and models utilizing market observable inputs, and accordingly the Group classifies the valuation techniques that use these inputs as Level 2.

*Mandatorily redeemable non-controlling interest in relation to an acquisition.* The mandatorily redeemable non-controlling interest will be settled by a variable number of ordinary shares newly issued by the Company and is classified as liabilities. The valuation of this liability is performed based on the fair value of the Company'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 UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 21. Fair Value measurement (Continued)

The following table presents quantitative information about the significant unobservable inputs as of December 31, 2019 and March 31, 2020:

| <u>Unobservable Input</u>          | <u>As of December 31, 2019</u> | <u>As of March 31, 2020</u> |
|------------------------------------|--------------------------------|-----------------------------|
| Discount rates                     | 18.0%                          | 19.0%                       |
| Volatility                         | 54.0%                          | 51.1%                       |
| Discount for lack of marketability | 10.0%                          | 10.0%                       |

*Contingent Consideration.* The valuation of contingent consideration is performed using an expected cash flow method with unobservable inputs including the probability to achieve the contingencies, which is assessed by the Group, in connection with the contingent consideration arrangements. Accordingly the Group classifies the valuation techniques that use these inputs as Level 3.

*Foreign exchange options.* Foreign exchange options are 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.

*Interest rate swap.* Interest rate swap are financial products issued by commercial bank to swap floating interest payments related to certain borrowings for fixed interest payments to hedge the interest rate risk. 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.

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

## KE Holdings Inc.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**21. Fair Value measurement (Continued)**

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 Company measures them at fair value when observable price changes are identified or impairment charge were recognized. The fair values of the Company'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 Company classifies the valuation techniques on those investments that use similar identifiable transaction prices as Level 2 of fair value measurements.

*Non-financial assets.* The Company'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 Company 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. No impairment was recognized on the acquired intangible assets based on management's assessment for the three months ended March 31, 2019 and 2020.

**22. Segment information****(a) Description of segments**

The Group's organizational structure is based on a number of factors that 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.



**KE Holdings Inc.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****22. Segment information (Continued)**

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 mobilize 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 UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Segment information (Continued)

(b) Segments data

The following tables present summary information by segment:

|  | For the Three Months<br>Ended March 31, |                    |
|--|---|--------------------|
|  | 2019                                    | 2020               |
|  | RMB                                     | RMB                |
|  | (in thousands)                          |                    |
| <b>Net revenues:</b>                                   |   |                    |
| Existing home transaction services                     | 6,019,381                               | 3,375,332          |
| New home transaction services                          | 1,964,521                               | 3,452,735          |
| Emerging and other services                            | 175,855                                 | 291,692            |
| <b>Total</b>   | <b>8,159,757</b>                        | <b>7,119,759</b>   |
| <b>Commission and compensation:</b>                    |   |                    |
| Existing home transaction services                     | (3,795,053)                             | (2,826,721)        |
| New home transaction services                          | (1,346,956)                             | (2,823,128)        |
| Emerging and other services                            | (44,807)                                | (45,204)           |
| <b>Total</b>   | <b>(5,186,816)</b>                      | <b>(5,695,053)</b> |
| <b>Contribution:</b>                                   |   |                    |
| Existing home transaction services                     | 2,224,328                               | 548,611            |
| New home transaction services                          | 617,565                                 | 629,607            |
| Emerging and other services                            | 131,048                                 | 246,488            |
| <b>Total</b>   | <b>2,972,941</b>                        | <b>1,424,706</b>   |
| <b>Unallocated cost and expenses:</b>                  |   |                    |
| Cost related to stores <sup>(i)</sup>                  | (738,267)                               | (717,662)          |
| Other operating costs <sup>(ii)</sup>                  | (134,699)                               | (205,512)          |
| Sales and marketing expenses                           | (634,031)                               | (577,095)          |
| General and administrative expenses                    | (1,054,310)                             | (1,105,029)        |
| Research and development expenses                      | (312,050)                               | (450,761)          |
| <b>Total unallocated cost and expenses</b>             | <b>(2,873,357)</b>                      | <b>(3,056,059)</b> |
| <b>Contribution less unallocated cost and expenses</b> | <b>99,584</b>                           | <b>(1,631,353)</b> |
| Total other income, net <sup>(iii)</sup>               | 157,077                                 | 251,105            |
| <b>Income (loss) before income tax expense</b>         | <b>256,661</b>                          | <b>(1,380,248)</b> |

- (i) Cost related to stores includes operating lease cost, short-term lease cost, and other operating costs related to Lianjia service stores, which are not allocated to segments.
- (ii) Other operating costs mainly include cost related to human resource and training costs incurred for internal agents and sales professionals, operating taxes and surcharges, funding cost, provision for credit losses of financing receivables, and operating defaults and compensation, which are not allocated to segments.
- (iii) Total other income mainly includes net interest income, share of results of equity investees, fair value changes in investments, foreign currency exchange gain and other income, which are not allocated to segments.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Net loss per share

Basic net loss per share is the amount of net loss attributable to each share of ordinary shares outstanding during the reporting period. Diluted net loss per share is the amount of net loss attributable to each share of ordinary shares outstanding during the reporting period adjusted to include the effect of potentially dilutive ordinary shares. The obligation to issue 4,463,027 ordinary shares in relation to the acquisition of Nanchang Zhonghuan Hui'an Information Co., Ltd. ("Zhonghuan") has an anti-dilutive impact on the net loss per share are excluded from the calculation of diluted net loss per share for the three month ended March 31, 2020. 198,565,475 and 302,153,324 preferred shares on a weighted average basis were excluded from the computation of diluted net loss per share for the three months ended March 31, 2019 and 2020 because of their anti-dilutive effect.

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated:

|  | For the<br>Three Months Ended<br>March 31,                |             |
|--|---|-------------|
|  | 2019  | 2020        |
|  | (RMB in thousands,<br>except share and<br>per share data) |             |
| Basic loss per share calculation:  |   |             |
| Numerator:   |   |             |
| Net income (loss) attributable to KE Holdings Inc.   | 166,344   | (1,228,650) |
| Accretion on Series B Preferred Shares to redemption value   | (86,424)  | (95,865)    |
| Accretion on Series C Preferred Shares to redemption value   | (194,719)   | (218,840)   |
| Accretion on Series D Preferred Shares to redemption value   | (121,268)   | (205,093)   |
| Accretion on Series D+ Preferred Shares to redemption value  | —   | (173,505)   |
| Net loss attributable to KE Holdings Inc.'s ordinary shareholders                                  | (236,067)   | (1,921,953) |
| Denominator:   |   |             |
| Weighted average number of ordinary shares used in computing net loss per share, basic and diluted | 275,981,181   | 294,033,338 |
| Net loss per share attributable to ordinary shareholders:  |   |             |
| —Basic   | (0.86)  | (6.54)      |
| —Diluted   | (0.86)  | (6.54)      |

24. 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.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Related party transactions (Continued)

During the three months ended March 31, 2019 and 2020, 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 controlled by Mr. Zuo Hui                 |
| Yuanjing Mingde Management Consulting Co., Ltd. ("Yuanjing Mingde") | A Group controlled by Mr. Zuo Hui                 |
| Vanlian (Beijing) Decoration Co., Ltd. ("Vanlian")                  | An affiliate company of the Group                 |
| IFM Investments Limited ("IFM")                                     | An affiliate company of the Group                 |
| Mr. Zuo Hui   | Controlling shareholder of the Group              |
| Brokerage firms   | Firms that the Group has significant influence in |

(i) The Group entered into the following transactions with related parties:

|   | For the Three Months Ended March 31, |               |
|---|--------------------------------------|---------------|
|   | 2019                                 | 2020          |
|   | RMB                                  | RMB           |
|   | (in thousands)                       |               |
| <b>Revenues from related parties</b>                        |                                      |               |
| Agency services provided to Ziroom                          | 57,893                               | 16,086        |
| Online marketing services provided to Ziroom                | 1,583                                | 3,839         |
| Agency services provided to Yuanjing Mingde                 | 4,434                                | 2,140         |
| Agency services provided to Vanlian                         | 583                                  | 1,077         |
| Online marketing services provided to Vanlian               | 153                                  | 45            |
| Platform services provided to IFM                           | —                                    | 1,552         |
| Commission support services provided to brokerage firms     | 14,548                               | 9,571         |
| Platform and franchise services provided to brokerage firms | 1,135                                | 58            |
| <b>Total</b>  | <b>80,329</b>                        | <b>34,368</b> |

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 UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. 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 Three<br>Months Ended<br>March 31, |               |
|---|--|---------------|
|   | 2019                                       | 2020          |
|   | RMB  | RMB           |
|   | (in thousands)                             |               |
| <b>Services provided by related parties</b> |  |               |
| Services from Ziroom                        | —  | 92            |
| Services from Yuanjing Mingde               | 629  | 1,494         |
| Services from IFM                           | —  | 1,232         |
| Services from brokerage firms               | 25,328                                     | 23,460        |
| Others                                      | 78   | 878           |
| <b>Total</b>                                | <b>26,035</b>                              | <b>27,156</b> |

Services provided by related parties mainly refer to customer referrals from related parties.

|  | For the Three<br>Months Ended<br>March 31, |               |
|--|--|---------------|
|  | 2019                                       | 2020          |
|  | RMB  | RMB           |
|  | (in thousands)                             |               |
| <b>Other income</b>  |  |               |
| Interest income from loans provided to Ziroom              | 4,985                                      | —             |
| Interest income from loans provided to Yuanjing Mingde     | 47,917                                     | 53,774        |
| Interest income from loans provided to IFM                 | 1,345                                      | 600           |
| Interest income from loans provided to executive directors | —  | 1,800         |
| Interest income from loans provided to others              | —  | 434           |
| <b>Total</b>   | <b>54,247</b>                              | <b>56,608</b> |

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Related party transactions (Continued)

(ii) As of December 31, 2019 and March 31, 2020, the Group had the following balances with related parties:

|  | As of             |                  |
|--|-------------------|------------------|
|  | December 31, 2019 | March 31, 2020   |
|  | RMB               | RMB              |
|  | (in thousands)    |                  |
| <b>Amounts due from related parties</b>            |                   |                  |
| Ziroom   | 609,742           | 505,082          |
| Yuanjing Mingde                                    | 140,614           | 195,264          |
| Vanlian  | 6,289             | 7,478            |
| IFM  | 5,277             | 5,840            |
| Brokerage firms                                    | 5,574             | 12,759           |
| Executive directors                                | 93,338            | 358,343          |
| Others   | 66,472            | 64,175           |
| <b>Total</b>                                       | <b>927,306</b>    | <b>1,148,941</b> |
| <b>Amounts due to related parties</b>              |                   |                  |
| Ziroom   | 123,149           | 121,928          |
| Yuanjing Mingde                                    | 5,384             | 3,905            |
| Vanlian  | 100               | 100              |
| IFM  | 46,280            | 17,306           |
| Mr. Zuo Hui  | 1,094             | 1,094            |
| Brokerage firms                                    | 86,867            | 98,481           |
| Others   | 785               | 122              |
| <b>Total</b>                                       | <b>263,659</b>    | <b>242,936</b>   |
|  | As of             |                  |
|  | December 31, 2019 | March 31, 2020   |
|  | RMB               | RMB              |
|  | (in thousands)    |                  |
| <b>Loan receivables from related parties</b>       |                   |                  |
| Short-term loans to Yuanjing Mingde <sup>(a)</sup> | 1,900,000         | 1,900,000        |
| Short-term loans IFM                               | 20,000            | 20,000           |
| Short-term loans to others                         | 4,576             | 16,848           |
| Short-term loans to executive directors            | 4,500             | —                |
| Long-term loans to others                          | —                 | 7,047            |
| <b>Total</b>                                       | <b>1,929,076</b>  | <b>1,943,895</b> |

(a) In November 2018, the Group entered into a 6-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%.

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Related party transactions (Continued)

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.

25. Commitments and contingencies

|  | As of March 31,<br>2020<br>RMB<br>(in thousands) |
|--|--|
| Purchase of property and equipment.          | 3,682  |
| Purchase of services                         | 991  |
| Investment commitments <sup>(i)</sup>        | 1,196  |
| Operating leases commitments <sup>(ii)</sup> | 583,541  |
| Total  | 589,410  |

|  | Amounts<br>RMB<br>(in thousands) |
|--|----------------------------------|
| No later than 1 year                         | 259,044                          |
| Later than 1 year and no later than 3 years  | 266,975                          |
| Later than 3 years and no later than 5 years | 58,554                           |
| More than 5 years                            | 4,837                            |
| Total  | 589,410                          |

- (i) Investment commitments obligations primarily relate to capital contributions obligation under certain arrangements, the payment is due in one year.
- (ii) Operating leases commitments represent the Group's obligations for leasing premises.

**Funding Debt Obligations**

The expected repayment amount of the funding debt obligations are as follows:

|  | Less than<br>1 year<br>RMB | 1 - 2 years<br>RMB | 2 - 3 years<br>RMB | More than<br>3 years<br>RMB | Total<br>RMB     |
|--|----------------------------|--------------------|--------------------|-----------------------------|------------------|
|  | (in thousands)             |                    |                    |                             |                  |
| <b>Funding debts obligations</b>       |                            |                    |                    |                             |                  |
| Consolidated trusts                    | 1,651,294                  | 7,500              | —                  | —                           | 1,658,794        |
| Interest payments                      | 60,606                     | 1,242              | —                  | —                           | 61,848           |
| <b>Total funding debts obligations</b> | <b>1,711,900</b>           | <b>8,742</b>       | <b>—</b>           | <b>—</b>                    | <b>1,720,642</b> |

KE Holdings Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Unaudited pro forma loss per share

Immediately prior to the completion of a planned qualified public offering of the Company, the convertible redeemable preferred shares of the Company shall be converted automatically into ordinary shares on a one-for-one basis.

The unaudited pro-forma balance sheet as of March 31, 2020 presents an adjusted financial position as if the convertible redeemable preferred shares had been converted into ordinary shares as of March 31, 2020 at the conversion ratio of one for one.

Unaudited pro-forma basic and diluted net loss per share were computed to give effect to the automatic conversion of the Series B, Series C, Series D and Series D+ Preferred Shares using the "if converted" method as though the conversion and reclassification had occurred as of the beginning of the year or the original date of issuance, if later.

|  | For the<br>Three Months Ended<br>March 31, 2020         |
|--|---|
|  | RMB   |
|  | (in thousands,<br>except for shares,<br>per share data) |
|  | (unaudited)   |
| <b>Numerator:</b>  |   |
| Net loss attributable to ordinary shareholders   | (1,921,953)   |
| Reversal of preferred shares redemption value accretion                                    | 693,303   |
| Pro-forma net loss attributable to the Company's ordinary shareholders — basic and diluted | (1,228,650)   |
| <b>Denominator:</b>  |   |
| Weighted-average number of ordinary shares   | 294,033,338   |
| Pro-forma effect of the conversion of preferred shares                                     | 302,153,324   |
| Denominator for pro-forma basic calculation  | 596,186,662   |
| Pro forma net loss per share — basic and diluted   |   |
| —Basic   | (2.06)  |
| —Diluted   | (2.06)  |

27. Subsequent events

The Group evaluated subsequent events from March 31, 2020 through the date when the unaudited interim condensed consolidated financial statements were issued, and concluded that no subsequent events have occurred that would require recognition in the unaudited interim condensed consolidated financial statements other than as discussed below.

On April 10, 2020, the Group entered into share purchase agreements with selling shareholders of Zhonghuan, pursuant to which the Group agreed to issue 4,463,027 Class A Ordinary Shares to the selling shareholders of Zhonghuan to settle the mandatorily redeemable non-controlling interest as a part of consideration for acquisition of Zhonghuan. The shares were issued on April 13, 2020.





**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

Cayman Islands law does not limit the extent to which a company's 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.

The post-offering memorandum and articles of association that we expect to adopt and to become effective immediately prior to the completion of this offering provide that we shall indemnify our directors and officers (each an indemnified person) against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such indemnified person, other than by reason of such person's own 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 indemnified person 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.

Pursuant to the indemnification agreements, the form of which will be filed as Exhibit 10.2 to this registration statement, 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 such a director or officer.

The underwriting agreement, the form of which will be filed as Exhibit 1.1 to this registration statement, will also provide indemnification for us and our officers and directors for certain liabilities.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to 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.

**ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.**

During the past three years, we have issued the following securities (including options to acquire our ordinary shares). We believe that each of the following issuances was exempt from registration under the Securities Act pursuant to Section 4(a)(2) of the Securities Act regarding transactions not involving a public offering or in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions. No underwriters were involved in these issuances of securities.

| Securities/Purchaser               | Date of Issuance  | Number of Securities | Consideration | Securities Registration Exemptions                   |
|------------------------------------|-------------------|----------------------|---------------|--|
| <b>Class A Ordinary Shares</b>     |                   |                      |               |  |
| Harneys Fiduciary (Cayman) Limited | July 6, 2018      | 1                    | US\$0.0001    | Section 4(a)(2) of the Securities Act <sup>(1)</sup> |
| Clover Rich Limited                | July 6, 2018      | 4,140                | US\$0.4       | Section 4(a)(2) of the Securities Act <sup>(1)</sup> |
| Clover Rich Limited                | September 4, 2018 | 11,565,860           | US\$1,156.6   | Section 4(a)(2) of the Securities Act <sup>(1)</sup> |
| New Eminence International Limited | September 6, 2018 | 20,000,000           | US\$2,000     | Section 4(a)(2) of the Securities Act <sup>(1)</sup> |

| Securities/Purchaser                         | Date of Issuance  | Number of Securities | Consideration   | Securities Registration Exemptions                                   |
|--|-------------------|----------------------|---|--|
| Advance Harmony Holdings Limited             | December 28, 2018 | 1,593,460            | US\$159.3   | Section 4(a)(2) of the Securities Act <sup>(1)</sup>                 |
| Blossom South Limited                        | December 28, 2018 | 5,367,568            | US\$536.8   | Section 4(a)(2) of the Securities Act <sup>(1)</sup>                 |
| Bright Auspicious Holdings Limited           | December 28, 2018 | 5,082,226            | US\$508.2   | Section 4(a)(2) of the Securities Act <sup>(1)</sup>                 |
| Golden Commitment Limited                    | December 28, 2018 | 36,019,222           | US\$3,601.9   | Section 4(a)(2) of the Securities Act <sup>(1)</sup>                 |
| Golden Fortitude Enterprises Limited         | December 28, 2018 | 2,091,166            | US\$209.1   | Section 4(a)(2) of the Securities Act <sup>(1)</sup>                 |
| Emerald Joy Limited                          | December 28, 2018 | 6,689,950            | US\$669.0   | Section 4(a)(2) of the Securities Act <sup>(1)</sup>                 |
| Eminent Hover Limited                        | December 28, 2018 | 786,165              | US\$78.6  | Section 4(a)(2) of the Securities Act <sup>(1)</sup>                 |
| Flame Harmony Limited                        | December 28, 2018 | 177,140              | US\$17.7  | Section 4(a)(2) of the Securities Act <sup>(1)</sup>                 |
| GainWell Investment Corp.                    | November 29, 2019 | 19,038,759           | US\$1,903.9   | Section 4(a)(2) of the Securities Act <sup>(1)</sup>                 |
| Shimeng Limited                              | April 13, 2020    | 101,983              | US\$2,325,213   | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Shengpu Limited                              | April 13, 2020    | 2,250,411            | US\$51,309,379  | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Minggui Limited                              | April 13, 2020    | 2,110,633            | US\$48,122,440  | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Fu Rui Business Management (BVI) Limited     | April 16, 2020    | 37,435               | US\$711,258   | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Yuan Sheng Business Management (BVI) Limited | April 17, 2020    | 29,948               | US\$569,006   | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| <b>Class B Ordinary Shares</b>               |                   |                      |   |  |
| Propitious Global Holdings Limited           | July 6, 2018      | 87,539               | US\$8.8   | Section 4(a)(2) of the Securities Act <sup>(1)</sup>                 |
|  | September 4, 2018 | 194,315,460          | US\$19,431.5  |  |
| <b>Series C Preferred shares</b>             |                   |                      |   |  |
| Trinity Investment Holdings Ltd.             | May 20, 2019      | 465,289              | RMB50,000,000   | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| <b>Series D Preferred shares</b>             |                   |                      |   |  |
| Tencent Mobility Limited                     | December 28, 2018 | 26,315,789           | US\$500,000,000 (including cash and in-kind contribution) | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Parallel Galaxy Investment Limited           | December 28, 2018 | 15,789,474           | US\$300,000,000   | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Huaxing Growth Capital III, L.P.             | December 28, 2018 | 789,474              | US\$15,000,000  | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Knight Ray Limited                           | December 28, 2018 | 5,263,158            | US\$100,000,000   | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |

| Securities/Purchaser                     | Date of Issuance  | Number of Securities | Consideration      | Securities Registration Exemptions                                   |
|--|-------------------|----------------------|--------------------|--|
| H Capital V, L.P.                        | December 28, 2018 | 1,168,947            | US\$22,210,000     | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| H Capital XM, L.P.                       | December 28, 2018 | 1,462,632            | US\$27,790,000     | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Haixia Tiger L.P.                        | December 28, 2018 | 276,316              | US\$5,250,000      | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| HH SPR-IX Holdings Limited               | December 28, 2018 | 4,210,526            | US\$80,000,000     | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Perseus Technology Investment Limited    | January 30, 2019  | 631,579              | US\$12,000,000     | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Levee Venture Ltd.                       | January 30, 2019  | 2,105,263            | US\$40,000,000     | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Villa Shell I Limited                    | April 2, 2019     | 259,211              | US\$4,925,000      | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Redview Capital Investment I Limited     | April 10, 2019    | 1,578,947            | US\$30,000,000     | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| CGVC Company Limited                     | April 30, 2019    | 2,631,579            | US\$50,000,000     | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Star Cavity Limited                      | August 8, 2019    | 842,105              | US\$15,999,995     | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| PA Golden Shell Limited Partnership      | August 8, 2019    | 1,789,474            | US\$34,000,006     | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| SVF II Shell Subco (Singapore) Pte. Ltd. | November 15, 2019 | 21,052,632           | US\$400,000,008    | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| <b>Series D+ Preferred Shares</b>        |                   |                      |                    |  |
| SVF II Shell Subco (Singapore) Pte. Ltd. | November 15, 2019 | 41,666,667           | US\$950,000,007.60 | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| SC GGF III Holdco, Ltd.                  | November 18, 2019 | 6,578,947            | US\$149,999,991.60 | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| SCC Growth V Holdco P, Ltd.              | November 19, 2019 | 2,217,049            | US\$50,548,717.20  | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| HH PDII Holdings Limited                 | November 20, 2019 | 4,443,329            | US\$101,307,901.20 | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Parallel Stellar Investment Limited      | November 29, 2019 | 2,267,500            | US\$51,699,000.00  | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |
| Tencent Mobility Limited                 | November 29, 2019 | 5,002,339            | US\$114,053,329.20 | Section 4(a)(2) of the Securities Act or Regulation S <sup>(2)</sup> |

| Securities/Purchaser                            | Date of Issuance | Number of Securities                                 | Consideration  | Securities<br>Registration<br>Exemptions                |
|---|------------------|--|--|---|
| <b>Options</b>                                  |                  |  |  |   |
| Certain directors,<br>officers and<br>employees | various dates    | Options to purchase<br>37,406,865 ordinary<br>shares | Past and future services<br>provided by these individuals to<br>us | Section 4(a)(2) of<br>the Securities Act <sup>(1)</sup> |

- (1) To our knowledge, each of these recipients of our securities acquired the securities for its own account for investment only and not with a view to or for sale in connection with any distribution thereof, and had adequate access, through their relationships with us, to information about us prior to their acquisition of our securities.
- (2) To our knowledge, each of these investors was, at the time of each acquisition, either purchasing the securities outside the United States in compliance with Regulation S under the Securities Act or an "accredited investor" as defined under Rule 501 of the Securities Act, and each of them acquired the securities for its own account for investment only and not with a view to or for sale in connection with any distribution thereof. Each of these investors regularly invests in securities of companies in the development stage and has represented to us that it had such knowledge and experience in financial or business matters that it was capable of evaluating the merits and risks of its investment in our securities.

## ITEM 8. EXHIBITS

See Exhibit Index beginning on page II-6 of this registration statement.

The agreements included as exhibits to this registration statement contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in such agreement by disclosure that was made to the other party in connection with the negotiation of the applicable agreement; (iii) may apply contract standards of "materiality" that are different from "materiality" under the applicable securities laws; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

We acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, we are responsible for considering whether additional specific disclosure of material information regarding material contractual provisions is required to make the statements in this registration statement not misleading.

## ITEM 9. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification

by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

**KE Holdings Inc.****Exhibit Index**

| <b>Exhibit<br/>Number</b> | <b>Description of Document</b>   |
|---------------------------|--|
| 1.1*                      | Form of Underwriting Agreement   |
| 3.1                       | Third Amended and Restated Memorandum and Articles of Association of the Registrant, as currently in effect  |
| 3.2*                      | Form of Fourth Amended and Restated Memorandum and Articles of Association of the Registrant, effective immediately prior to the completion of this offering   |
| 3.3                       | Second Amended and Restated Investor Rights Agreement dated November 29, 2019  |
| 4.1*                      | Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3)  |
| 4.2*                      | Registrant's Specimen Certificate for Class A Ordinary Shares  |
| 4.3*                      | Form of Deposit Agreement, among the Registrant, the depositary and the holders and beneficial owners of American Depositary Shares issued thereunder          |
| 5.1*                      | Opinion of Maples and Calder (Hong Kong) LLP regarding the validity of the class A ordinary shares being registered and certain Cayman Islands tax matters     |
| 8.1*                      | Opinion of Maples and Calder (Hong Kong) LLP regarding certain Cayman Islands tax matters (included in Exhibit 5.1)  |
| 8.2*                      | Opinion of Han Kun Law Offices regarding certain PRC tax matters (included in Exhibit 99.2)  |
| 10.1*                     | 2018 Share Option Plan   |
| 10.2*                     | Form of Indemnification Agreement between the Registrant and its directors and executive officers  |
| 10.3*                     | Form of Employment Agreement between the Registrant and its executive officers   |
| 10.4                      | English translation of the executed form of the Powers of Attorney granted by each shareholder of Beijing Lianjia  |
| 10.5                      | English translation of executed form of the Spousal Consent Letter granted by the spouse of each individual shareholder of Beijing Lianjia                     |
| 10.6                      | English translation of the Equity Pledge Interest Agreement among Beike Tianjin, Beijing Lianjia and shareholders of Beijing Lianjia dated March 1, 2020       |
| 10.7                      | English translation of the Equity Pledge Interest Agreement among Jinbei Technology, Tianjin Xiaowu and shareholders of Tianjin Xiaowu dated December 28, 2018 |
| 10.8                      | English translation of the Equity Pledge Interest Agreement among Beike Jinke, Yiju Taihe and shareholders of Yiju Taihe dated April 27, 2020                  |
| 10.9                      | English translation of the Exclusive Business Cooperation Agreement between Beike Tianjin and Beijing Lianjia dated December 28, 2018                          |
| 10.10                     | English translation of the Exclusive Business Cooperation Agreement between Jinbei Technology and Tianjin Xiaowu dated December 28, 2018                       |

| Exhibit<br>Number | Description of Document  |
|-------------------|--|
| 10.11             | English translation of the Exclusive Business Cooperation Agreement between Beike Jinke and Yiju Taihe dated December 28, 2018                           |
| 10.12             | English translation of the Exclusive Option Agreement among Beike Tianjin, Beijing Lianjia and shareholders of Beijing Lianjia dated March 1, 2020       |
| 10.13             | English translation of the Exclusive Option Agreement among Jinbei Technology, Tianjin Xiaowu and shareholders of Tianjin Xiaowu dated December 28, 2018 |
| 10.14             | English translation of the Exclusive Option Agreement among Beike Jinke, Yiju Taihe and shareholders of Yiju Taihe dated April 27, 2020                  |
| 10.15*            | English translation of the Business Cooperation Agreement by and among Tencent, the Registrant and other parties named therein dated December 28, 2018   |
| 21.1*             | Principal Subsidiaries of the Registrant   |
| 23.1*             | Consent of PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm   |
| 23.2*             | Consent of Maples and Calder (Hong Kong) LLP (included in Exhibit 5.1)   |
| 23.3*             | Consent of Han Kun Law Offices (included in Exhibit 99.2)  |
| 24.1*             | Powers of Attorney (included on signature page)  |
| 99.1*             | Code of Business Conduct and Ethics of the Registrant  |
| 99.2*             | Opinion of Han Kun Law Offices regarding certain PRC law matters   |
| 99.3*             | Consent of China Insights Industry Consultancy Limited   |

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\* To be filed by amendment.



SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Beijing, China, on , 2020.

KE Holdings Inc.

By: \_\_\_\_\_

Name: ZUO Hui  
Title: *Chairman of the Board of Directors*

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints each of \_\_\_\_\_ and \_\_\_\_\_ as attorneys-in-fact with full power of substitution for him or her in any and all capacities to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of ordinary shares of the registrant (the "Shares"), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form F-1 (the "Registration Statement") to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on \_\_\_\_\_, 2020.

| <u>Signature</u>       | <u>Title</u>   |
|------------------------|--|
| _____<br>ZUO Hui       | Chairman of the Board of Directors   |
| _____<br>PENG Yongdong | Executive Director and Chief Executive Officer<br>(Principal Executive Officer)                |
| _____<br>SHAN Yigang   | Executive Director   |
| _____<br>XU Tao        | Executive Director and Chief Financial Officer<br>(Principal Financial and Accounting Officer) |
| _____<br>XU Wangang    | Executive Director and Chief Operating Officer   |
| _____<br>BAO Fan       | Director   |

Signature

Title

|               |          |
|---------------|----------|
| <hr/>         | Director |
| GAO Xi        |          |
| <hr/>         | Director |
| HUANG Liming  |          |
| <hr/>         | Director |
| KONG Ling Xin |          |
| <hr/>         | Director |
| LI Zhaohui    |          |
| <hr/>         | Director |
| TAO Hongbing  |          |

**SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES**

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of KE Holdings Inc. has signed this registration statement or amendment thereto in New York on \_\_\_\_\_, 2020.

Authorized U.S. Representative

By: \_\_\_\_\_

Name:

Title:



THE COMPANIES LAW (2018 REVISION)  
OF THE CAYMAN ISLANDS  
THIRD AMENDED AND RESTATED  
MEMORANDUM AND ARTICLES OF ASSOCIATION  
OF  
KE HOLDINGS INC.  
贝壳控股有限公司

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**THE COMPANIES LAW (2018 REVISION)**  
**OF THE CAYMAN ISLANDS**  
**THIRD AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION**  
**OF**  
**KE HOLDINGS INC.**  
**贝壳控股有限公司**

**(adopted by a special resolution passed on November 29, 2019)**

1. The name of the Company is KE Holdings Inc. (贝壳控股有限公司).
2. The registered office of the Company is at Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands, or at such other place within the Cayman Islands as the Directors may from time to time decide.
3. The objects for which the Company is established are unrestricted, and the Company shall have full power and authority to carry out any object not prohibited by the laws of the Cayman Islands.
4. In the interpretation of this Memorandum in general and of Clause 3 and Clause 5 in particular, no object, business or power specified or mentioned shall be limited or restricted by reference to or inference from any other object, business or power, or the name of the Company, or by the juxtaposition of two or more objects, businesses or powers, and in the event of any ambiguity in Clause 3, Clause 5 or elsewhere in this Memorandum, the ambiguity shall be resolved by such interpretation and construction as will widen and enlarge and not restrict the objects, businesses and powers of and exercisable by the Company.
5. Except as prohibited or limited by the Act, the Company shall have full power and authority to carry out any object and shall have and be capable of from time to time and at all times exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate in doing in any part of the world whether as principal, agent, contractor or otherwise whatever may be considered by it necessary for the attainment of its objects and whatever else may be considered by it as incidental or conducive thereto or consequential thereon, including the power to make any alterations or amendments to this Memorandum and the Articles of Association of the Company considered necessary or convenient in the manner set out in the Articles of Association of the Company, and the power to do any of the following acts or things, viz: to pay all expenses of and incidental to the promotion, formation and incorporation of the Company; to register the Company to do business in any other jurisdiction; to sell, lease or dispose of any property of the Company; to draw, make, accept, endorse, discount, execute and issue promissory notes, debentures, bills of exchange, bills of lading, warrants and other negotiable or transferable instruments; to lend money or other assets and to act as guarantors; to borrow or raise money on the security of the undertaking or on all or any of the assets of the Company including uncalled capital or without security; to invest monies of the Company in such manner as the Directors determine; to promote other companies; to sell the undertaking of the Company for cash or any other consideration; to distribute assets in specie to Members; to make charitable or benevolent donations; to pay pensions or gratuities or provide other benefits in cash or kind to Directors, officers, employees, past or present, and their families; to purchase directors and officers liability insurance and to carry on any trade or business and generally to do all acts and things which, in the opinion of the Company or the Directors, may be conveniently or profitably or usefully acquired and dealt with, carried on, executed or done by the Company in connection with the business aforesaid; provided that the Company shall only carry on the businesses for which a license is required under the laws of the Cayman Islands when so licensed under the terms of such laws.

6. The liability of each Member is limited to the amount from time to time unpaid on such Member's Shares.
7. The authorized share capital of the Company is US\$500,000 divided into 4,100,000,000 Class A Ordinary Shares of a par value of US\$0.0001 each, 250,000,000 Class B Ordinary Shares of a par value of US\$0.0001 each, 150,000,000 Series B Preferred Shares of a par value of US\$0.0001 each, 150,000,000 Series C Preferred Shares of a par value of US\$0.0001 each, 200,000,000 Series D Preferred Shares of a par value of US\$0.0001 each, and 150,000,000 Series D+ Preferred Shares of a par value of US\$0.0001 each, with power for the Company insofar as is permitted by law to redeem or purchase any of the Shares and to increase or reduce the said capital subject to the provisions of the Act and the Articles of Association of the Company and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of Shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained; provided that notwithstanding any provision to the contrary contained in this Memorandum or the Articles of Association of the Company, the Company shall have no power to issue bearer shares, bearer warrants, bearer coupons or bearer certificates.
8. If the Company is registered as exempted, its operations will be carried on subject to the provisions of Section 174 of the Act and, subject to the provisions of the Act and the Articles of Association of the Company, it shall have the power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.



9. The Company may amend this Memorandum by a resolution of Members in accordance with the relevant provisions of the Articles of Association of the Company.
10. Capitalized terms that are not defined in this Memorandum shall bear the same meanings as those given in the Articles of Association of the Company.

**THE COMPANIES LAW (2018 REVISION)**  
**OF THE CAYMAN ISLANDS**  
**THIRD AMENDED AND RESTATED ARTICLES OF ASSOCIATION**  
**OF**  
**KE HOLDINGS INC.**  
**贝壳控股有限公司**

(adopted by a special resolution passed on November 29, 2019)

1. In these Articles, Table A in the Schedule to the Act does not apply and, unless there is something in the subject or context inconsistent therewith,

|   |   |
|---|---|
| <b>“Act”</b>                                  | means the Companies Law (2018 Revision) of the Cayman Islands, as amended, modified or re-enacted from time to time.  |
| <b>“Additional Number”</b>                    | shall bear the meaning as set forth in Article 12(c) of Exhibit A.  |
| <b>“Additional Share Purchase Agreements”</b> | shall bear the meaning as set forth in the Investor Rights Agreement.   |
| <b>“Affiliate” of a Person</b>                | means, with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with such Person. With respect to any natural person, each of the following Persons is such natural person’s Affiliate for purposes of these Articles: (i) spouse; (ii) parents; (iii) children; (iv) siblings; (v) father-in-law and mother-in-law; (vi) son-in-law and daughter-in-law; (vii) brother-in-law and sister-in-law; (viii) any other person who is a lineal ascendant or descendant of such natural person, including adoptive relationships; and (ix) any other person who is a relative of such natural person and lives in the same household with such natural person (collectively, such natural person’s <b>“Immediate Family Members”</b> ). In the case of Parallel Galaxy, “Affiliate” shall also include (i) any general partner or fund manager of a fund that, directly or indirectly, wholly owns Parallel Galaxy, and (ii) any fund that directly or indirectly is Controlled by, under common Control with, or is managed by any general partner or fund manager of a fund that, directly or indirectly, wholly owns Parallel Galaxy. In the case of Parallel Stellar, “Affiliate” shall also include (i) any general partner or fund manager of a fund that, directly or indirectly, wholly owns Parallel Stellar, and (ii) any fund that directly or indirectly is Controlled by, under common Control with, or is managed by any general partner or fund manager of a fund that, directly or indirectly, wholly owns Parallel Stellar. In the case of SVF, “Affiliate” shall also include (i) any Person that directly or indirectly Controls SVF (including, if applicable, any general partner or any fund manager of SVF), and (ii) any Person that directly or indirectly Controls, is Controlled by, is under common Control with, or is managed by SVF, the general partner or the fund manager of SVF, which, for the avoidance of doubt, shall include Softbank Group Corp. and any of Softbank Group Corp.’s Affiliates. |

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| “ <b>Applicable Laws</b> ”                   | means, with respect to any Person, any transnational, domestic or foreign federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended. |
| “ <b>Applicable Liquidation Preference</b> ” | means, with respect to the holder of Series B Preferred Shares, the Series B Liquidation Preference; with respect to the holder of Series C Preferred Shares, the Series C Liquidation Preference; with respect to the holder of Series D Preferred Shares, the Series D Liquidation Preference; and with respect to the holder of Series D+ Preferred Shares, the Series D+ Liquidation Preference.                      |
| “ <b>Articles</b> ”                          | means these third amended and restated articles of association of the Company (including the Exhibit A hereto).   |
| “ <b>Asset Management Group Company</b> ”    | means each of 北京愿景明德管理咨询有限公司, a PRC company, and its current and future wholly owned Subsidiaries, and the “ <b>Asset Management Group</b> ” refers to all the Asset Management Group Companies collectively.   |

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| <b>“Automatic Conversion”</b>           | shall bear the meaning as set forth in Article 16(c).   |
| <b>“Baidu”</b>                          | means Baidu (Hong Kong) Limited and its successors and assigns as permitted pursuant to Section 10.01 of the Investor Rights Agreement.   |
| <b>“Beijing Lianjia”</b>                | means Beijing Lianjia Real Estate Agency Co., Ltd. (北京链家房地产经纪有限公司).   |
| <b>“Beijing Yiju”</b>                   | means Beijing Yiju Taihe Technology Co., Ltd. (北京宜居泰和科技有限公司), formerly known as Beijing Boheng Taihe Advertising Co., Ltd. (北京博恒泰和广告有限公司).  |
| <b>“Board”</b>                          | means the board of directors of the Company.  |
| <b>“Board Observer”</b>                 | shall bear the meaning as set forth in Article 65(c).   |
| <b>“Business”</b>                       | means, in respect of any Group Company, (i) the business it currently conducts and it currently proposes to conduct, including the provision of online and offline, firsthand and secondhand, real estate sales, brokerage, leasing, renovation, franchising, advertising and other information services (including online brokerage platform) in connection with the real estate industry, and other related businesses and (ii) the Finance Business. |
| <b>“Business Cooperation Agreement”</b> | means the Strategic Cooperation Framework Agreement (战略合作框架协议), dated December 28, 2018, by and among, <i>inter alia</i> , the Company and an Affiliate of Tencent Mobility.  |
| <b>“Business Day”</b>                   | means a day, other than Saturday, Sunday or another day on which commercial banks in New York, Hong Kong, the PRC, London or the Cayman Islands are authorized or required by Applicable Law to close.  |
| <b>“Chairman”</b>                       | means the chairman of the Board.  |
| <b>“Class A Ordinary Shares”</b>        | means class A ordinary shares, par value \$0.0001 per share, of the Company.  |
| <b>“Class B Ordinary Shares”</b>        | means class B ordinary shares, par value \$0.0001 per share, of the Company.  |

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| <b>“Closing”</b>                   | shall bear the meaning as set forth in the Tencent Series D+ Share Purchase Agreement (i.e., the purchase and sale of the Series D+ Preferred Shares pursuant to the Tencent Series D+ Share Purchase Agreement).  |
| <b>“Closing Date”</b>              | shall have the meaning given to it in the Tencent Series D+ Share Purchase Agreement (i.e., the date on which the purchase and sale of the Series D+ Preferred Shares takes place pursuant to the Tencent Series D+ Share Purchase Agreement, being November 29, 2019).  |
| <b>“Company”</b>                   | means KE Holdings Inc. (贝壳控股有限公司).   |
| <b>“Company Option Period”</b>     | shall bear the meaning as set forth in Article 8(b) of Exhibit A.  |
| <b>“Company Restricted Person”</b> | shall bear the meaning as set forth in the Investor Rights Agreement.  |
| <b>“Company Secretary”</b>         | means the company secretary of the Company.  |
| <b>“Company Securities”</b>        | means Equity Securities of the Company.  |
| <b>“Contract”</b>                  | means any contract, agreement, undertaking, understanding, commitment, purchase order, indenture, note, bond, loan, instrument, lease, mortgage, deed of trust, franchise, license or other legally binding arrangement, whether written or oral.  |
| <b>“Control” of a Person</b>       | means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by Contract or otherwise; provided, that such power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of fifty percent (50%) or more of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors (or analogous governing body) of such Person. The terms <b>“Controlled”</b> and <b>“Controlling”</b> have meanings correlative to the foregoing. |
| <b>“Control Documents”</b>         | means, collectively, Beijing Lianjia Control Documents, Beijing Yiju Control Documents, and Tianjin Xiaowu Control Documents, each as defined in the Share Purchase Agreement.   |

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| <b>“Conversion Price”</b>            | means, with respect to each Series B Preferred Share, the then-effective Series B Conversion Price; with respect to each Series C Preferred Share, the then-effective Series C Conversion Price; with respect to each Series D Preferred Share, the then-effective Series D Conversion Price; and with respect to each Series D+ Preferred Share, the then-effective Series D+ Conversion Price.   |
| <b>“Convertible Securities”</b>      | shall bear the meaning as set forth in Article 17(a).  |
| <b>“Deemed Liquidation Event”</b>    | shall bear the meaning as set forth in Article 26 of Exhibit A.  |
| <b>“Director”</b>                    | means any director of the Board.   |
| <b>“Domestic Companies”</b>          | means Beijing Lianjia, Beijing Yiju and Tianjin Xiaowu, and their respective current and future Subsidiaries and consolidated affiliate entities.  |
| <b>“Electronic Transactions Law”</b> | means the Electronic Transactions Law (2003 Revision) of the Cayman Islands.   |
| <b>“Equity Securities”</b>           | means, with respect to any Person that is not a natural person, any and all shares of capital stock, membership interests, units, profits interests, ownership interests, equity interests, registered capital and other equity securities of such Person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing.  |
| <b>“ESOP”</b>                        | means (i) the employee share incentive plan of the Company, which was established by a resolution adopted by the Board on August 20, 2018, pursuant to which up to a total of 70,045,087 Class A Ordinary Shares (representing approximately 10.79% of the issued and outstanding share capital on a fully diluted and as-converted basis based on the post-Closing capitalization table set forth in <u>Schedule X</u> of the Investor Rights Agreement) are reserved for issuance (the “ <b>2018 ESOP</b> ”), and (ii) any other employee share incentive plan of the Company that may be approved by the Members from time to time pursuant to Article 23 of Exhibit A. |
| <b>“Excess Shares”</b>               | shall bear the meaning as set forth in Article 29 of Exhibit A.  |
| <b>“Exercising Rightholder”</b>      | shall bear the meaning as set forth in Article 8(e) of Exhibit A.  |

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| <b>“Exhibit A”</b>                  | means Exhibit A to these Articles, as amended from time to time.   |
| <b>“Finance Business”</b>           | means, the business that Beijing Yiju and its Subsidiaries currently conduct or propose to conduct as of the Closing Date, including without limitation real property transactional bridge finance, consumer finance, microcredit lending, P2P lending, financing guarantee, guaranteed payment, third-party payment processing, insurance brokerage, financial lease, commercial factoring and financial supporting services.   |
| <b>“First Participation Notice”</b> | shall bear the meaning as set forth in Article 12(b) of Exhibit A.   |
| <b>“First Participation Period”</b> | shall bear the meaning as set forth in Article 12(b) of Exhibit A.   |
| <b>“Founder”</b>                    | means Mr. Zuo Hui, a citizen of the PRC.   |
| <b>“Founder Directors”</b>          | shall bear the meaning as set forth in Article 65(a).  |
| <b>“Founder Holding Company”</b>    | means Propitious Global Holdings Limited, a British Virgin Islands company.  |
| <b>“Founder Parties”</b>            | means the Founder and the Founder Holding Company.   |
| <b>“Governmental Authority”</b>     | means (i) any national, federal, state, county, municipal, local or foreign government or other political subdivision or instrumentality thereof, (ii) any entity, authority or body exercising executive, legislative, judicial, regulatory, taxing or administrative functions of or pertaining to government, (iii) any agency, division, bureau, department or other political subdivision of any government, entity, authority or body described in the foregoing clauses (i) and (ii) of this definition, (iv) any court, tribunal or arbitrator or (v) any self-regulatory organization. A Governmental Authority also includes public international organizations, i.e., organizations whose members are countries, or territories, governments of countries or territories, other public international organizations or any combination of the foregoing. |

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| <b>“Group Company”</b>             | means each of the Company, Beijing Lianjia, Beijing Yiju, Tianjin Xiaowu and their respective current and future Subsidiaries and consolidated affiliate entities, and the <b>“Group”</b> refers to all the Group Companies collectively. |
| <b>“Hillhouse”</b>                 | means, collectively, HH SHL Holdings Limited, HH SPR-IX Holdings Limited and HH PDII Holdings Limited.  |
| <b>“Hong Kong”</b>                 | means the Hong Kong Special Administrative Region of the People’s Republic of China.  |
| <b>“Honghua Jingrui”</b>           | means Tianjin Honghua Jingrui Enterprise Management Partnership Enterprise (Limited Partnership) (天津红华菁睿企业管理合伙企业(有限合伙)), and its successors and assigns as permitted pursuant to section 10.01 of the Investor Rights Agreement.          |
| <b>“Huaxing”</b>                   | means, collectively, Huaxing Fengxiang, Huaxing Fengfu, Honghua Jingrui, Huaxing USD Fund III and Villa Shell I Limited.  |
| <b>“Huaxing Fengfu”</b>            | means Tianjin Huaxing Fengfu Technology Partnership Enterprise (Limited Partnership) (天津华兴丰富科技合伙企业(有限合伙)), and its successors and assigns as permitted pursuant to section 10.01 of the Investor Rights Agreement.                        |
| <b>“Huaxing Fengxiang”</b>         | means Tianjin Huaxing Fengxiang Technology Partnership Enterprise (Limited Partnership) (天津华兴丰翔科技合伙企业(有限合伙)), and its successors and assigns as permitted pursuant to section 10.01 of the Investor Rights Agreement.                     |
| <b>“Huaxing USD Fund III”</b>      | means Huaxing Growth Capital III, L.P., and its successors and assigns as permitted pursuant to section 10.01 of the Investor Rights Agreement.   |
| <b>“Initial Redemption Notice”</b> | shall bear the meaning as set forth in Article 16(a) of Exhibit A.  |

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| <b>“Initial Redemption Notice Date”</b>       | shall bear the meaning as set forth in Article 16(a) of Exhibit A.   |
| <b>“Initial Redemption Requesting Holder”</b> | shall bear the meaning as set forth in Article 16(a) of Exhibit A.   |
| <b>“Intellectual Property”</b>                | means any and all intellectual property, industrial property and propriety rights in any jurisdiction in the world, including (i) patents, all patent rights and all applications therefor and all reissues, reexaminations, continuations, continuations-in-part, divisionals and patent term extensions thereof, (ii) inventions (whether patentable or not), discoveries, improvements, concepts, innovations and industrial models, (iii) registered and unregistered copyrights, copyright registrations and applications, author’s rights and works of authorship (including artwork of any kind), (iv) software of all types in whatever medium, inclusive of computer programs, applications, middleware, software development kits, libraries, software development tools, interfaces, firmware, compiled or interpreted programmable logic, objects, bytecode, machine code, videogames, software implementations of algorithms, models and methodologies, source code, object code and executable code, and documentation relating to any of the foregoing, (v) URLs, domain names, web sites, web pages and any part thereof, (vi) technical information, ideas, know-how, trade secrets, confidential information, drawings, designs, design protocols, specifications for parts and devices, quality assurance and control procedures, design tools, manuals, customer lists, databases, proprietary data, and other proprietary information, (vii) proprietary processes, technology, engineering, formulae, algorithms and operational procedures, and (viii) registered and unregistered trade names, trade dress, trademarks, service marks, logos, designs, symbols, slogans, taglines, brands, product names, corporate names, rights to social media accounts, and other indicia of source, origin or quality, and registrations and applications therefor, and the goodwill of the business symbolized or represented by any of the foregoing. |



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| “Investor Directors”         | shall bear the meaning as set forth in Article 65(a).   |
| “Investor Rights Agreement”  | means the Second Amended and Restated Investor Rights Agreement, dated November 29, 2019, entered into by and among the Company, Tencent, SVF and certain other parties thereto.                        |
| “Key Group Companies”        | Persons listed on Part A of Schedule IV of the Investor Rights Agreement.   |
| “Key Persons”                | shall bear the meaning as set forth in the Investor Rights Agreement.   |
| “Liquidation Event”          | means any of the following events: (i) a liquidation, dissolution or winding up of the Company, or (ii) any Deemed Liquidation Event.   |
| “Majority Preferred Holders” | means the Preferred Holders representing more than fifty percent (50%) of the voting power of all of the Preferred Shares of the Company voting as a single class, calculated on an as-converted basis. |
| “Member”                     | shall bear the meaning as set forth in the Act.   |
| “Memorandum”                 | means the third amended and restated memorandum of association of the Company.  |
| “Morespark”                  | means Morespark Limited and its successors and assigns as permitted pursuant to <b>Error! Reference source not found.</b> of the Investor Rights Agreement.   |
| “New Hope”                   | means Green Frontier Investments Limited and its successors and assigns as permitted pursuant to section 10.01 of the Investor Rights Agreement.  |
| “New Securities”             | shall bear the meaning as set forth in Article 11 of Exhibit A.   |
| “Offered Securities”         | shall bear the meaning as set forth in Article 8(a) of Exhibit A.   |
| “Options”                    | shall bear the meaning as set forth in Article 17(a).   |

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| <b>“Ordinary Holder”</b>                          | means each holder of Ordinary Shares from time to time as recorded in the Company’s register of members; provided, however, that no Preferred Holder shall be deemed an Ordinary Holder due to such Preferred Holder’s ownership of any Ordinary Share.   |
| <b>“Ordinary Shareholder Controlling Persons”</b> | shall bear the meaning as set forth in the Investor Rights Agreement.   |
| <b>“Ordinary Shares”</b>                          | means, collectively, the Class A Ordinary Shares and the Class B Ordinary Shares.   |
| <b>“Original Issue Date”</b>                      | means (i) with respect to Series B Preferred Shares, the Series B Original Issue Date; (ii) with respect to the Series C Preferred Shares, the Series C Original Issue Date; (iii) with respect to the Series D Preferred Shares, the Series D Original Issue Date; and (iv) with respect to the Series D+ Preferred Shares, the Series D+ Original Issue Date.     |
| <b>“Original Issue Price”</b>                     | means (i) with respect to Series B Preferred Shares, the Series B Original Issue Price; (ii) with respect to the Series C Preferred Shares, the Series C Original Issue Price; (iii) with respect to the Series D Preferred Shares, the Series D Original Issue Price; and (iv) with respect to the Series D+ Preferred Shares, the Series D+ Original Issue Price. |
| <b>“Overallotment Option Period”</b>              | shall bear the meaning as set forth in Article 8(e) of Exhibit A.   |
| <b>“Oversubscription Participants”</b>            | shall bear the meaning as set forth in Article 12(c) of Exhibit A.  |
| <b>“paid-up”</b>                                  | means paid-up and/or credited as paid-up.   |
| <b>“Parallel Galaxy”</b>                          | means Parallel Galaxy Investment Limited and its successors and assigns as permitted pursuant to Section 10.01 of the Investor Rights Agreement.  |
| <b>“Parallel Stellar”</b>                         | means Parallel Stellar Investment Limited and its successors and assigns as permitted pursuant to Section 10.01 of the Investor Rights Agreement.   |

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| <b>“Participation Rights Holder”</b>   | shall bear the meaning as set forth in Article 10 of Exhibit A.   |
| <b>“Permitted Class B Holders”</b>     | shall bear the meaning as set forth in Article 18.  |
| <b>“Permitted Transferee”</b>          | means (i) with respect to any Preferred Holder, any of its Affiliates that is not a Company Restricted Person, and (ii) with respect to any Ordinary Holder, (x) any Ordinary Shareholder Controlling Person that holds any shares in the Ordinary Holder, (y) any Person that is wholly owned, directly or indirectly, by such Ordinary Shareholder Controlling Person, and (z) any trust or other entity established for bona fide estate planning purposes for the benefit or on behalf of such Ordinary Shareholder Controlling Person or any Immediate Family Member of such Ordinary Shareholder Controlling Person; provided, that in each case of (i) and (ii), a Permitted Transferee with respect to any Shareholder shall not include any Tencent Restricted Person. |
| <b>“Person” or “person”</b>            | means any individual, corporation, partnership, limited liability company, association (whether incorporated or unincorporated), trust, proprietorship, joint venture, joint-stock company, firm, estate, governmental entity or other entity or organization.  |
| <b>“PRC”</b>                           | means the People’s Republic of China, but for purposes of these Articles, excluding Hong Kong, the Macau Special Administrative Region and Taiwan.  |
| <b>“Preemptive Right”</b>              | shall bear the meaning as set forth in Article 10 of Exhibit A.   |
| <b>“Preferred Co-Sale Rightholder”</b> | shall bear the meaning as set forth in Article 9(a) of Exhibit A.   |
| <b>“Preferred Holder”</b>              | means each holder of Preferred Shares from time to time.  |
| <b>“Preferred Option Period”</b>       | shall bear the meaning as set forth in Article 8(d) of Exhibit A.   |
| <b>“Preferred Redemption Price”</b>    | shall bear the meaning as set forth in Article 15 of Exhibit A.   |

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| <b>“Preferred Rightholder”</b> | shall bear the meaning as set forth in Article 8(a) of Exhibit A.   |
| <b>“Preferred Shares”</b>      | means, collectively, the Series B Preferred Shares, the Series C Preferred Shares, the Series D Preferred Shares and the Series D+ Preferred Shares.  |
| <b>“Pro Rata Share”</b>        | shall bear the meaning as set forth in Articles 8(d) and 12(b) of Exhibit A (as applicable).  |
| <b>“Public Offering”</b>       | means a firm-commitment underwritten public offering of Ordinary Shares or derivatives thereof and the listing of such securities for trading on a stock exchange or other public market.   |
| <b>“Qualified IPO”</b>         | means a firm-commitment underwritten initial public offering of the Ordinary Shares and the listing of such shares (or securities representing such shares) for trading on the New York Stock Exchange, Nasdaq Global Market, The Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange or Shenzhen Stock Exchange, with the implied market capitalization of the Company prior to such public offering being no less than the post-money valuation of the Company immediately after the Closing.  |
| <b>“Redemption Date”</b>       | shall bear the meaning as set forth in Article 16(a) of Exhibit A.  |
| <b>“Redemption Event”</b>      | means the occurrence of any 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 have ceased to be employed by any Group Company.  |
| <b>“Redemption Shares”</b>     | shall bear the meaning as set forth in Article 16(a) of Exhibit A.  |
| <b>“Related Party”</b>         | of any Group Company (the <b>“Subject Person”</b> ) means (a) any shareholder of the Subject Person or its Subsidiaries, the ultimate beneficial controller of such shareholder and any of the Affiliates of such ultimate beneficial controller, (b) any director of the Subject Person or its Subsidiaries, (c) any Key Person, (d) any officer of the Subject Person or its Subsidiaries, (e) any Immediate Family Member of any foregoing Person in (a), (b), (c) or (d), or (f) any Person in which any foregoing Person in (a), (b), (c), (d) or (e) exercises Control or significant influence, including through voting, position or ownership. |

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| <b>“Related Party Transaction”</b>         | means any Contract or transaction (including the provision of any loan or advance, payment of any fees or remuneration (other than compensation for services rendered in the ordinary course of the Group’s Business, e.g., salary, and not exceeding US\$2,500,000 (or its equivalent in any other currency) for each payee per fiscal year) or grant of any guarantee to secure Indebtedness (as such term is defined in the Share Purchase Agreement)) to be entered into by a Group Company, with, in favor of, or for the benefit of any Related Party. |
| <b>“Restructuring”</b>                     | shall bear the meaning as set forth in the Investor Rights Agreement.  |
| <b>“Restructuring Framework Agreement”</b> | shall bear the meaning as set forth in the Investor Rights Agreement.  |
| <b>“Restructuring Memorandum”</b>          | shall bear the meaning as set forth in the Investor Rights Agreement.  |
| <b>“RMB”</b>                               | means Renminbi (人民币), the legal currency of the PRC.   |
| <b>“Seal”</b>                              | means the common seal of the Company and includes every duplicate seal.  |
| <b>“Second Notice”</b>                     | shall bear the meaning as set forth in Article 8(e) of Exhibit A.  |
| <b>“Second Participation Notice”</b>       | shall bear the meaning as set forth in Article 12(c) of Exhibit A.   |
| <b>“Second Participation Period”</b>       | shall bear the meaning as set forth in Article 12(c) of Exhibit A.   |

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| <b>“Series B Conversion Price”</b>       | shall bear the meaning as set forth in Article 16(a).  |
| <b>“Series B Liquidation Preference”</b> | shall bear the meaning as set forth in Article 25(d) of Exhibit A.   |
| <b>“Series B Original Issue Date”</b>    | with respect to Series B Preferred Shares held by any certain Member, means the date set forth against its name (or the name of its permitted assignee) in the column entitled “Original Issue Date” in Part A of Schedule IX of the Investor Rights Agreement.  |
| <b>“Series B Original Issue Price”</b>   | with respect to Series B Preferred Shares held by any certain Member, means the price set forth against its name (or the name of its permitted assignee) in the column entitled “Original Issue Price” in Part A of Schedule IX of the Investor Rights Agreement, as appropriately adjusted for any share dividend, share split, combination of shares, reorganization, recapitalization, reclassification or other similar event affecting the Series B Preferred Shares. |
| <b>“Series B Preferred Shares”</b>       | means the series B preferred shares, par value of \$0.0001 per share, of the Company.  |
| <b>“Series C Conversion Price”</b>       | shall bear the meaning as set forth in Article 16(a).  |
| <b>“Series C Liquidation Preference”</b> | shall bear the meaning as set forth in Article 25(c) of Exhibit A.   |
| <b>“Series C Original Issue Date”</b>    | with respect to Series C Preferred Shares held by any certain Member, means the date set forth against its name (or the name of its permitted assignee) in the column entitled “Original Issue Date” in Part B of Schedule IX of the Investor Rights Agreement.  |
| <b>“Series C Original Issue Price”</b>   | with respect to Series C Preferred Shares held by any certain Member, means the price set forth against its name (or the name of its permitted assignee) in the column entitled “Original Issue Price” in Part B of Schedule IX of the Investor Rights Agreement, as appropriately adjusted for any share dividend, share split, combination of shares, reorganization, recapitalization, reclassification or other similar event affecting the Series C Preferred Shares. |

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| <b>“Series C Preferred Shares”</b>        | means the series C preferred shares, par value of \$0.0001 per share, of the Company.   |
| <b>“Series D Conversion Price”</b>        | shall bear the meaning as set forth in Article 16(a).   |
| <b>“Series D Liquidation Preference”</b>  | shall bear the meaning as set forth in Article 25(b) of Exhibit A.  |
| <b>“Series D Original Issue Date”</b>     | with respect to Series D Preferred Shares held by any certain Shareholder, means the date set forth against its name (or the name of its permitted assignee) in the column entitled “Original Issue Date” in Part C of Schedule IX of the Investor Rights Agreement.  |
| <b>“Series D Original Issue Price”</b>    | means US\$19, as appropriately adjusted for any share dividend, share split, combination of shares, reorganization, recapitalization, reclassification or other similar event affecting the Series D Preferred Shares.  |
| <b>“Series D Preferred Shares”</b>        | means the series D preferred shares, par value of \$0.0001 per share, of the Company.   |
| <b>“Series D+ Conversion Price”</b>       | shall bear the meaning as set forth in Article 16(a).   |
| <b>“Series D+ Liquidation Preference”</b> | shall bear the meaning as set forth in Article 25(a) of Exhibit A.  |
| <b>“Series D+ Original Issue Date”</b>    | with respect to Series D+ Preferred Shares held by any certain Shareholder, means the date set forth against its name (or the name of its permitted assignee) in the column entitled “Original Issue Date” in Part D of Schedule IX of the Investor Rights Agreement. |
| <b>“Series D+ Original Issue Price”</b>   | means US\$22.80, as appropriately adjusted for any share dividend, share split, combination of shares, reorganization, recapitalization, reclassification or other similar event affecting the Series D+ Preferred Shares.  |
| <b>“Series D+ Preferred Shares”</b>       | means the series D+ preferred shares, par value of \$0.0001 per share, of the Company.  |

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| <b>“Share Purchase Agreement”</b>  | means the Series D and Series D+ Preferred Shares Purchase Agreement, dated November 14, 2019, entered into by and among the Company, SVF and certain other parties thereto.   |
| <b>“Shares”</b>                    | means, collectively, the Ordinary Shares and the Preferred Shares.   |
| <b>“Significant Group Company”</b> | means each Person listed on Schedule IV of the Investor Rights Agreement and any of other current and future Subsidiaries and consolidated affiliate entities of the Company whose revenue for the prior fiscal year exceeds RMB 500,000,000 or that is otherwise material to the Group.   |
| <b>“Special Resolution”</b>        | means, in accordance with the Act and these Articles, a Members’ resolution expressed to be a special resolution and passed either (i) as a unanimous written resolution signed by all Members entitled to vote, or (ii) at a meeting by at least two-thirds (2/3) of such Members as, being entitled to do so, vote in person or by proxy at a general meeting. |
| <b>“Subject Financing Round”</b>   | means an equity financing round conducted by the Company after the Closing Date.   |
| <b>“Subsidiary”</b>                | means, with respect to any Person, any other Person that is Controlled directly or indirectly by such Person.  |
| <b>“Sunac”</b>                     | means Shining Wish Investment Limited and its successors and assigns as permitted pursuant to section 10.01 of the Investor Rights Agreement.  |
| <b>“SVF”</b>                       | means SVF II Shell Subco (Singapore) Pte. Ltd. and its successors and assigns as permitted pursuant to section 10.01 of the Investor Rights Agreement.   |
| <b>“SVF Director”</b>              | shall bear the meaning as set forth in Article 65(b).  |
| <b>“SVF Participation Notice”</b>  | shall bear the meaning as set forth in Article 12(a) of Exhibit A.   |

**“SVF Priority Preemptive Right Issuance Round”**

means a Subject Financing Round (the “**Relevant Subject Financing Round**”) which fulfils either of the following conditions: (i) the gross fundraising amount of which, together with the gross fundraising amounts of all Subject Financing Rounds, if any, conducted and consummated by the Company prior to the date on which the Relevant Subject Financing Round is proposed, would be less than US\$500,000,000; or (ii) the gross fundraising amount of which, together with the gross fundraising amounts of all Subject Financing Rounds, if any, conducted and consummated by the Company after the Closing Date and prior to the date on which the Relevant Subject Financing Round is proposed, would be equal to or exceed US\$500,000,000, it being agreed, however, that a Relevant Subject Financing Round shall not constitute an SVF Priority Preemptive Right Issuance Round if the gross fundraising amounts of all Subject Financing Rounds conducted and consummated by the Company prior to the date on which the Relevant Subject Financing Round is proposed were equal to or exceeded US\$500,000,000.

By way of illustration, if the Company conducts four Subject Financing Rounds and raises US\$200,000,000 in each Subject Financing Round, each of the first three Subject Financing Rounds is a SVF Priority Preemptive Right Issuance Round, and the fourth Subject Financing Round is not a SVF Priority Preemptive Right Issuance Round because the gross fundraising amounts of the first three Subject Financing Rounds were equal to or exceeded US\$500,000,000.

**“SVF Put Price”**

shall bear the meaning as set forth in the Investor Rights Agreement.

**“SVF Put Shares”**

shall bear the meaning as set forth in the Investor Rights Agreement.

**“Tax”**

shall bear the meaning as set forth in the Share Purchase Agreement.

**“Tencent”**

means Tencent Mobility, Parallel Galaxy, Parallel Stellar and Morespark collectively; each a “**Tencent Entity**”.



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| <b>“Tencent Director”</b>                           | shall bear the meaning as set forth in Article 65(b).   |
| <b>“Tencent Mobility”</b>                           | means Tencent Mobility Limited and its successors and assigns as permitted pursuant to Section 10.01 of the Investor Rights Agreement.  |
| <b>“Tencent Option Period”</b>                      | shall bear the meaning as set forth in Article 8(c) of Exhibit A.   |
| <b>“Tencent Restricted Person”</b>                  | means each Person listed on Schedule VII of the Investor Rights Agreement.  |
| <b>“Tencent Series D+ Share Purchase Agreement”</b> | means the Series D+ Share Purchase Agreement, dated November 25, 2019, by and between the Company, the Founder, Tencent Mobility, Parallel Stellar and certain other parties thereto.   |
| <b>“Tianjin Xiaowu”</b>                             | means Tianjin Xiaowu Information Technology Co., Ltd. (天津小屋信息科技有限公司).   |
| <b>“Trade Sale”</b>                                 | shall bear the meaning as set forth in Article 26 of Exhibit A.   |
| <b>“Transaction Document”</b>                       | shall bear the meaning as set forth in the Investor Rights Agreement.   |
| <b>“Transfer”</b>                                   | means, with respect to any Equity Securities of any Person, (i) when used as a verb, to sell, assign, dispose of, exchange, pledge, encumber, hypothecate or otherwise transfer such Equity Securities or any participation or interest therein, whether directly or indirectly (including pursuant to a derivative transaction), or to agree or commit to do any of the foregoing, and, (ii) when used as a noun, a direct or indirect sale, assignment, disposition, exchange, pledge, encumbrance, hypothecation or other transfer of such Equity Securities or any participation or interest therein or any agreement or commitment to do any of the foregoing. |
| <b>“Transfer Notice”</b>                            | shall bear the meaning as set forth in Article 8(a) of Exhibit A.   |
| <b>“Transferor”</b>                                 | shall bear the meaning as set forth in Article 8(a) of Exhibit A.   |

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| “US\$” or “\$”         | means the lawful currency of the United States of America.  |
| “Vanke”                | means Golden Shell (BVI) Company Limited and its successors and assigns as permitted pursuant to section 10.01 of the Investor Rights Agreement.  |
| “Ziroom Group Company” | means each of Ziroom Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands, and its current and future wholly owned Subsidiaries, and the “ <b>Ziroom Group</b> ” refers to all the Ziroom Group Companies collectively. |

The phrase “directly or indirectly” means directly, or indirectly through one or more intermediate Persons or through contractual or other arrangements and “direct or indirect” has the correlative meaning.

Unless the context otherwise requires, all words (whether gender-specific or gender-neutral) shall be deemed to include each of the masculine, feminine and neuter genders, and words indicating the singular include the plural and vice versa.

Headings are included for convenience only and shall not affect the construction of any provision of these Articles. All schedules and exhibits to these Articles are integral parts of these Articles.

“Include,” “including,” “are inclusive of” and similar expressions are not expressions of limitation and shall be construed as if followed by the words “without limitation”.

References to “law” or “laws” shall include all applicable laws, regulations, rules and orders of any Governmental Authority, securities exchange or other self-regulating body, including any common or customary law, constitution, code, ordinance, statute or other legislative measure and any regulation, rule, treaty, order, decree or judgment; and “lawful” shall be construed accordingly.

A reference to any “Person” shall, where the context permits, include such Person’s executors, administrators, legal representatives and permitted successors and assigns.

A reference to any Article is, unless otherwise specified, to such Article of these Articles. The words “hereof,” “hereunder,” “hereto” and words of like import, unless the context requires otherwise, refer to these Articles as a whole and not to any particular Article hereof. References to any document (including these Articles) are references to that document as amended, consolidated, supplemented, novated or replaced from time to time.

In calculations of share numbers or percentages, (i) references to “fully diluted and as-converted basis” mean that the calculation is to be made assuming that all outstanding options, warrants and other Equity Securities convertible into or exercisable or exchangeable for Ordinary Shares (whether or not by their terms then currently convertible, exercisable or exchangeable) have been so converted, exercised or exchanged, and (ii) references to an “as-converted basis” mean that the calculation is to be made assuming that all Preferred Shares in issue have been converted into Ordinary Shares.

Any share calculation that makes reference to a specific date shall be appropriately adjusted to take into account any share split, share consolidation or similar event after such date.

A reference to a statute or statutory provision includes, to the extent applicable at any relevant time, (a) that statute or statutory provision as from time to time consolidated, modified, re-enacted or replaced by any other statute or statutory provision, (b) any repealed statute or statutory provision which it re-enacts (with or without modification) and (c) any subordinate legislation or regulation made under the relevant statute or statutory provision.

If the day on or by which a payment must be made is not a Business Day, such payment may be made on or by the Business Day immediately following such day.

References to writing include any mode of reproducing words in a legible and non-transitory form including electronic media.

A Person is a “wholly owned Subsidiary” of another Person if it has no shareholders other than such other Person and such other Person’s wholly owned Subsidiaries, or if it is Controlled by such other Person via variable interest entity arrangements so that its financial results are entirely consolidated with the financial results of such other Person.

Notwithstanding anything to the contrary, for the purposes of these Articles, (i) any Transfer of any Equity Securities of, any issuance or redemption of Equity Securities by or any change in share capital in a limited partner of any fund that, directly or indirectly, wholly owns Parallel Galaxy, Parallel Stellar or SVF (as the case may be) or the addition or removal of any limited partner of such fund shall not be deemed to be a Transfer of any Shares or otherwise subject to any restriction set forth in Articles 1 through 9 of Exhibit A, and (ii) any direct or indirect mortgage, charge, pledge or otherwise permitting any encumbrance over any Equity Securities in Parallel Galaxy, Parallel Stellar or SVF (as the case may be) or any limited partnership interests in any fund that, directly or indirectly, wholly owns Parallel Galaxy, Parallel Stellar or SVF (as the case may be) shall not be deemed to be any direct or indirect mortgage, charge, pledge or otherwise permitting any encumbrance over any interests in the Shares; in each case of (i) and (ii) above, so long as no Company Restricted Person is a party to the relevant transaction.

Any requirements as to execution or signature under these Articles can be satisfied in the form of an electronic signature (as defined in the Electronic Transactions Law).

Any requirements as to delivery under these Articles include delivery in the form of an electronic record (as defined in the Electronic Transactions Law).

Section 8 and 19(3) of the Electronic Transactions Law shall not apply to these Articles.

2. The business of the Company may be commenced as soon after incorporation as the Directors shall see fit, notwithstanding that part only of the Shares may have been allotted.
3. The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company including the expenses of registration.

#### **CERTIFICATES FOR SHARES**

4. Subject to Article 5, certificates representing Shares shall be in such form as shall be determined by the Directors. Such certificates may be under Seal. Share certificates shall be signed by one or more Directors or other persons authorized by the Directors. The Company shall not be bound to issue more than one certificate for Shares held jointly by more than one Person and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. The name and address of the Person to whom the Shares represented thereby are issued, with the number of Shares and date of issue, shall be entered in the register of members. All Share certificates surrendered to the Company for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of Shares shall have been surrendered and cancelled. The Directors may authorize certificates to be issued with the Seal and authorized signature(s) to be affixed by some method or system of mechanical process.
5. Notwithstanding Article 4, each certificate representing the Shares shall bear a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE “ACT”) OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS SECURITY MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR (B) AN EXEMPTION UNDER THE ACT.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE APPLICABLE INVESTOR RIGHTS AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON REQUEST TO THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.

6. If a Share certificate is defaced, lost or destroyed, it may be renewed on payment of a fee of such sum and on such terms (if any) as the Directors may reasonably prescribe.

## ISSUE OF SHARES

7. Subject to the Memorandum, the other provisions of these Articles (including Articles 10 through 13 and Articles 22 and 23 of Exhibit A) and without prejudice to any special rights previously conferred on the holders of existing Shares, the Directors may allot, issue, grant options over or otherwise dispose of Shares (including fractions of a Share) with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such Persons, at such times and on such other terms as they think proper.
8. Subject to Article 4 and Article 6, the Company shall maintain a register of its Members, and every Person whose name is entered as a Member in the register of members shall be entitled without payment to receive within one (1) month after allotment or lodgment of transfer (or within such other period as the conditions of issue shall provide) one certificate representing all its Shares or, if the Directors so determine, several certificates each representing one or more of its Shares.

## TRANSFER OF SHARES

9. The instrument of transfer in respect of any Share shall be in writing and shall be executed by or on behalf of the transferor (and, if the Directors so require, signed by the transferee), and the transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members.
10. The Directors may not decline to register any transfer of Shares unless such registration of transfer would be contrary to the provisions of the Investor Rights Agreement, the Memorandum, the other provisions of these Articles (including Articles 1 through 9 of Exhibit A) or the Act. If the Directors refuse to register a transfer, they shall notify the transferee of such refusal within five (5) Business Days after receipt of a request for such transfer, providing a detailed explanation of the reason therefor.

## REDEEMABLE SHARES

11. Subject to the Act, the Memorandum and the other provisions of these Articles (including Exhibit A), Shares may be issued on the terms that they are, or at the option of the Company or the holder are, to be redeemed on such terms and in such manner as the Company, before the issue of such Shares, may by Special Resolution determine. Subject to the Act, the Memorandum and the other provisions of these Articles (including Exhibit A), the Company shall have the power to purchase or otherwise acquire its own shares on such terms and in such manner as the Board may determine and agree with a Member and any such determination by the Board shall be deemed authorized by these Articles for purposes of the Act. The Company is hereby authorized to make payments in respect of the purchase of its shares out of capital or out of any other account or fund which can be authorized for this purpose in accordance with the Act.

## **VARIATION OF RIGHTS OF SHARES**

12. Subject to the Act, and in addition to the other requirements under the Memorandum and these Articles (including Articles 22 and 23 of Exhibit A), if at any time the share capital of the Company is divided into different classes or series of Shares, the rights attached to any class or series (unless otherwise provided by the terms of issue of the Shares of that class or series) may, whether or not the Company is being wound up, only be varied with the consent in writing of the holders of at least a majority of the issued Shares of that class or series or with the sanction of a resolution of such holders of at least a majority of the issued Shares of that class or series, so long as such proposed variation would not adversely affect the rights of any other classes or series of Shares. The provisions of these Articles relating to general meetings of the Company shall apply to every general meeting of the holders of one class or series of Shares, except that, without prejudice to Article 46, the necessary quorum shall be Persons holding or representing in person or by proxy, at least a majority of the issued Shares of that class or series.
13. The rights conferred upon the holders of the Shares of any class or series issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class or series, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

## **COMMISSION ON SALE OF SHARES**

14. The Company may in so far as the Act from time to time permits pay a commercially reasonable commission to any Person in consideration of such Person subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares. Such commissions may be satisfied by the payment of cash or the lodgment of fully or partly paid-up Shares or partly in one way and partly in the other. The Company may also on any issue of Shares pay such brokerage as may be lawful and commercially reasonable.

## **NON-RECOGNITION OF TRUSTS**

15. No person shall be recognized by the Company as holding any Share upon any trust and the Company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any Share, or any interest in any fractional part of a Share, or (except only as is otherwise provided by these Articles or the Act) any other rights in respect of any Share except an absolute right to the entirety thereof in the registered holder.

## **CONVERSION OF PREFERRED SHARES**

16. The holders of the Preferred Shares shall have the rights described below with respect to the conversion of the Preferred Shares into Ordinary Shares:

- (a) Conversion Ratio. The number of Class A Ordinary Shares to which a holder shall be entitled upon conversion of each Series D+ Preferred Share shall be the quotient of the applicable Series D+ Original Issue Price divided by the conversion price then applicable to Series D+ Preferred Shares (the “**Series D+ Conversion Price**”), which shall initially be the Series D+ Original Issue Price, resulting in an initial conversion ratio for Series D+ Preferred Shares of 1:1, and shall be subject to adjustment and readjustment from time to time pursuant to Article 17. The number of Class A Ordinary Shares to which a holder shall be entitled upon conversion of each Series D Preferred Share shall be the quotient of the applicable Series D Original Issue Price divided by the conversion price then applicable to Series D Preferred Shares (the “**Series D Conversion Price**”), which shall initially be the Series D Original Issue Price, resulting in an initial conversion ratio for Series D Preferred Shares of 1:1, and shall be subject to adjustment and readjustment from time to time pursuant to Article 17. The number of Class A Ordinary Shares to which a holder shall be entitled upon conversion of each Series C Preferred Share shall be the quotient of the applicable Series C Original Issue Price divided by the conversion price then applicable to Series C Preferred Shares (the “**Series C Conversion Price**”), which shall initially be the Series C Original Issue Price, resulting in an initial conversion ratio for Series C Preferred Shares of 1:1, and shall be subject to adjustment and readjustment from time to time pursuant to Article 17. The number of Class A Ordinary Shares to which a holder shall be entitled upon conversion of each Series B Preferred Share shall be the quotient of the applicable Series B Original Issue Price divided by the conversion price then applicable to Series B Preferred Shares (the “**Series B Conversion Price**”), which shall initially be the Series B Original Issue Price, resulting in an initial conversion ratio for Series B Preferred Shares of 1:1, and shall be subject to adjustment and readjustment from time to time pursuant to Article 17.
- (b) Optional Conversion. Unless converted earlier pursuant to Article 16(c), any Preferred Share may, 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 has not been fully paid in accordance with the terms of issue thereof prior to such conversion, the Ordinary Share(s) so converted shall remain 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.
- (c) Automatic Conversion. Each Preferred Share shall automatically be converted, based on the Conversion Price, without the payment of any additional consideration (provided that, if any Preferred Share has not been fully paid in accordance with the terms of issue thereof prior to such conversion, the Ordinary Share(s) so converted shall remain 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 upon the consummation of a Qualified IPO. Any conversion pursuant to this Article 16(c) shall be referred to as an “**Automatic Conversion**”.
- (d) No Conversion into Class B Ordinary Shares. Under no circumstances shall any Preferred Shares other than Preferred Shares that may be owned by the Founder be convertible into Class B Ordinary Shares.

(e) Conversion Mechanism. The conversion hereunder of any applicable Preferred Share shall be effected in the following manner:

- (i) Except as provided in Articles 16(e)(ii) and 16(e)(iii) below, before any holder of any Preferred Shares shall be entitled to convert the same into Class A Ordinary Shares, such holder shall surrender the certificate or certificates therefor (if any) (or in lieu thereof shall deliver an affidavit of lost certificate and indemnity therefor) at the office of the Company or of the Company Secretary for such Share to be converted and shall give notice to the Company at its principal office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for Class A Ordinary Shares are to be issued. The Company shall, as soon as practicable thereafter, issue and deliver at such office to such holder of applicable Preferred Shares, or to the nominee or nominees of such holder, a certificate or certificates for the number of Class A Ordinary Shares to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such notice and such surrender of the Preferred Shares to be converted, the register of members of the Company shall be updated accordingly to reflect the same, and the Person or Persons entitled to receive the Class A Ordinary Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Class A Ordinary Shares as of such date.
- (ii) If the conversion is in connection with an underwritten public offering of securities, the conversion will be conditioned upon the closing with the underwriter(s) of the sale of securities pursuant to such offering and the Person(s) entitled to receive the Class A Ordinary Shares issuable upon such conversion shall not be deemed to have converted the applicable Preferred Shares until immediately prior to the closing of such sale of securities.
- (iii) Upon the occurrence of an event of Automatic Conversion, all holders of Preferred Shares to be automatically converted will be given at least ten (10) days' prior written notice of the date fixed for the closing of the Qualified IPO and the place designated for automatic conversion of all such Preferred Shares pursuant to this Article 16(e)(iii). Such notice shall be given pursuant to Articles 102 through 105 to each record holder of such Preferred Shares at such holder's address appearing on the register of members. On or before the date fixed for conversion, each holder of such Preferred Shares shall surrender the applicable certificate or certificates (if any) (or in lieu thereof shall deliver an affidavit of lost certificate and indemnity therefor) for all such shares to the Company at the place designated in such notice. On the date fixed for conversion, the Company shall promptly effect such conversion and update its register of members to reflect such conversion, and all rights with respect to such Preferred Shares so converted will terminate, with the exception of (i) the right of a holder thereof to receive the Class A Ordinary Shares issuable upon conversion of such Preferred Shares, and upon surrender of the certificate or certificates therefor (if any) (or in lieu thereof shall deliver an affidavit of lost certificate and indemnity therefor), to receive certificates (if applicable) for the number of Class A Ordinary Shares into which such Preferred Shares have been converted, and (ii) the rights of a holder thereof specified under Article 16(e)(v) and Article 16(e)(vi). All certificates evidencing such Preferred Shares shall, from and after the date of conversion, be deemed to have been cancelled and the Preferred Shares represented thereby converted into Class A Ordinary Shares for all purposes, notwithstanding the failure of the holder or holders thereof to surrender such certificates on or prior to such date.

- (iv) The Company may effect the conversion of Preferred Shares in any manner available under Applicable Laws, including redesignation and reclassification of the relevant Preferred Shares into Class A Ordinary Shares, or redeeming or repurchasing the relevant Preferred Shares and applying the proceeds thereof towards payment for the new Class A Ordinary Shares. For purposes of the repurchase or redemption, the Company may, subject to the Company being able to pay its debts in the ordinary course of business, make payments out of its capital.
- (v) No fractional Class A Ordinary Shares shall be issued upon conversion of any Preferred Shares. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall, at the discretion of the Board of Directors, either (A) pay cash equal to such fraction multiplied by the Conversion Price of the applicable Preferred Share, or (B) issue one whole Class A Ordinary Share for each fractional share to which the holder would otherwise be entitled.
- (vi) Upon conversion, all accrued but unpaid share dividends on the applicable Preferred Shares shall be paid in shares and all accrued but unpaid cash dividends on the applicable Preferred Shares shall be paid either in cash or by the issuance of a number of further Class A Ordinary Shares equal to the value of such cash amount divided by the applicable Conversion Price, at the option of the holders of the applicable Preferred Shares.

#### ADJUSTMENTS TO CONVERSION PRICE

- 17. (a) Special Definitions. For the purposes of this Article 17, the following definitions apply:
  - (i) “**Convertible Securities**” means any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Ordinary Shares.



- (ii) “Options” means rights, options or warrants to subscribe for, purchase or otherwise acquire either Ordinary Shares or Convertible Securities.
- (b) No Adjustment of Conversion Price. Notwithstanding any provision to the contrary contained herein, no adjustment in the Conversion Price shall be made in respect of the issuance of New Securities unless the issue price per Ordinary Share for such New Securities issued or deemed to be issued by the Company is lower than the Conversion Price in effect on the date of and immediately prior to such issue.
- (c) Deemed Issuance of New Securities. In the event that the Company shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class or series of Shares entitled to receive any such Options or Convertible Securities, then the maximum number of Ordinary Shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number that would result in an adjustment pursuant to Article 17(c)(ii)) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities shall be deemed to be New Securities issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date; provided that New Securities shall be deemed to not have been issued unless the issue price per Ordinary Share (as determined pursuant to Article 17(e)) of such New Securities would be less than the applicable Conversion Price on the date of and immediately prior to such issue, or such record date, as the case may be; provided, further, that in any such case in which New Securities are deemed to be issued:
  - (i) other than adjustments contemplated under clauses (ii) or (iii) below, no further adjustment in the Conversion Price shall be made upon the subsequent issue of Convertible Securities or Ordinary Shares upon the exercise of such Options or conversion or exchange of such Convertible Securities;
  - (ii) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Company, or increase or decrease in the number of Ordinary Shares issuable, upon the exercise, conversion or exchange thereof, the Conversion Price computed upon the original issuance thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

- (iii) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Conversion Price with respect to any Preferred Share computed upon the original issuance thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if:
  - (A) in the case of Convertible Securities or Options for Ordinary Shares, the only New Securities issued were Ordinary Shares, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Company for the issue of all such Options, whether or not exercised, plus the consideration actually received by the Company upon such exercise, or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Company upon such conversion or exchange; and
  - (B) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Company for the New Securities deemed to have been then issued was the consideration actually received by the Company for the issue of all such Options, whether or not exercised, plus the consideration deemed to have been received by the Company upon the issue of the Convertible Securities with respect to which such options were actually exercised;
  - (iv) no readjustment pursuant to Article 17(c)(ii) or Article 17(c)(iii) shall have the effect of increasing the Conversion Price with respect to any Preferred Share to an amount which exceeds the Conversion Price with respect to such Preferred Share that would have been in effect had no adjustments in relation to the issuance of the Options or Convertible Securities as referenced in Article 17(c)(ii) or Article 17(c)(iii); and
  - (v) if such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Conversion Price with respect to any Preferred Share which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Conversion Price with respect to such Preferred Share shall be adjusted pursuant to Article 17(c)(iii) as of the actual date of their issuance.
- (d) Adjustment of Conversion Price upon Issuance of New Securities below the Conversion Price. In the event of an 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, then the applicable Conversion Price with respect to such Preferred Share shall be reduced, concurrently with such issue, to a price determined as set forth below, save that if an adjustment would result in the adjusted Conversion Price being lower than the par value of an Ordinary Share, the Conversion Price shall be deemed to be adjusted so as to equal the par value of an Ordinary Share:

$$\text{NCP} = \text{OCP} * (\text{OS} + (\text{NP}/\text{OCP})) / (\text{OS} + \text{NS})$$

where:

NCP = the new Conversion Price with respect to such Preferred Share;

OCP = the Conversion Price with respect to such Preferred Share in effect immediately before the issuance or deemed issuance of the New Securities;

OS = the total number of Ordinary Shares on an as-converted, fully diluted basis immediately before the issuance or deemed issuance of the New Securities, including Ordinary Shares issuable upon the conversion, exercise or exchange of all outstanding Preferred Shares, Convertible Securities, Options and Equity Securities to be issued pursuant to the transactions expressly contemplated by the Restructuring Framework Agreement;

NP = the total consideration received for the issuance or deemed issuance of the New Securities; and

NS = the total number of New Securities actually issued or deemed to be issued.

(e) Determination of Consideration. For purposes of this Article 17, the consideration received by the Company for the issuance or deemed issuance of any New Securities shall be computed as follows:

- (i) Except as provided in Article 17(e)(ii), such consideration shall:
  - (A) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Company excluding amounts paid or payable for accrued interest or accrued dividends and excluding any discounts, commissions or placement fees payable by the Company to any underwriter or placement agent in connection with the issuance of any New Securities;
  - (B) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined and approved in good faith by the Board; provided that no value shall be attributed to any services performed by any employee, officer or director of any Group Company; and
  - (C) in the event that New Securities are issued or deemed issued together with other Shares or securities in or other assets of the Company for consideration which covers both such New Securities and such other Shares or securities or other assets, be the proportion of such consideration so received with respect to such New Securities, computed as provided in Article 17(e)(i)(A) and Article 17(e)(i)(B), as determined in good faith by the Board.

- (ii) The consideration per Ordinary Share received by the Company for New Securities deemed to have been issued pursuant to Article 17(c), relating to Options and Convertible Securities, shall be determined by dividing:
  - (A) the total amount, if any, received or receivable by the Company (net of any selling concessions, discounts or commissions) as consideration for the issue of such Options or Convertible Securities (determined in the manner described in Article 17(e)(i)), plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities; by
  - (B) the maximum number of Ordinary Shares (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.
- (f) Adjustments for Share Subdivisions, Combinations or Consolidations of Equity Securities. In the event that the outstanding Ordinary Shares shall be subdivided (by share dividend, share split or otherwise) into a greater number of Ordinary Shares, the Conversion Price then in effect immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event that the outstanding Ordinary Shares shall be combined or consolidated, by reclassification or otherwise, into a smaller number of Ordinary Shares, the Conversion Price then in effect immediately prior to such combination or consolidation shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.
- (g) Adjustments for Ordinary Share Dividends and Distributions. In the event that the Company at any time or from time to time makes, or fixes a record date for the determination of holders of Ordinary Shares entitled to receive, a dividend or other distribution to the Ordinary Holders payable in additional Ordinary Shares, the Conversion Price with respect to each Preferred Share shall be decreased as of the time of such issuance (or in the event such record date is fixed, as of the close of business on such record date) by multiplying such Conversion Price by a fraction (i) the numerator of which is the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (ii) the denominator of which is the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of Ordinary Shares issuable in payment of such dividend or distribution.

- (h) Adjustments for Other Distributions. In the event that the Company at any time or from time to time makes, or fixes a record date for the determination of holders of Ordinary Shares entitled to receive, any distribution payable in securities in or assets of the Company other than Ordinary Shares, then and in each such event, provision shall be made so that the holders of Preferred Shares shall receive upon conversion thereof, in addition to the number of Ordinary Shares receivable thereupon, the amount of securities in or assets of the Company that they would have received had their Preferred Shares been converted into Ordinary Shares on the date of such event and had they thereafter, during the period from the date of such event to and including the date of conversion, retained such securities or assets receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Article 17 with respect to the rights of the holders of the Preferred Shares.
- (i) Adjustments for Reclassification, Exchange and Substitution. If the Ordinary Shares issuable upon conversion of any Preferred Shares shall be changed into the same or a different number of Shares of any other class or classes of Shares, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of Shares provided for above), then and in each such event the holder of each such Preferred Share shall have the right thereafter to convert such Preferred Share into the kind and amount of Shares and other securities and property receivable upon such reorganization or reclassification or other change by holders of the number of Ordinary Shares that would have been subject to receipt by the holders upon conversion of the applicable Preferred Shares immediately before that change, all subject to further adjustment as provided herein.
- (j) Other Dilutive Events. In case any event shall occur as to which the other provisions of this Article 17 are not strictly applicable, but the failure to make any adjustment to the applicable Conversion Price would not fairly protect the conversion rights of the Preferred Shares in accordance with the essential intent and principles hereof, then, in each such case, the Company, in good faith, shall determine the appropriate adjustment to be made, on a basis consistent with the essential intent and principles established in this Article 17, necessary to preserve, without dilution, the conversion rights of the Preferred Shares.
- (k) No Impairment. The Company shall not, by amendment of the Memorandum or these Articles or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company but shall at all times in good faith assist in the carrying out of all the provisions of this Article 17 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the Preferred Shares against impairment.

- (l) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the applicable Conversion Price pursuant to this Article 17, the Company, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof, and furnish to each holder of the Preferred Shares who is affected by such adjustment or readjustment a certificate setting forth such adjustment or readjustment, by first class mail, postage prepaid, at such holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or deemed to be received by the Company for any New Securities issued or sold or deemed to have been issued or sold, (ii) the number of New Securities issued or sold or deemed to be issued or sold, the Conversion Price in effect before and after such adjustment or readjustment, and (iv) the number of the Ordinary Shares and the type and amount, if any, of other property which would be received upon the conversion of the applicable Preferred Shares after such adjustment or readjustment.
- (m) Calculations. All calculations under this Article 17 shall be made to the nearest cent or to the nearest 1/100 of a Share, as the case may be.
- (n) No Adjustment. No adjustment in the Conversion Price need be made if such adjustment would result in a change in the Conversion Price of less than US\$0.0001. Any adjustment of less than US\$0.0001 which is not made shall be carried forward and shall be made at the time of and together with any subsequent adjustment which, on a cumulative basis, amounts to an adjustment of US\$0.0001 or more in the applicable Conversion Price. If an adjustment in the Conversion Price would result in the reduction of the applicable Conversion Price to below the par value of an Ordinary Share, the applicable Conversion Price shall be deemed to be reduced to an amount equal to the par value of an Ordinary Share.

#### **AUTOMATIC CONVERSION OF CLASS B ORDINARY SHARES**

18. The Class B Ordinary Shares shall only be held by the Founder, his wholly owned holding entities, or any trust or other entity established for bona fide estate planning purposes for the benefit of or on behalf of him or his Immediate Family Member (together, the **"Permitted Class B Holders"**).
19. Upon a Transfer of any Class B Ordinary Shares by a Permitted Class B Holder to any Person (other than to any other Permitted Class B Holder), such Class B Ordinary Shares shall automatically and immediately be converted into an equal number of Class A Ordinary Shares. If the Founder ceases to be an employee of any Group Company, the Class B Ordinary Shares beneficially owned by him and each Permitted Class B Holder, if any, shall automatically and immediately be converted into an equal number of Class A Ordinary Shares. Under no circumstances shall any Preferred Shares other than Preferred Shares that may be owned by the Founder or any Permitted Class B Holder be convertible into the Class B Ordinary Shares.

## NOTICES OF RECORD DATE

20. Notices of Record Date. Without prejudice to the other provisions of these Articles, in the event that the Company shall propose at any time:

- (a) to declare any dividend or distribution upon the Ordinary Shares or other class or series of Shares, whether in cash, property, Shares or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus;
- (b) to offer for subscription pro rata to the holders of any class or series of Shares any additional Shares of any class or series or other rights;
- (c) to effect any reclassification or recapitalization of the Ordinary Shares outstanding involving a change in the Ordinary Shares;
- (d) to merge or consolidate with or into any other corporation, or sell, lease or convey all or substantially all its property, assets or business or a majority of the Shares, or to liquidate, dissolve or wind up; or
- (e) take any other action requiring an adjustment to the Conversion Price or the number or character of the Preferred Shares as set forth herein,

then, in connection with each such event, the Company shall send to each Member (i) at least thirty (30) days' prior written notice of the date on which a record shall be taken for such dividend, distribution, subscription or other applicable rights (and specifying the date on which the holders of Shares shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in Article 20(a) and Article 20(b) and (ii) in the case of the matters referred to in Article 20(c), Article 20(d) and Article 20(e), at least thirty (30) days' prior written notice of the date when the same shall take place (and specifying the date on which the holders of Shares shall be entitled to exchange their Shares for securities or other property deliverable upon the occurrence of such event).

## LIEN ON SHARES

21. The Company shall have a first and paramount lien and charge on all Shares (not being a fully paid-up Share) registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other Person, whether a Member or not, but the Directors may at any time (a) declare any Share to be wholly or in part exempt from the provisions of this Article 21 or (b) waive any lien and charge on any Shares. The registration of a transfer of any such Share shall operate as a waiver of the Company's lien (if any) thereon. The Company's lien (if any) on a Share shall extend to all dividends or other monies payable in respect thereof.

22. The Company may sell, in such manner as the Directors think fit, any Share on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable and the Company has given the registered holder or holders for the time being of such Share or the Person, of which the Company has notice, entitled to such Share by reason of the death or bankruptcy of such holder or holders fifteen (15) Business Days' written notice stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable.
23. To give effect to any such sale, the Directors may authorize any Person to transfer the Shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the Shares comprised in any such transfer and shall not be bound to see to the application of the purchase money, nor shall the purchaser's title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
24. The proceeds of such sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the Shares before the sale) be paid to the Person entitled to the Shares at the date of the sale.

#### CALL ON SHARES

25. (a) The Directors may from time to time make calls upon the Members in respect of any monies due but unpaid on their Shares (whether on account of the par value of the Shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed terms; provided that no call shall be payable at less than one month from the date fixed for the payment of the last preceding call, and each Member shall (subject to receiving at least fifteen (15) Business Days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on the Shares. A call may be revoked or postponed as the Directors may determine. A call may be made payable by installments.
- (b) A call shall be deemed to have been made at the time when the resolution of the Directors authorizing such call was passed.
- (c) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.
26. If a sum called in respect of a Share is not paid before or on a day appointed for payment thereof, the Persons from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding ten percent (10%) per annum as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest either wholly or in part.

27. Any sum which by the terms of issue of a Share becomes payable on allotment or at any fixed date, whether on account of the par value of the Share or by way of premium or otherwise, shall for purposes of these Articles be deemed to be a call duly made, notified and payable on the date on which by the terms of issue the same becomes payable, and in the case of non-payment all the relevant provisions of these Articles as to payment of interest forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
28. The Directors may, on the issue of Shares, differentiate between the holders as to the amount of calls or interest to be paid and the times of payment.
29. (a) The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the monies uncalled and unpaid upon any Shares held by it, and upon all or any of the monies so advanced may (until the same would, but for such advances, become payable) pay interest at such rate as may be agreed upon between the Directors and the Member paying such sum in advance.
- (b) No such sum paid in advance of calls shall entitle the Member paying such sum to any portion of a dividend declared in respect of any period prior to the date upon which such sum would, but for such payment, become presently payable.

#### **FORFEITURE OF SHARES**

30. (a) If a Member fails to pay any call or installment of a call or to make any payment required by the terms of issue on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call, installment or payment remains unpaid, give notice requiring payment of so much of the call, installment or payment as is unpaid, together with any interest which may have accrued and all expenses that have been incurred by the Company by reason of such non-payment. Such notice shall name a day (not earlier than the expiration of fifteen (15) Business Days from the date of giving of the notice) on or before which the payment required by the notice is to be made, and shall state that, in the event of non-payment at or before the time appointed, the Shares in respect of which such notice was given will be liable to be forfeited.
- (b) If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited automatically without any action on the part of the Directors. Such forfeiture shall include all dividends declared in respect of the forfeited Share and not actually paid before the forfeiture.
- (c) A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit and at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the Directors think fit.
31. A Person whose Shares have been forfeited shall cease to be a Member in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the Shares together with interest thereon, but such Person's liability shall cease if and when the Company shall have received payment in full of all monies whenever payable in respect of the Shares.



32. A certificate in writing under the hand of a Director or the Company Secretary that a Share has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the fact therein stated as against all Persons claiming to be entitled to the Share. The Company may receive the consideration given for the Share on any sale or disposition thereof and may execute a transfer of the Share in favor of the Person to whom the Share is sold or disposed of and such Person shall thereupon be registered as the holder of the Share and shall not be bound to see to the application of the purchase money, if any, nor shall such Person's title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.
33. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the par value of the Share or by way of premium as if the same had been payable by virtue of a call duly made and notified.

#### **REGISTRATION OF EMPOWERING INSTRUMENTS**

34. The Company shall be entitled to charge a fee not exceeding one dollar (US\$1.00) on the registration of every probate, letter of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas or other instrument.

#### **TRANSMISSION OF SHARES**

35. In case of the death of a Member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only Persons recognized by the Company as having any title to his interest in the Shares, but nothing herein contained shall release the estate of any such deceased holder from any liability in respect of any Shares which had been held by him solely or jointly with other Persons.
36. (a) Any Person becoming entitled to a Share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may from time to time be required by the Directors and subject as hereinafter provided, elect either to be registered itself as holder of the Share or to make such transfer of the Share to such other Person nominated by it as the deceased or bankrupt person could have made and to have such Person registered as the transferee thereof, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by that Member before his death or bankruptcy or its liquidation or dissolution, as the case may be.
- (b) If the Person so becoming entitled shall elect to be registered itself as holder, it shall deliver or send to the Company a notice in writing signed by it stating that it so elects.

37. A Person becoming entitled to a Share by reason of the death or bankruptcy or liquidation or dissolution of the holder (or in any other case than by transfer) shall be entitled to the same dividends and other advantages to which it would be entitled if it were the registered holder of the Share, except that it shall not, before being registered as a Member in respect of the Share, be entitled in respect of the Share to exercise any right conferred by membership in relation to meetings of the Company; provided that the Directors may at any time give notice requiring any such Person to elect either to be registered itself or to transfer the Share and if the notice is not complied with within ninety (90) days the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

**AMENDMENT OF MEMORANDUM, CHANGE OF LOCATION OF REGISTERED OFFICE AND ALTERATION OF CAPITAL**

38. (a) Subject to the provisions of the Act and these Articles (including Articles 22 and 23 of Exhibit A), the Company may from time to time by Special Resolution alter or amend the Memorandum and may, without restricting the generality of the foregoing:
- (i) increase the share capital by such sum to be divided into Shares of such amount or without par value as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto as the Company in general meeting may determine.
  - (ii) consolidate and divide all or any of its share capital into Shares of a larger amount than the existing Shares;
  - (iii) subdivide the existing Shares or any of them, or divide the whole or any part of its share capital into Shares of smaller amount than is fixed by the Memorandum; and
  - (iv) cancel any Shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any Person.
- (b) All new Shares created hereunder shall be subject to the same provisions with reference to the payment of calls, liens, Transfer, transmission, forfeiture and otherwise as the Shares in the original share capital.
- (c) Subject to the provisions of the Act and these Articles (including Articles 22 and 23 of Exhibit A), the Company may by Special Resolution change its name or alter its objects.
- (d) Subject to the provisions of the Act and these Articles (including Articles 22 and 23 of Exhibit A), the Company may by Special Resolution reduce its share capital and any capital redemption reserve fund.

- (e) Subject to the provisions of the Act and these Articles (including Articles 22 and 23 of Exhibit A), the Company may by resolution of the Directors change the location of its registered office.

#### **CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE**

39. For purposes of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any dividend, or in order to make a determination of Members for any other proper purpose, the Directors may provide that the register of members shall be closed for transfers for a stated period but not to exceed in any case forty (40) days. If the register of members shall be so closed for the purpose of determining Members entitled to notice of or to vote at a meeting of Members such register shall be so closed for at least ten (10) days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the register of members.
40. In lieu of or apart from closing the register of members, the Directors may fix in advance a date as the record date for any such determination of Members entitled to notice of or to vote at a meeting of the Members and for the purpose of determining the Members entitled to receive payment of any dividend the Directors may, at or within ninety (90) days prior to the date of declaration of such dividend, fix a subsequent date as the record date for such determination.
41. If the register of members is not so closed and no record date is fixed for the determination of Members entitled to notice of or to vote at a meeting of Members or Members entitled to receive payment of a dividend, the date on which the notice of the meeting is mailed or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in Article 39 to Article 40, such determination shall apply to any adjournment thereof.

#### **GENERAL MEETING**

42. (a) Subject to Article 42(b), the Company shall within one year of its incorporation and in each year of its existence thereafter hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as the Directors shall appoint. At these meetings the report of the Directors (if any) shall be presented.
- (b) If the Company is exempted as defined in the Act it may but shall not be obliged to hold an annual general meeting.
43. (a) The Directors may whenever they think fit, and they shall on the requisition of Members holding at the date of the deposit of the requisition not less than twenty percent (20%) of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, proceed to convene a general meeting of the Company.

- (b) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the registered office of the Company and may consist of several documents in like form each signed by one or more requisitionists.
- (c) If the Directors do not within twenty-one (21) days from the date of the deposit of the requisition duly proceed to convene a general meeting, the requisitionists, or any of them representing more than one-half (1/2) of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three (3) months after the expiration of the said twenty-one (21) days.
- (d) A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

#### **NOTICE OF GENERAL MEETINGS**

- 44. At least five (5) Business Days' notice shall be given by the Board of an annual general meeting or any other general meeting to the Members whose names on the date of the notice appear as a Member in the register of members and are entitled to vote at the meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and shall specify the place, the day and the hour of the meeting and the general nature of the business. No resolution may be tabled, voted on or passed in a general meeting to the extent its subject matter has not been included in the notice of such meeting.
- 45. The accidental omission and inadvertent failure to give notice of a general meeting to, or the non-receipt of notice of a meeting by any Person entitled to receive notice provided that the notice has been delivered in accordance with these Articles, shall not invalidate the proceedings of that meeting.

#### **PROCEEDINGS AT GENERAL MEETINGS**

- 46. A general meeting shall be deemed duly constituted if, at the commencement of and throughout the meeting, there are present in person or by proxy (a) the Majority Preferred Holders, and (b) the holder(s) holding at least fifty percent (50%) of the voting power of the issued Ordinary Shares; provided that if the Company has one Member the quorum shall be that one Member present in person or by proxy. No business shall be transacted at any general meeting unless the aforesaid quorum of Members is present at the time when the meeting proceeds to business and throughout the meeting.
- 47. Subject to Articles 22 and 23 of Exhibit A, a resolution (including a Special Resolution) in writing (in one or more counterparts) signed by all the Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorized representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

48. If, within one (1) hour from the time appointed for the meeting, a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved and in any other case it shall stand adjourned to the same time and place five (5) Business Days later or such other place as the Directors may determine, provided that the written notice of the adjourned meeting shall be given to all Members at least two (2) Business Days before such meeting, and if at the adjourned meeting or next duly noticed meeting a quorum is not present within one (1) hour from the time appointed for the meeting, the Members present shall be deemed to constitute a quorum for all purposes. Other than the business as outlined in the notice to Members, no other business shall be determined at the adjourned meeting.
49. A general meeting may be held and any Member may participate in such meeting by telephone, video conference or other communications equipment by means of which all the Persons participating in the meeting can communicate with each other, and such participation shall constitute presence for purposes of the quorum provisions of Article 46.
50. The chairman of the Board shall preside as chairman at every general meeting of the Company, or if there is no such Chairman or if he shall not be present within thirty (30) minutes after the time appointed for the holding of the meeting or is unwilling to act, the Directors present shall elect one of their numbers to be chairman of the meeting. If at any general meeting no Director is willing to act as chairman of the meeting or if no Director is present within fifteen (15) minutes after the time appointed for holding the meeting, the Members present shall choose one of their numbers to be chairman of the meeting.
51. The chairman of the general meeting may, with the consent of any general meeting duly constituted hereunder, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
52. At any general meeting a resolution put to the vote of the meeting shall be decided through a poll.
53. A poll shall be taken in such manner as the chairman of the general meeting directs and the result of the poll shall be deemed to be the resolution of the general meeting. In the case of an equality of votes, the chairman of the general meeting shall not be entitled to a second or casting vote, and such resolution shall fail.

#### **VOTES OF MEMBERS**

54. Subject to any rights or restrictions for the time being attached to any class or classes of Shares, each Member shall be entitled to, (i) with respect of each Class A Ordinary Share held by it, one (1) vote, (ii) with respect to each Class B Ordinary Share held by it, ten (10) votes and (iii) with respect to each Preferred Share held by it, 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 shall vote together on an as-converted basis and not as a separate class, unless otherwise provided in these Articles or the Act.

55. In the case of joint holders of record the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
56. No Person shall be entitled to vote at any general meeting unless it is registered as a Member of the Company (or is acting by proxy for a Member) on the record date for such meeting nor unless all calls or other sums presently payable by him in respect of Shares (except any nil paid Series D Preferred Shares issued pursuant to the Series D Preferred Shares Purchase Agreement, dated November 8, 2018, entered into by and among the Company, Tencent and certain other parties thereto, each of which shall entitle the holder thereof the same number of vote(s) as a fully paid Series D Preferred Share) have been paid.
57. No objection shall be raised to the qualification of any voter except at the general meeting or adjourned general meeting at which the vote objected to is given or tendered and every vote not disallowed at such general meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the general meeting whose decision shall be final and conclusive.
58. Votes may be cast either in person or by proxy. A Member of unsound mind, or in respect of whom an order has been made by any court, having jurisdiction in lunacy, may vote by his committee, receiver, curator bonis, or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee, receiver, curator bonis, or other person may vote by proxy.

#### **PROXIES**

59. The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorized in writing, or, if the appointor is a corporation, under the hand of an officer or attorney duly authorized on that behalf. A proxy need not be a Member.
60. The instrument appointing a proxy shall be deposited at the registered office of the Company or at such other place as is specified for that purpose in the notice convening the meeting no later than the time for holding the meeting or adjourned meeting; provided that the chairman of the general meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of facsimile confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company.
61. The instrument appointing a proxy may be in any usual or common form and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked. An instrument appointing a proxy shall be deemed to include the power to demand or join or concur in demanding a poll.

62. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given; provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at the registered office before the commencement of the general meeting or adjourned meeting at which it is sought to use the proxy.
63. Any corporation which is a Member of record may in accordance with its constitutional documents or in the absence of such provision by resolution of its directors or other governing body authorize such Person as it thinks fit to act as its representative at any general meeting of the Company or of any class of Members, and the Person so authorized shall be entitled to exercise the same powers on behalf of the corporation which it represents as the corporation could exercise if it were an individual Member of record.
64. Shares belonging to the Company or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any general meeting and shall not be counted in determining the total number of outstanding Shares at any given time.

#### DIRECTORS

- 65.
- (a) The Board shall consist of up to fourteen (14) Directors, consisting of (i) eight (8) Directors designated by the Founder Holding Company (the “**Founder Directors**”), and (ii) six (6) Directors designated in accordance with Article 65(b) (the “**Investor Directors**”). The Company may from time to time by ordinary resolution appoint any person to be a Director subject to this Article 65.
- (b) The Investor Directors shall consist of (i) one (1) Director designated by SVF (the “**SVF Director**”); provided that SVF shall cease to have such designation right if the number of Shares held by SVF is less than fifty percent (50%) of the number of Shares held by SVF immediately after the Closing, (ii) one (1) Director designated by Tencent (the “**Tencent Director**”); provided that Tencent shall cease to have such designation right if the number of Shares held by Tencent is less than fifty percent (50%) of the number of Shares held by Tencent immediately after the Closing, (iii) one (1) Director designated by Sunac; provided that Sunac shall cease to have such designation right if the number of Shares held by Sunac is less than fifty percent (50%) of the number of Shares held by Sunac immediately after the Closing; (iv) one (1) Director designated by Vanke; provided that Vanke shall cease to have such designation right if the number of Shares held by Vanke is less than fifty percent (50%) of the number of Shares held by Vanke immediately after the Closing; (v) one (1) Director designated by Hillhouse; provided that Hillhouse shall cease to have such designation right if the number of Shares held by Hillhouse is less than fifty percent (50%) of the number of Shares held by Hillhouse immediately after the Closing; and (vi) one (1) Director designated by Huaxing; provided that Huaxing shall cease to have such designation right if the number of Shares held by Huaxing is less than fifty percent (50%) of the number of Shares held by Huaxing immediately after the Closing.

- (c) For so long as Baidu holds not less than fifty percent (50%) of the number of Shares held by it immediately upon the Closing, Baidu may, by written notice to the Company, appoint or replace one (1) person as a Board observer. For so long as New Hope holds not less than fifty percent (50%) of the number of Shares held by it immediately upon the Closing, New Hope may, by written notice to the Company, appoint or replace one (1) person as a Board observer. SVF may, by written notice to the Company, appoint or replace one (1) person as a Board observer if and for so long as SVF is entitled to designate an SVF Director pursuant to Article 65(b) but chooses not to designate an SVF Director to the Board; provided, that nothing in this sentence shall entitle SVF to appoint a Board observer if an SVF Director serves on the Board. The Chairman, in his sole discretion, shall be entitled to grant a Preferred Holder the right to appoint a Board observer in addition to the Board observer referred to in the preceding sentences. Each of the Board observers appointed in accordance with this Article 65(c) is referred to as a “**Board Observer**”. No Board Observer shall have any voting rights, nor shall any Board Observer be counted towards a quorum. The Company shall send to each Board Observer the notice of the time and place of each meeting of the Board and the Board documentation provided to the Directors in the same manner and at the same time as it shall send such notice and documentation to the Directors. Upon the request of the Company, each Board Observer shall execute a confidentiality undertaking.
66. A Director shall be removed from the Board, with or without cause, upon, and only upon, the request of the Member that designated him, and in the event a vacancy on the Board exists or occurs as a result of such Director’s death, disability, retirement, resignation, removal (with or without cause) or otherwise, the Member entitled to designate such Director shall be entitled to designate a replacement to the Board to fill the vacancy thus created. Each Director may only be designated and removed from the Board by the applicable Member in accordance with the Investor Rights Agreement and these Articles.
67. The Founder shall be entitled to designate one of the Founder Directors as the Chairman of the Board. In the event of an equality of votes, the Chairman shall not be entitled to cast a tie-breaking vote.
68. The remuneration to be paid to the Directors shall be such remuneration as the Directors shall determine. Such remuneration shall be deemed to accrue from day to day. The Directors shall also be entitled to be paid their travelling and other reasonable expenses incurred by them in going to, attending and returning from meetings of the Board or any committee thereof or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Directors from time to time.

69. A Director or alternate Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.
70. No shareholding qualification for Directors shall be required.
71. In addition to any further restrictions set forth in these Articles, no person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. Unless otherwise provided in these Articles or the Investor Rights Agreement, a Director (or his alternate Director in his absence) shall be at liberty to vote in respect of any contract or transaction in which he is so interested as aforesaid; provided that the nature of the interest of any Director or alternate Director in any such contract or transaction shall be disclosed by him or the alternate Director appointed by him at or prior to its consideration and any vote thereon.
72. Unless otherwise provided in these Articles, a general notice or disclosure to the Directors or otherwise contained in the minutes of a meeting or a written resolution of the Directors or any committee thereof that a Director is a shareholder, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure for purposes of voting on a resolution in respect of a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

#### **ALTERNATE DIRECTORS**

73. A Director who expects to be unable to attend any Board meeting may appoint any person to be an alternate Director to act in his stead and such appointee whilst he holds office as an alternate Director shall, in the event of absence therefrom of his appointor, be entitled to receive notices of meetings of the Board or any committee thereof (if the Director who has appointed the alternate Director is a member of such committee) and to attend and to vote thereat and to do, in the place and stead of his appointor, any other act or thing that his appointor is permitted or required to do by virtue of his being a Director as if the alternate Director were the appointor, other than appointment of an alternate to himself, and he shall ipso facto vacate office if and when his appointor ceases to be a Director or removes him from office. Any appointment or removal under this Article 73 shall be effected by notice to the Company in writing under the hand of the Director making the same.



## POWERS AND DUTIES OF DIRECTORS

74. Subject to the provisions of the Memorandum, these Articles and any directions given by Special Resolution, the business of the Company shall be managed in the best interests of the Company by the Directors who may pay all expenses incurred in promoting, registering and setting up the Company and may exercise all such powers of the Company as are not inconsistent with the Act, or by these Articles required to be exercised by the Company in general meeting; provided that no regulations made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made. Subject to Article 22 of Exhibit A, all matters in relation to the operation and management of the Group shall be decided by the Board at a quorate Board meeting or by a written resolution signed by all Directors.
75. The Directors may from time to time and at any time by powers of attorney appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of Persons dealing with any such attorneys as the Directors may think fit and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.
76. All checks, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Directors shall from time to time by resolution determine.
77. The Directors shall cause minutes to be made in books provided for the purpose:
- (a) of all appointments of officers made by the Directors;
  - (b) of the names of the Directors (including those represented thereat by an alternate or by proxy) present at each meeting of the Board and of any committee thereof; and
  - (c) of all resolutions and proceedings at all general meetings and all meetings of the Board and any committee thereof.

## MANAGEMENT

78. Subject to these Articles:
- (a) The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the three (3) next following paragraphs shall be without prejudice to the general powers conferred by this paragraph.

- (b) The Directors from time to time and at any time may establish any committees (of the Board or otherwise), local boards or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such committees or local boards or any managers or agents and may fix their remuneration. Without limiting the generality of the foregoing, to the extent permitted by Applicable Law, in the event that (i) a compensation committee of the Board is established by the Board and (ii) the SVF Director serves on the Board at any time following the establishment of the compensation committee, SVF shall be entitled to designate the SVF Director to that compensation committee; provided, that nothing in this Article 78(b) shall obligate the Board to establish a compensation committee.
- (c) Unless otherwise provided in Article 78(b), the Directors from time to time and at any time may delegate to any such committee (of the Board or otherwise), local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorize the members for the time being of any such local board or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
- (d) Any such delegates as aforesaid may be authorized by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.

#### PROCEEDINGS OF DIRECTORS

79. Meetings of the Board shall take place at least once every year. Meetings may be held either in a physical location or telephonically or by other communications equipment by means of which all the Directors participating in the meeting can communicate with each other at the same time. If held in a physical location, the Board meeting shall be held in a location as may be agreed by a majority of the Directors then in office (including at least two (2) Investor Directors) that takes into account the potential Tax consequences to the Company (taking into account the residency of the Directors). A meeting of the Board may be called by any Director giving notice in writing to the Company Secretary specifying the date, time and agenda for such meeting. The Company Secretary shall upon receipt of such notice give a copy of such notice to all Directors of such meeting, accompanied by a written agenda specifying the business of such meeting and copies of all papers relevant for such meeting. Not less than five (5) Business Days' notice shall be given to all Directors in writing; provided that such notice period may be reduced with the written consent of all of the Directors, or waived by any Director who does not receive timely notice with the written consent of that Director or by his presence at the meeting.

80. All meetings of the Board shall require a quorum, being a majority of the Directors (including at least two (2) Investor Directors) then in office. If notice of the Board meeting has been duly delivered to all Directors prior to the scheduled meeting, or if such notice is duly waived, in each case in accordance with the notice procedure under these Articles, and the quorum of the Board is not present within one (1) hour of the time appointed for a meeting due to the absence of any Investor Director, the meeting shall be adjourned to the same place and time three (3) Business Days after the original date set for such meeting, provided that written notice of the adjourned meeting shall be given to all directors of the Board at least one (1) Business Day before such meeting. If a quorum of the Board is not present within one (1) hour of the time appointed for such adjourned meeting due to the absence of any Investor Director, the presence of a majority of the Directors, regardless of the presence or absence of any Investor Director, shall constitute a quorum.
81. At any Board meeting, each Director may exercise one vote. Any Director may, by written notice to the Company Secretary, authorize another Person to attend and vote by proxy for such Director at any Board meeting. Subject to Article 22 of Exhibit A and Article 83, the adoption of any resolution of the Board shall require the affirmative vote of a majority of the Directors present at a duly convened meeting of the Board at which a quorum is present. The Board shall not at any meeting adopt any resolution in respect of any matter that is not specified on the agenda for such meeting unless all Directors then in office are present at such meeting and vote in favor of such resolution.
82. Any Director may participate in Board meetings by telephone or video conference or other communications equipment by means of which all the Directors participating in the meeting can communicate with each other at the same time, and such participation shall constitute presence for purposes of the quorum provisions of Article 80.
83. Any action that may be taken by the Directors at a meeting may be taken by a written resolution signed by all of the Directors.

#### **VACATION OF OFFICE OF DIRECTOR**

84. The office of a Director shall be vacated:
- (a) if he gives notice in writing to the Company that he resigns from the office of Director;
  - (b) if he dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
  - (c) if he is found a lunatic or becomes of unsound mind; or
  - (d) if he is removed by the Member who nominated or appointed him pursuant to Article 65.

#### SEAL

85. (a) The Company may, if the Directors so determine, have a Seal which shall only be used by the authority of the Directors or of a committee of the Board authorized by the Directors on that behalf and every instrument to which the Seal has been affixed shall be signed by one person who shall be a Director, the Company Secretary or other person appointed by the Directors for the purpose.
- (b) The Company may have for use in any place or places outside the Cayman Islands a duplicate seal or seals each of which shall be a facsimile of the Seal and, if the Directors so determine, with the addition on its face of the name of every place where it is to be used.
- (c) A Director, the Company Secretary or other person appointed by the Directors for the relevant purpose may without further authority of the Directors affix the Seal over his signature alone to any document of the Company required to be authenticated by him under Seal or to be filed with the Registrar of companies in the Cayman Islands or elsewhere wheresoever.

#### OFFICERS

86. The Company may have a president, a Company Secretary or secretary-treasurer appointed by the Directors who may also from time to time appoint such other officers as they consider necessary, all for such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal, as the Directors from time to time prescribe.

#### DIVIDENDS, DISTRIBUTIONS AND RESERVE

87. (a) Subject to the Act and these Articles (including Exhibit A), the Board in its sole discretion, decides whether, when and the amount in which a dividend will be declared on the shares of the Company. All dividends shall be non-cumulative, and will be payable out of funds or assets of the Company when and as such funds or assets become legally available therefor. Each Preferred Share shall have 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. Notwithstanding anything to the contrary in these Articles or the Investor Rights Agreement, upon any declaration and payment of dividends or distributions to any Preferred Holder pursuant to Article 87, the Company shall not be obliged to pay, and a Preferred Holder shall not be entitled to receive, any dividend or distribution with respect to any Preferred Share that is not entered as fully paid on the register of members.
- (b) Subject to the Act, no dividend or distribution, whether in cash, property or any other Shares, shall be paid with respect to the Ordinary Shares at any time unless all accrued but unpaid dividends on the Preferred Shares pursuant to Article 87(a), have been paid in full or will be paid in full concurrently with such payment to the Ordinary Shares.

88. Subject to the Act and these Articles (including Exhibit A), the Directors may, before declaring any dividends or distributions, set aside such sums as they think proper as a reserve or reserves which shall at the discretion of the Directors, be applicable for any purpose of the Company and pending such application may, at the like discretion, be employed in the business of the Company.
89. The Directors may deduct from any dividend or distribution payable to any Member all sums of money (if any) presently payable by it to the Company on account of calls according to Article 25 to Article 29 or otherwise.
90. Subject to the rights of Persons, if any, entitled to Shares with special rights as to dividends or distributions, if dividends or distributions are to be declared on a class of Shares they shall be declared and paid according to the amounts paid or credited as paid on the Shares of such class outstanding on the record date for such dividend or distribution as determined in accordance with these Articles but no amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article 90 as paid on the Share.
91. Subject to the Act and these Articles (including Exhibit A), the Directors may declare that any dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of paid-up shares, debentures or debenture stock of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.
92. Any dividend, distribution, interest or other monies payable in cash in respect of Shares may be paid by check or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the holder who is first named on the register of members or to such Person and to such address as such holder or joint holders may in writing direct. Every such check or warrant shall be made payable to the order of the Person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses or other monies payable in respect of the Shares held by them as joint holders.
93. No dividend or distribution shall bear interest against the Company.

#### **CAPITALIZATION**

94. Subject to these Articles, the Company may upon the recommendation of the Directors by ordinary resolution authorize the Directors to capitalize any sum standing to the credit of any of the Company's reserve accounts (including the share premium account and the capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividend and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid. In such event the Directors shall do all acts and things required to give effect to such capitalization, with full power to the Directors to make such provisions as they think fit for the case of Shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). Notwithstanding anything to the contrary in these Articles or the Investor Rights Agreement, upon any capitalization pursuant to this Article 94, the Company shall not be obliged to distribute, and a Preferred Holder shall not be entitled to receive, any Shares with respect to any Preferred Share that is not entered as fully paid on the register of members.

## BOOKS OF ACCOUNT

95. The Directors shall cause proper books of account to be kept with respect to:
- (a) all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place;
  - (b) all sales and purchases of goods by the Company; and
  - (c) the assets and liabilities of the Company.

Proper books shall be deemed to not be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

96. Subject to the provisions of the Investor Rights Agreement, the Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Act, authorized by the Directors or by the Company in general meeting or in accordance with the Investor Rights Agreement.
97. The Directors may from time to time cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by law.

## AUDIT

98. Subject to Article 22 of Exhibit A, the Company may at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting and may fix his or their remuneration.

99. Subject to Article 22 of Exhibit A, (a) the Directors may before the first annual general meeting appoint an auditor or auditors of the Company who shall hold office until the first annual general meeting unless previously removed by an ordinary resolution of the Members in general meeting in which case the Members at that meeting may appoint auditors, (b) the Directors may fill any casual vacancy in the office of auditor but while any such vacancy continues the surviving or continuing auditor or auditors, if any, may act and (c) the remuneration of any auditor appointed by the Directors under this Article 99 may be fixed by the Directors.
100. Every auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanations as may be necessary for the performance of the duties of the auditors.
101. Auditors shall at the next annual general meeting following their appointment and at any other time during their term of office, upon request of the Directors or any general meeting of the Members, make a report on the accounts of the Company in general meeting during their tenure of office.

## NOTICES

102. All notices, requests, demands and other communications under these Articles to be given to the Company or to any Member shall be in writing. Where a notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a written confirmation of delivery, and to have been effected at the earlier of (i) delivery (or when delivery is refused) and (ii) expiration of two (2) Business Days after the letter containing the same is sent as aforesaid. Where a notice is sent by facsimile or electronic mail, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as aforesaid, if such day is a Business Day and if sent during normal business hours of the recipient, otherwise the next Business Day.
103. A notice may be given by the Company to the joint holders of record of a Share by giving the notice to the joint holder first named on the register of members in respect of the Share.
104. A notice may be given by the Company to the Person or Persons which the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member by sending it through the post as aforesaid in a pre-paid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the Persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

105. Notice of every general meeting shall be given in any manner hereinbefore authorized to:
- (a) every Person shown as a Member in the register of members as of the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the register of members; and
  - (b) every Person upon whom the ownership of a Share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member of record where the Member of record but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other Person shall be entitled to receive notices of general meetings.

#### **WINDING UP**

106. Subject to Articles 25 through 27 of Exhibit A, if the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Act, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. Subject to Articles 25 through 27 of Exhibit A, the liquidator may with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any Shares or other securities whereon there is any liability.

#### **INDEMNITY**

107. To the maximum extent permitted by Applicable Laws, the Directors and officers for the time being of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their heirs, executors, administrators and personal representatives respectively shall be indemnified out of the assets of the Company from and against all actions, proceedings, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duty in their respective offices or trusts, except such (if any) as they shall incur or sustain by or through their own conduct that has been finally adjudged to have been fraudulent, deliberately dishonest or willful misconduct, and no such Director, officer or trustee shall be answerable for the acts, receipts, neglects or defaults of any other Director, officer or trustee or for joining in any receipt for the sake of conformity or for the solvency or honesty of any banker or other Persons with whom any monies or effects belonging to the Company may be lodged or deposited for safe custody or for any insufficiency of any security upon which any monies of the Company may be invested or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of his office or trust unless the same shall happen through such conduct that has been finally adjudged to have been fraudulent, deliberately dishonest or willful misconduct of such Director, officer or trustee.

108. To the maximum extent permitted by Applicable Laws, the Directors and officers for the time being of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their heirs, executors, administrators and personal representatives respectively shall not be personally liable to the Company or the Members for monetary damages for breach of their duty in their respective offices, except such (if any) as they shall incur or sustain by or through their own conduct that has been finally adjudged to have been fraudulent, deliberately dishonest or willful misconduct.

#### **FISCAL YEAR**

109. Unless the Directors otherwise prescribe and subject to the other provisions of these Articles, the fiscal year of the Company shall end on December 31 in each year and, following the year of incorporation, shall begin on January 1 in each year.

#### **AMENDMENTS OF ARTICLES**

110. Subject to the Act and these Articles (including Articles 12, 22 and 23 of Exhibit A), the Company may at any time and from time to time by Special Resolution alter or amend these Articles in whole or in part.

#### **TRANSFER BY WAY OF CONTINUATION**

111. If the Company is exempted as defined in the Act, it shall, subject to the provisions of the Act and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.
112. All Shares held or acquired by any Affiliates of a Member shall be aggregated for the purpose of determining the availability of any rights of that Member under these Articles, including with respect to the Preemptive Rights, rights of first refusal and co-sale rights of any Member under Articles 8 through 14 of Exhibit A. The Shares held by such Member and its Affiliates shall be aggregated and such Member and its Affiliates shall be deemed as one Person for the purpose of calculating (A) the Pro Rata Share of such Member and its Affiliates under Article 8(d) of Exhibit A and Article 12(b) of Exhibit A and (B) the maximum number of Company Securities that such Member and its Affiliates may elect to sell under Article 9(b) of Exhibit A. The allocation of the Pro Rata Share under Article 8(d) of Exhibit A and Article 12(b) of Exhibit A and of Company Securities under Article 9(b) of Exhibit A among such Member and its Affiliates may be determined in the sole discretion of such Member and its Affiliates.



**EXHIBIT A TO THIRD AMENDED AND RESTATED  
ARTICLES OF ASSOCIATION**

In the event of any inconsistency between the provisions set out in this Exhibit A and other provisions of the Memorandum and these Articles, the provisions set out in this Exhibit A shall prevail to the extent permitted by Applicable Laws. In this Exhibit A, references to Articles are references to Articles of this Exhibit A.

**RESTRICTIONS ON TRANSFER OF SHARES**

1. General Restrictions on Transfer. Each Member shall not Transfer any Company Securities (or solicit any offer in respect of any Transfer of any Company Securities), except in compliance with all Applicable Laws and the terms and conditions of these Articles and the Investor Rights Agreement. Any attempt to Transfer any Company Securities not in compliance with these Articles or the Investor Rights Agreement shall be null and void, and the Company shall not, and shall cause any transfer agent not to, give any effect in the Company's register of members to such attempted Transfer.
2. Permitted Transfer. Subject to Articles 4, 5 and 24, (a) any Member may Transfer any or all of its Company Securities (i) to one or more Permitted Transferees or, solely with respect to Parallel Galaxy, Parallel Stellar or SVF (as the case may be), notwithstanding anything to the contrary in Article 6, to any and all of the limited partners of the fund that, directly or indirectly, wholly owns Parallel Galaxy, Parallel Stellar or SVF (as the case may be), in proportion to the interest each such limited partner has in such fund upon the expiration of the investment period and in anticipation of winding up of such fund as part of the liquidation distribution process, without the consent of the Board or any other Member and without compliance with Article 8, (ii) to the Company pursuant to any repurchase right or right of first refusal held by the Company pursuant to any duly approved ESOP (including the Company's right to repurchase Shares granted under any duly approved ESOP in the event of termination of employment under terms and conditions as provided in such ESOP), without the consent of the Board or any other Member and without compliance with Article 8, (iii) to one or more Persons that are not Permitted Transferees, subject to compliance with Article 8, or (iv) to one or more Persons that are not Permitted Transferees, pursuant to the Company's redemption or repurchase obligations in accordance with Article 20 of Exhibit A, and (b) in addition, subject to Articles 3, 8, and 9, the Founder Parties may Transfer any or all of their Company Securities to one or more Persons that are not Permitted Transferees of the Founder Holding Company; provided that, in each case, such Person shall have executed and delivered a deed of adherence in the form attached to the Investor Rights Agreement, agreeing to comply with and be bound by the terms of the Investor Rights Agreement as if it were the transferring Member. For the avoidance of doubt, subject to Article 23(viii), no Member shall pledge, mortgage, charge or otherwise create any encumbrance over any Company Securities held by it (other than an encumbrance over Company Securities as security in favor of any financial institution as a lender that is not a Tencent Restricted Person as part of a bona fide commercial bank lending transaction where such financial institution has agreed in writing with the Company that it will not sell the Company Securities to any third party without first granting to the Company a right of first refusal to purchase such Company Securities) without prior written consent of the Company and the Founder Parties shall not pledge any Equity Securities of any Group Company to any Tencent Restricted Person.

3. Restrictions on Founder Transfer. Subject to Article 23(viii), the Founder Parties shall not, without the prior written consent of the Majority Preferred Holders, Transfer any Equity Securities of any Group Company to any Person and shall not, without the prior written consent of Tencent, Transfer any Equity Securities of any Group Company to any Tencent Restricted Person, except for (i) any Transfer to any Permitted Transferee of the Founder Holding Company, (ii) any Transfer that constitutes no more than five percent (5%) of the Company Securities on a fully diluted and as-converted basis as of the Closing Date in the aggregate to any Person that is not a Tencent Restricted Person, or (iii) any Transfer that constitutes no more than five percent (5%) of the Company Securities on a fully diluted and as-converted basis as of the Closing Date in the aggregate to any Person that is not a Tencent Restricted Person and the proceeds of which is injected within ninety (90) days of such Transfer into, and used to offset any operational loss incurred by, a Founder-invested business (i.e., the business conducted by the Ziroom Group and the business conducted by the Asset Management Group). For the avoidance of doubt, any Transfer by any Founder Party may, as applicable, be counted toward either but not both of the five percent (5%) limit referred to in Article 3(ii) above and the five percent (5%) limit referred to in Article 3(iii) above. Notwithstanding anything to the contrary in these Articles, any Transfer in accordance with any of sub-sections (i) through (iii) above shall not be subject to compliance with Articles 8 or 9.
4. Restrictions on Transfer to Company Restricted Persons. Notwithstanding anything to the contrary in these Articles, no Member shall, without the prior written consent of the Founder, Transfer any Company Securities to any Company Restricted Person.
5. Restrictions on Transfer of Ordinary Shares. Notwithstanding anything to the contrary in these Articles but subject to Article 3, no holder of the Ordinary Shares (other than Ordinary Shares converted from the Preferred Shares) shall, prior to the earlier of the completion of the Qualified IPO or January 1, 2023 and without the prior written consent of the Founder, Transfer any Ordinary Shares to any Person.
6. No Avoidance. The Transfer restrictions in these Articles and the Investor Rights Agreement shall not be capable of being avoided by the holding of shares through one or more entities in which interests may be transferred free of such restrictions. Any Transfer of Equity Securities of a Member or Ordinary Shareholder Controlling Person, and any issuance of Equity Securities of a Member or Ordinary Shareholder Controlling Person other than on a pro rata basis to shareholders of such Member or Ordinary Shareholder Controlling Person (as the case may be), shall be deemed to be a Transfer of a pro rata portion of the Equity Securities of the Company directly or indirectly held by such Member or Ordinary Shareholder Controlling Person (as the case may be).
7. Termination. Articles 1 through 6 shall terminate immediately after the consummation of a Qualified IPO.

8. Right of First Refusal.

- (a) Subject to Articles 1 through 7, if any Ordinary Holder or Preferred Holder (a “**Transferor**”) proposes to Transfer any Company Securities to one or more Persons, the Transferor shall give the Company, the Founder and each Preferred Holder (each Preferred Holder, a “**Preferred Rightholder**”), a written notice of the Transferor’s intention to effect the Transfer (the “**Transfer Notice**”), which shall include a description of such Company Securities to be transferred (the “**Offered Securities**”), the identity and address of the prospective transferee and the consideration and other material terms upon which the proposed Transfer is to be effected.
- (b) The Company and the Founder shall have an option for a period of twenty (20) Business Days following receipt of the Transfer Notice (the “**Company Option Period**”) to elect to purchase, together or alone, all or any portion of the Offered Securities at the same price and subject to the same terms and conditions as described in the Transfer Notice, by notifying the Transferor in writing before expiration of the Company Option Period as to the number of such Offered Securities that it intends to purchase.
- (c) If and only if the prospective transferee is a Tencent Restricted Person and any such Offered Securities have not been purchased by the Company or the Founder pursuant to Article 8(b), Tencent shall, after the Company Option Period and prior to the Preferred Option Period, have an option for a period of twenty (20) Business Days upon expiration of the Company Option Period (the “**Tencent Option Period**”) to elect to purchase all or any portion of the remaining Offered Securities at the same price and subject to the same terms and conditions as described in the Transfer Notice, by notifying the Transferor and the Company in writing before expiration of the Tencent Option Period as to the number of the remaining Offered Securities that it intends to purchase.
- (d) In the event that the Offered Securities are not Preferred Shares and any such Offered Securities have not been purchased by the Company or the Founder pursuant to Article 8(b) or, if applicable, by Tencent pursuant to Article 8(c), each Preferred Rightholder shall have an option for a period of twenty (20) Business Days upon expiration of the Company Option Period (in case that the prospective transferee is not a Tencent Restricted Person) or the Tencent Option Period (in case that the prospective transferee is a Tencent Restricted Person) (the “**Preferred Option Period**”) to elect to purchase all or any portion of its respective Pro Rata Share of the remaining Offered Securities at the same price and subject to the same terms and conditions as described in the Transfer Notice, by notifying the Transferor and the Company in writing before expiration of the Preferred Option Period as to the number of such Offered Securities that it intends to purchase. For the purpose of this Article 8, the “**Pro Rata Share**” of a Preferred Rightholder of the applicable Offered Securities shall be equal to (i) the total number of such remaining Offered Securities, multiplied by (ii) a fraction, the numerator of which shall be the aggregate number of Ordinary Shares held by such Preferred Rightholder on the date of the Transfer Notice (including all Preferred Shares held by such Preferred Rightholder on an as-converted basis) and the denominator of which shall be the total number of Ordinary Shares held by all Preferred Rightholders on such date (including all Preferred Shares held by such Preferred Rightholders on an as-converted basis).

- (e) If any Preferred Rightholder fails to exercise its right to purchase its full Pro Rata Share of the applicable Offered Securities in accordance with Article 8(d), the Transferor shall deliver written notice hereof (the “**Second Notice**”), within five (5) days after the expiration of the Preferred Option Period, to each Preferred Rightholder that elected to purchase its entire Pro Rata Share of the applicable Offered Securities (the “**Exercising Rightholder**”). Subject to Article 29, each Exercising Rightholder shall have a right of overallotment that entitles it to exercise an additional right to purchase such unpurchased Offered Securities by notifying the Transferor and the Company in writing within twenty (20) days after receipt of the Second Notice (the “**Overallotment Option Period**”); provided, however, that if the Exercising Rightholders desire to purchase in the aggregate more than the number of such unpurchased Offered Securities, then such unpurchased Offered Securities will be allocated to the extent necessary among the Exercising Rightholders in accordance with their relative Pro Rata Shares (or as otherwise agreed in writing among the Exercising Rightholders).
- (f) If the Company, the Founder, Tencent or any Preferred Rightholder (as the case may be) gives the Transferor and/or the Company (as the case may be) written notice pursuant to Article 8(b), Article 8(c), Article 8(d)9(d) or Article 8(e) (as the case may be), that it desires to purchase Offered Securities, and, as the case may be, any overallotment thereof, then payment for the Offered Securities to be purchased shall be made by wire transfer in immediately available funds of the appropriate currency, against transfer of such Offered Securities to be purchased and, in case of a transfer to Tencent or a Preferred Rightholder, an executed instrument of transfer, at a place agreed by the Transferor, the Company, Tencent or the exercising Preferred Rightholder (as the case may be) and at the time of the scheduled closing therefor, but if they cannot agree, then at the principal executive offices of the Company on the twentieth (20th) Business Day after expiration of the Company Option Period (in case of any purchase by the Company or the Founder), the Tencent Option Period (in case of any purchase by Tencent), or the Preferred Option Period or the Overallotment Option Period (as the case may be) (in case of any purchase by any Preferred Rightholder).
- (g) Notwithstanding anything to the contrary in these Articles, the Company itself shall under no circumstances be deemed to be an Ordinary Holder or a Preferred Holder for purposes of this Article 8 and Article 9.
- (h) This Article 8 shall terminate immediately after the consummation of a Qualified IPO.

9. Co-Sale Rights.

- (a) In the event of any proposed Transfer of Ordinary Shares where any Founder Party is the Transferor, to the extent that any Preferred Rightholder that is entitled to exercise but does not exercise its right of first refusal as to any Offered Securities proposed to be sold by the Transferor to the prospective transferee identified in the Transfer Notice, such Preferred Rightholder (the “**Preferred Co-Sale Rightholder**”) shall have the right to participate in such sale, to the prospective transferee identified in the Transfer Notice on the same terms and conditions as specified in the Transfer Notice by notifying the Transferor in writing within twenty (20) Business Days upon the expiration of the Preferred Option Period or the Overallotment Option Period (as the case may be), provided that no Preferred Co-Sale Rightholder shall be obligated in connection with such Transfer (i) to pay any amount with respect to any liabilities arising from the representations and warranties made by it in excess of its share of the total consideration paid by the prospective transferee (ii) to make any representations or warranties concerning the Business or assets of the Group or any Group Company or (iii) enter into any non-competition or non-solicitation covenant or agreement.
- (b) The maximum number of Company Securities that each Preferred Co-Sale Rightholder may elect to sell shall be equal to the product of (i) the aggregate number of the Offered Securities subject to the co-sale right herein, multiplied by (ii) a fraction, the numerator of which shall be the number of Ordinary Shares held by such Preferred Co-Sale Rightholder on an as-converted basis as of the date of the Transfer Notice and the denominator of which shall be the total number of Ordinary Shares held by the Transferor and all participating Preferred Co-Sale Rightholders as of the date of the Transfer Notice on an as-converted basis.
- (c) Each Preferred Co-Sale Rightholder shall effect its participation in the sale by promptly delivering to the Transferor for Transfer to the prospective transferee, before the applicable closing, one or more share certificates, which represent the type and number of Company Securities that the Preferred Co-Sale Rightholder elects to sell, together with an instrument of transfer in respect of such Company Securities duly executed by or on behalf of such Preferred Co-Sale Rightholder.
- (d) The share certificate or certificates that each Preferred Co-Sale Rightholder delivers to the Transferor pursuant to Article 9(c) shall be submitted to the Company for cancellation and the Company shall, upon the consummation of the sale of the Company Securities pursuant to the terms and conditions specified in the Transfer Notice, issue a new share certificate to each Preferred Co-Sale Rightholder for the remaining balance. The Company shall update its register of members upon consummation of such Transfer to record the Transfer of such Company Securities from the Preferred Co-Sale Rightholder to the transferee. To the extent one or more Preferred Co-Sale Rightholders exercise such right of co-sale in accordance with the terms and conditions set forth herein, the number of Offered Securities that the Transferor may sell in the Transfer to the third party transferee identified in the Transfer Notice shall be correspondingly reduced.

- (e) The Company Securities that the Preferred Co-Sale Rightholder(s) elect to sell by way of participation in such sale, as represented by the share certificate or certificates that each Preferred Co-Sale Rightholder delivers to the Transferor pursuant to Article 9(c) shall be transferred to the prospective purchaser in consummation of the sale of the Offered Securities pursuant to the terms and conditions specified in the Transfer Notice, and the Transferor shall concurrently therewith remit, or shall procure the prospective transferee concurrently therewith remit to each such Preferred Co-Sale Rightholder that portion of the sale proceeds to which such Preferred Co-Sale Rightholder is entitled by reason of its participation in such sale.
- (f) To the extent that any prospective purchaser does not agree to the participation by a Preferred Co-Sale Rightholder in a proposed Transfer or otherwise refuses to purchase the Company Securities from a Preferred Co-Sale Rightholder, the Transferor shall not sell to such prospective purchaser any Offered Securities unless and until, simultaneously with such sale, the Transferor shall purchase from such Preferred Co-Sale Rightholder such Company Securities that such Preferred Co-Sale Rightholder would otherwise be entitled to sell to the prospective purchaser pursuant to its co-sale rights under this Article 9 for the same consideration and on the same terms and conditions as the proposed transfer described in the Transfer Notice.
- (g) The Transferor may consummate the Transfer of any Offered Securities that remain after the exercise of the right of first refusal by the Company, Tencent and the Preferred Rightholders and the co-sale right by the Preferred Co-Sale Rightholders pursuant to Article 8 or Article 9 to the prospective transferee, no later than one hundred and seventy (170) days (in case the prospective transferee is not a Tencent Restricted Person) or one hundred and forty (140) days (in case the prospective transferee is a Tencent Restricted Person) following delivery to the Company, the Founder and each Preferred Rightholder of the Transfer Notice, which shall be on the terms and conditions no more favorable to the prospective transferee than those described in the Transfer Notice. Any proposed transfer at a lower price or upon non-price terms and conditions that are more favorable to the prospective transferee than those described in the Transfer Notice, as well as any proposed transfer of any Company Securities by the Transferor after such 170-day or 140-day period (as the case may be) following delivery to the Company, the Founder and each Preferred Rightholder of the Transfer Notice, shall again be subject to the right of first refusal by the Company, Tencent and the Preferred Rightholders and the co-sale right by the Preferred Co-Sale Rightholders, as applicable, and shall require compliance by the Transferor with the procedures described in Articles 8 and 9.

- (h) This Article 9 shall terminate immediately after the consummation of a Qualified IPO.

## PREEMPTIVE RIGHTS

10. General. Each Member (each, a “**Participation Rights Holder**”) shall have the right of first refusal to purchase such Participation Rights Holder’s Pro Rata Share of all (or any part) of any New Securities that the Company may from time to time issue after the Closing Date (the “**Preemptive Right**”). Notwithstanding the foregoing, SVF shall have a priority preemptive right in any SVF Priority Preemptive Right Issuance Round in accordance with and subject to Article 12(a).
11. New Securities. “**New Securities**” means any Preferred Shares, any Ordinary Shares or other Company Securities, whether now authorized or not, and rights, options or warrants to purchase such Preferred Shares, Ordinary Shares, other Company Securities, or securities of any type whatsoever that are, may become, exercisable for, convertible into or exchangeable into for Preferred Shares, Ordinary Shares or other Company Securities, provided, however, that the term “New Securities” shall not include any of the following:
- (a) Ordinary Shares issued upon conversion of the Preferred Shares or another class of Ordinary Shares;
  - (b) securities issued as a dividend or distribution on the Preferred Shares;
  - (c) Ordinary Shares issuable upon share split, share dividend or any subdivision of Ordinary Shares;
  - (d) Ordinary Shares (or options or warrants therefor) issued or issuable to officers, directors, employees and consultants of the Company pursuant to a duly approved ESOP;
  - (e) Company Securities to be issued under the Share Purchase Agreement, the Additional Share Purchase Agreements, the Restructuring Memorandum or the Restructuring Framework Agreement other than those issued in consideration for or in connection with the reduction of registered capital of Beijing Lianjia or Beijing Yiju in accordance with the Restructuring Framework Agreement;
  - (f) any securities issued pursuant to the acquisition of or the investment in another entity by the Company by consolidation, merger, purchase of assets, investment or reorganization whereby (A) such acquisition or investment has been duly approved by the Board as a reserved matter pursuant to Article 22(iii) and the effective issue price per Ordinary Share thereunder is not less than the Series D+ Original Issue Price, or (B) such securities falls within the exemption contained in Article 23(ii)(B); and
  - (g) subject to Article 14, any securities issued pursuant to a Qualified IPO of the Company.

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12. Procedures.
- (a) SVF Priority Preemptive Right. In the event that the Company proposes to effect an issuance of New Securities in an SVF Priority Preemptive Right Issuance Round, the Company shall give to SVF a written notice of its intention to issue New Securities (the “**SVF Participation Notice**”), describing the amount and type of New Securities, the price and the general terms upon which the Company proposes to issue such New Securities. SVF shall have five (5) Business Days from the date of receipt of the SVF Participation Notice to agree in writing to purchase a portion of such New Securities for the price and upon the terms and conditions specified in the SVF Participation Notice, by giving a written notice to the Company and stating therein the quantity of New Securities to be purchased; provided, that the quantity of New Securities to be purchased by SVF shall not exceed twenty percent (20%) of the total number of New Securities to be issued in that SVF Priority Preemptive Right Issuance Round. If SVF fails to so agree in writing within such five (5) Business Days to purchase a portion of the New Securities pursuant to the foregoing sentence, then SVF shall be deemed to have forfeited its right hereunder to purchase any portion of the New Securities in that SVF Priority Preemptive Right Issuance Round, without prejudice to participating in any future or other offerings of New Securities (including with respect to any subsequent SVF Priority Preemptive Right Issuance Round). Notwithstanding anything to the contrary in these Articles, SVF shall not be entitled to receive any First Participation Notice or any Second Participation Notice or to purchase New Securities in accordance therewith with respect to a proposed issuance of New Securities in any SVF Priority Preemptive Right Issuance Round.
  - (b) First Participation Notice. In the event that either (i) the Company proposes to effect an issuance of New Securities and such issuance is not to occur in an SVF Priority Preemptive Right Issuance Round, or (ii) the Company proposes to effect an issuance of New Securities in an SVF Priority Preemptive Right Issuance Round and SVF has elected or forfeited its priority preemptive right set out in Article 12(a), the Company shall give to each Participation Rights Holder a written notice of its intention to issue New Securities (the “**First Participation Notice**”), describing the amount and type of New Securities, the price and the general terms upon which the Company proposes to issue such New Securities. Each Participation Rights Holder shall have fifteen (15) Business Days from the date of receipt of the First Participation Notice (the “**First Participation Period**”) to agree in writing to purchase such Participation Rights Holder’s Pro Rata Share of such New Securities for the price and upon the terms and conditions specified in the First Participation Notice, by giving a written notice to the Company and stating therein the quantity of New Securities to be purchased (not to exceed such Participation Rights Holder’s Pro Rata Share). If any Participation Rights Holder fails to so agree in writing within such fifteen (15) Business Days to purchase such Participation Rights Holder’s full Pro Rata Share of an offering of New Securities, then such Participation Rights Holder shall be deemed to have forfeited its right hereunder to purchase that portion of its Pro Rata Share of such New Securities that it did not agree to purchase, without prejudice to participating in any future or other offerings of New Securities. “**Pro Rata Share**” means, (A) in the case of Article 12(b)(i) and with respect to a Participation Rights Holder, the ratio of (x) the number of the Ordinary Shares (calculated on a fully diluted and as-converted basis) held by such Participation Rights Holder immediately prior to the issuance of New Securities giving rise to the Preemptive Right, to (y) the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) then held by all Participation Rights Holders immediately prior to the issuance of New Securities giving rise to the Preemptive Right; or (B) in the case of Article 12(b)(ii) and with respect to a Participation Rights Holder other than SVF, the ratio of (xx) the number of the Ordinary Shares (calculated on a fully diluted and as-converted basis) held by such Participation Rights Holder immediately prior to the issuance of New Securities giving rise to the Preemptive Right, to (yy) the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) then held by all Participation Rights Holders other than SVF immediately prior to the issuance of New Securities giving rise to the Preemptive Right.

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- (c) Second Participation Notice; Oversubscription. If any Participation Rights Holder fails to exercise in full or forfeits its Preemptive Right in accordance with Article 12(b), the Company shall promptly give notice (the “**Second Participation Notice**”) to each Participation Rights Holder that exercised in full its Preemptive Right (the “**Oversubscription Participants**”) in accordance with Article 12(b), which notice shall set forth the number of New Securities that were not subscribed for by the Participation Rights Holders pursuant to Article 12(b) above. Each Oversubscription Participant shall have five (5) Business Days from the date of receipt of the Second Participation Notice (the “**Second Participation Period**”) to notify the Company in writing of its desire to purchase more than its Pro Rata Share of the New Securities, stating the number of the additional New Securities it proposes to buy (subject to Article 29, the “**Additional Number**”). Such notice may be made by telephone if subsequently confirmed in writing within two (2) days thereafter. If, as a result thereof, such oversubscription exceeds the total number of the remaining New Securities available for subscription, each Oversubscription Participant will be cut back by the Company with respect to its oversubscription to that number of remaining New Securities equal to (1) at least the lesser of (x) the Additional Number and (y) the product obtained by multiplying (i) the number of the remaining New Securities available for subscription by (ii) a fraction, the numerator of which is the number of Ordinary Share (calculated on an as-converted and fully diluted basis) held by such Oversubscription Participant, and the denominator of which is the total number of Ordinary Shares (calculated on an as-converted and fully diluted basis) held by all the Oversubscription Participants, in each case (for both the numerator and the denominator) immediately prior to the issuance of the New Securities and (2) at most its Additional Number. Each Participation Rights Holder shall be obligated to buy such number of New Securities as determined by the Company pursuant to Article 12(b) and Article 12(c) and the Company shall so notify the Participation Rights Holder within twenty (20) days following the expiration of the First Participation Period (or the Second Participation Period if any Participation Rights Holder fails to exercise in full or forfeits its Preemptive Right in accordance with Article 12(b)).



- (d) Failure to Exercise. Upon the expiration of the First Participation Period (or the Second Participation Period if any Participation Rights Holder fails to exercise in full or forfeits its Preemptive Right in accordance with Article 12(b)), the Company shall have ninety (90) days thereafter to sell the New Securities described in the First Participation Notice (with respect to which the Preemptive Right hereunder were not exercised) at the same or higher price and upon non-price terms no more favorable to the purchasers thereof than specified in the First Participation Notice. In the event that the Company has not issued and sold such New Securities within such ninety- (90-) day period, then the Company shall not thereafter issue or sell any New Securities without again first offering such New Securities to the Participation Rights Holders pursuant to Articles 10 through 12.
- (e) Notwithstanding anything to the contrary in these Articles, any preemption right of the Members with respect to the Company Securities issued in consideration for or in connection with the reduction of registered capital of Beijing Lianjia or Beijing Yiju in accordance with Section 5 of the Restructuring Framework Agreement shall be exercised in accordance with the procedure as set forth in Section 4.3.6 of the Restructuring Framework Agreement.
13. Termination. Articles 10 through 12 shall terminate immediately after the consummation of a Qualified IPO.
14. Tencent's and SVF's Right. Notwithstanding anything to the contrary in these Articles and subject to the requisite approval by the applicable Governmental Authority and stock exchange (which approval the Company will use its commercial reasonable efforts to obtain), each of the Tencent Entities and SVF shall have the right to purchase its respective Pro Rata Share of all (or any part) of any New Securities that the Company issues in any Public Offering.

#### REDEMPTION RIGHTS

15. Redemption Rights of Preferred Holders. Subject to the Act, upon the occurrence of any Redemption Event, the Company shall redeem, at the written request of any Preferred Holder, all or any of the issued and outstanding Preferred Shares held and as elected by such Preferred Holder, out of funds legally available therefor, at the price per share equal to the aggregate of (x) the applicable Original Issue Price and (y) an amount that would give such Preferred Holder a simple non-compounded interest of eight percent (8%) per annum on the applicable Original Issue Price, calculated from the applicable Original Issue Date up until the date of receipt by such Preferred Holder of the full redemption amount thereof (such amount, the “**Preferred Redemption Price**”).

16. Redemption Notice.

- (a) Any holder of the Preferred Shares (the “**Initial Redemption Requesting Holder**”) that intends to cause the Company to redeem any or all of the Preferred Shares held by it shall deliver a notice of redemption (the “**Initial Redemption Notice**”) to the Company, with a copy to the Significant Group Companies and the Founder Parties on or after the date on which such Preferred Shares become redeemable pursuant to Article 15, stating the class and number of Preferred Shares to be redeemed (the Preferred Shares to be redeemed, the “**Redemption Shares**”, the delivery date of the Initial Redemption Notice, the “**Initial Redemption Notice Date**”). The Company shall, within ten (10) Business Days after the Initial Redemption Notice, give a written notice to the other Preferred Holders, stating the existence of the Initial Redemption Notice and the closing date of the redemption estimated by the Company, which closing date shall be within one hundred and twenty (120) days after the Initial Redemption Notice Date (the actual completion date of the redemption, the “**Redemption Date**”). Any other Preferred Holder may elect to tag along with the Initial Redemption Requesting Holder and exercise its redemption right by separately giving a redemption notice to the Company stating the class and number of its Redemption Shares within ten (10) Business Days after the receipt of the Company’s written notice. The Company shall ensure that all redemptions of the Redemption Shares be carried out in accordance with this Article 16, in any event completed within one hundred and twenty (120) days from the Initial Redemption Notice Date.
- (b) Once the Company has received the Initial Redemption Notice, it shall not (and shall not permit any other Group Company to) take any action which would have the effect of delaying, undermining or restricting the redemption of any Redemption Share, and the Company shall in good faith use its best efforts to increase the amount of funds legally available for redemption, including causing any other Group Company to distribute any and all available funds to the Company to ensure that all Redemption Shares would be timely and fully redeemed in accordance with this Article 16. Until the date by which all Redemption Shares are redeemed, the Company shall not declare or pay any dividend nor otherwise make any distribution of or otherwise decrease its profits available for distribution.

17. Manner and Mechanics of Redemption. Until such time as the applicable Preferred Redemption Price in respect of all the Redemption Shares has been paid in full to the relevant Preferred Holder, such Preferred Holder shall remain entitled to all of the rights, including its voting rights, in respect of all of its Redemption Shares as if they were not redeemed in any part. Upon the Redemption Date, each redeeming Preferred Holder shall surrender to the Company its share certificate or certificates representing such Preferred Shares to be redeemed at the place agreed by the Company and the redeeming Preferred Holder for that purpose, on the date when the applicable Preferred Redemption Price is fully paid to the order of the Preferred Holder whose name appears on the register of members of the Company as the holder of such Preferred Shares, and each share certificate representing such Preferred Shares shall be cancelled. In the event that less than all the Preferred Shares represented by any such share certificate are redeemed, a new share certificate shall be issued representing the unredeemed Preferred Shares.

18. Insufficient Funds. Without limiting the generality of Article 17, if the funds of the Company legally available for redemption are insufficient to redeem all the Redemption Shares within the one-hundred-and-twenty- (120-) day period from the Initial Redemption Notice Date, those funds of the Company will be paid to redeem all Preferred Shares requested to be redeemed based on their pro rata Preferred Redemption Prices (i.e., the Preferred Redemption Price of each Preferred Share as against the total amount of Preferred Redemption Prices of all Preferred Shares requested to be redeemed). The remaining Redemption Shares to be redeemed shall be redeemed as soon as the Company has legally available funds to do so.
19. Obligations of the Key Group Companies and the Founder Parties. In the event that any redeeming Preferred Holder exercises its redemption right pursuant to Article 15, the Founder Parties, the Ordinary Shareholder Controlling Persons and the Key Group Companies shall procure the Company to comply with its obligations pursuant to Articles 15 through 20 and shall be jointly and severally liable with the Company to such redeeming Preferred Holder. Notwithstanding anything to the contrary in these Articles, the aggregate obligations of the Founder Parties and the aggregate obligations of each Ordinary Shareholder Controlling Person under Articles 15 through 20 shall not exceed the fair market value of all Equity Securities then held, directly or indirectly, by the Founder Parties (including their Affiliates) or such Ordinary Shareholder Controlling Person (as applicable, including its Affiliates) in the Group Companies; provided that, in the event of any breach or non-fulfillment of any covenant, agreement or obligation to be performed by the Founder Parties or any Ordinary Shareholder Controlling Person pursuant to any Transaction Document, the fair market value of all Equity Securities then held, directly or indirectly, by the Founder Parties (including their Affiliates) or such Ordinary Shareholder Controlling Person (as applicable, including its Affiliates), shall be determined disregarding the effect of such breach or non-fulfillment.
20. Third-Party Share Acquisition. Notwithstanding anything to the contrary in Articles 15 through 19, the Company may, at its discretion, fulfill its redemption or repurchase obligations by, in lieu of (i) redeeming the Preferred Shares requested to be redeemed in an Initial Redemption Notice and subsequent redemption notices delivered by other Preferred Holders or (ii) repurchasing the SVF Put Shares in accordance with the terms of the Investor Rights Agreement, as applicable, procuring one or more third-party purchasers, which shall not be a Tencent Restricted Person, to acquire such Preferred Shares within the applicable time period at the applicable price. For the avoidance of doubt, any acquisition of Preferred Shares effected in accordance with this Article 20 shall not be subject to compliance with Articles 8 or 9.
21. [Reserved.]

## PROTECTIVE PROVISIONS

22. Board Reserved Matters. The Company and the Key Group Companies shall not, and the Company, the Key Group Companies and the Founder Parties shall procure each Group Company not to, take, permit to occur, approve, authorize, or agree or commit to do any action (including any action by the Board or any committee thereof) with respect to any of the following matters, whether in a single transaction or a series of related transactions, directly or indirectly, whether by amendment, merger, amalgamation, consolidation or otherwise, without the affirmative vote at a duly convened meeting of the Board by, or written consent by, (a) at least half of the Investor Directors then in office and (b) at least half of the Founder Directors then in office; provided, that any transaction for the purposes of the Restructuring that is expressly contemplated in the Restructuring Memorandum or the Restructuring Framework Agreement shall not require such affirmative vote or consent in accordance with this Article 22:

- (i) any change of auditors of any Group Company;
- (ii) any change of accounting policies applicable to any Group Company, except for any change mandated by official changes in accounting rules or application guidance that is mandated by Applicable Laws to be adopted, or any change required by the applicable stock exchange in connection with a Qualified IPO;
- (iii) any acquisition, investment, or a series of related acquisitions or investments, the consideration of which exceeds the greater of (A) RMB500,000,000 and (B) fifty percent (50%) of the operating net cash flow of the Company for the prior fiscal year;
- (iv) except as otherwise provided in Article 22(iii), any capital commitment or expenditure in a single transaction or transactions within any consecutive twelve (12) months in the aggregate, the consideration of which exceeds the lower of (A) RMB500,000,000 and (B) five percent (5%) of the net assets of the Company for the prior fiscal year;
- (v) except as otherwise provided in these Articles, any Transfer, disposal of, or creation of any encumbrance on, any Equity Securities of any Group Company (other than the Company) or any asset of any Group Company, in a single transaction or transactions within any consecutive twelve (12) months in the aggregate, involving a value of the lower of (A) RMB1,000,000,000 and (B) five percent (5%) of the net assets of the Company for the prior fiscal year;
- (vi) creation, incurrence or authorization of the creation of any debt on behalf of any Group Company, in a single transaction or transactions within any consecutive twelve (12) months in the aggregate, with a principal amount in excess of the lower of (A) RMB500,000,000 and (B) five percent (5%) of the net assets of the Company for the prior fiscal year;
- (vii) any guarantee provided to any Person other than a wholly owned Group Company, except (A) any guarantee provided for the benefit of any Ziroom Group Company or any Asset Management Group Company, in the ordinary course of business of the Ziroom Group or the Asset Management Group (as applicable) provided that the aggregate guaranteed amount to all Ziroom Group Companies and Asset Management Group Companies at any given time shall not exceed thirty percent (30%) of the net assets of the Group for the prior fiscal year, and (B) any guarantee provided solely for the conduct of the Finance Business in the ordinary course of business and on arm's length terms;

- (viii) any amendment to or termination of or waiver under any of the Control Documents or any provisions thereunder;
- (ix) the establishment of any joint venture, partnership or non-wholly owned Subsidiary excluding any establishment of a new joint venture in the ordinary course of business and on arm's length terms with any bona fide third party, but not excluding any conversion of a wholly owned Group Company into any joint venture;
- (x) any disposal of (including any sale, assignment or transfer of, or grant of any exclusive license under, exclusive option, right of first refusal, or right of first offer to acquire or license, or any other prohibition on any Group Company from using or permitting third parties to use ) any Intellectual Property owned by any Group Company that is material to the Group, other than intra-group transfers to any wholly owned Subsidiaries of the Company; or
- (xi) enter into any Related Party Transaction, other than (A) intra-group Contracts or transactions with or among wholly owned Subsidiaries of the Company, or with or among non-wholly owned Subsidiaries that is in the ordinary course of business and on arm's length terms, (B) any Related Party Transaction or a series of Related Party Transactions in the ordinary course of business and on arm's length terms with a value not exceeding US\$1,500,000 within the same fiscal year in the aggregate, (C) any Contract or transaction in connection with the establishment or implementation of trusts in relation to any duly approved ESOP or any grant thereunder or exercise thereof, or any loans provided to the officers in connection with any grant under or exercise of ESOP in accordance with the terms of a duly approved ESOP plan, (D) Contracts or transactions contemplated under the Business Cooperation Agreement, (E) any Contract or transaction with any Ziroom Group Company or any Asset Management Group Company in the ordinary course of business, on arm's length terms and priced at fair market value, (F) any guarantee as described in, and subject to the limitations contained in, Article 22(vii)(A), and (G) any Contract or transaction between any Group Company on the one hand and a Preferred Holder or its Affiliate(s) that is a real estate developer on the other hand pursuant to which the Group Company provides firsthand real estate sales or brokerage services to that real estate developer, if that Contract or transaction is in the ordinary course of business, on arm's length terms and priced at fair market value.

23. Member Reserved Matters. The Company and the Key Group Companies shall not, and the Company, the Key Group Companies and the Founder Parties shall procure each Group Company not to, take, permit to occur, approve, authorize, or agree or commit to do any action (including any action by the Board or any committee thereof) with respect to any of the following matters, whether in a single transaction or in a series of related transactions, directly or indirectly, whether by amendment, merger, amalgamation, consolidation or otherwise, without approval or written consent from (a) Ordinary Holders representing more than fifty percent (50%) of the voting power of all of the Ordinary Shares of the Company voting as a single class and (b) the Majority Preferred Holders; provided that, any transaction for the purposes of the Restructuring that is expressly contemplated in the Restructuring Memorandum or the Restructuring Framework Agreement shall not require approval or consent in accordance with this Article 23; provided further that where any such action requires the approval of a special resolution under the Act and if the relevant approval or written consent has not been obtained from the Ordinary Holders representing more than fifty percent (50%) of the voting power of all of the Ordinary Shares of the Company voting as a single class and the Majority Preferred Holders, then all the Members voting against such resolution shall have the voting rights equal to the aggregate power of all the Members voting in favor of such resolution plus one:

- (i) any Public Offering other than a Qualified IPO;
- (ii) any issuance or authorization of issuance of any securities (including Equity Securities and bond instruments) by the Company except (A) securities issued or authorized to be issued since the Closing Date that do not exceed in the aggregate ten percent (10%) of the total issued and outstanding securities of the Company on an as-converted and fully diluted basis immediately after the Closing Date, for an effective issue price per Ordinary Share (on an as-converted basis) not less than the Series D+ Original Issue Price (for the avoidance of doubt, any issuance separately approved as a reserved matter in accordance with this Article 23(ii) shall not be counted toward this ten percent (10%) limit), and (B) in addition to and not exclusive with the ten percent (10%) limit referred to in Article 23(ii)(A) above, Ordinary Shares issued or authorized to be issued since the Closing Date in connection with any acquisition transaction in the ordinary course of business that do not exceed in the aggregate three percent (3%) of the total issued and outstanding securities of the Company on an as-converted and fully diluted basis immediately after the Closing date, for an effective issue price per Ordinary Share not less than the Series D+ Original Issue Price;
- (iii) any issuance or authorization of issuance of any securities (including Equity Securities and bond instruments) by any Group Company other than the Company that is not solely to implement a transaction that has been separately approved as or expressly exempted from being a reserved matter pursuant to Article 22(ix);

- (iv) any amendment, modification or waiver of any provision of any charter document of the Company or any Significant Group Company that is not solely to implement a transaction that has been separately approved as or expressly exempted from being a reserved matter pursuant to Article 22(ix) or Article 23(ii), (iii), (vi) or (vii);
- (v) any adoption of, material amendment to or termination of any ESOP, or any increase to the total number of Equity Securities issuable pursuant to the 2018 ESOP, other than the adoption of the 2018 ESOP, any amendment of the 2018 ESOP that does not have the effect of increasing the total number of Equity Securities issuable pursuant thereto, termination of the 2018 ESOP, and any issuance of grants pursuant to the 2018 ESOP;
- (vi) repurchase, redemption, share subdivision, share combination, share split, recapitalization, reclassification or similar event in respect of any Equity Securities of any Group Company or otherwise make any changes to its capital structure other than as expressly contemplated in the Investor Rights Agreement or these Articles, or reclassification solely to implement a transaction that has been separately approved as or expressly exempted from being a reserved matter pursuant to Article 23(vii);
- (vii) any merger, amalgamation or consolidation of the Company or any Significant Group Company with or into any Person, or any other corporate reorganization of the Company or any Significant Group Company;
- (viii) any pledge of Equity Securities of any Group Company by the Founder Parties to any Person, other than any pledge of Equity Securities of any Group Company in compliance with Article 3(ii);
- (ix) any disposal of any asset of any Group Company established in the PRC to a third party prior to the completion of the Restructuring other than any such transaction expressly contemplated by the Restructuring Memorandum or the Restructuring Framework Agreement;
- (x) any disposal of all or substantially all assets or the Business of the Group to a third party;
- (xi) any action that would result in the Company ceasing to be an exempted company with limited liability;
- (xii) any material change of the scope or nature of the Business, or cessation of any business line of the Group;
- (xiii) the liquidation, dissolution, winding up or commencement of bankruptcy or similar proceedings of the Company or any Significant Group Company;

- (xiv) any declaration or payment of a dividend on Equity Securities by any Group Company established in the PRC prior to the completion of the Restructuring other than any such transaction expressly contemplated by the Restructuring Memorandum or the Restructuring Framework Agreement; or
- (xv) any declaration or payment of a dividend on Equity Securities with a total amount exceeding fifteen percent (15%) of gross profits of the Company for the prior fiscal year other than any declaration or payment of a dividend on Equity Securities for the purposes of payment of (A) any Preferred Redemption Price in accordance with Articles 15 through 20, or (B) the SVF Put Price in accordance with the Investor Rights Agreement.

24. **Tencent Reserved Matters.** For so long as Tencent holds at least fifty percent (50%) of the Series D Preferred Shares held by it immediately after the Closing and at least four point four percent (4.4%) of the issued and outstanding Company Securities on a fully diluted and as-converted basis, the prior written consent of Tencent shall be required for any of the following transactions:

- (i) any new issuance of Equity Securities by any Group Company to any Tencent Restricted Person; or
- (ii) any transaction or series of related transactions, whether by merger, consolidation, amalgamation, sale or issuance of equity, scheme of arrangement or otherwise, pursuant to or as a result of which (A) a Tencent Restricted Person directly or indirectly acquires voting securities or voting power of any Group Company representing a majority of the voting securities or voting power of such Group Company immediately following such transaction(s), (B) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Group Companies is made to a Tencent Restricted Person, or (C) an exclusive licensing or sale of all or substantially all Intellectual Property owned by the Group to a Tencent Restricted Person.

For the avoidance of doubt, without prejudice to the rights of any Member specifically provided in these Articles, none of the foregoing restrictions shall restrict the Company's freedom to engage in good-faith business cooperation with any Tencent Restricted Person not involving a Trade Sale or an issuance or sale of the shares of any Group Company.

### LIQUIDATION PREFERENCE

25. **Liquidation Preference.** In the event of a Liquidation Event, distributions to the Members shall be made in the following manner, after satisfaction of all creditors' claims and claims that may be mandated by law:

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- (a) Each holder of Series D+ Preferred Shares shall be entitled to receive for each Series D+ Preferred Share it holds, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series D Preferred Shares, Series C Preferred Shares, Series B Preferred Shares, Ordinary Shares or any other class or series of Shares by reason of their ownership of such Shares, the amount equal to the greater of (x) the aggregate of (i) the Series D+ Original Issue Price, (ii) any dividends declared and unpaid with respect to such Series D+ Preferred Share, and (iii) an amount that would give such holder of Series D+ Preferred Shares a simple non-compounded interest of five percent (5%) per annum on the Series D+ Original Issue Price, calculated from the Series D+ Original Issue Date up until the date of receipt by the holder of the full liquidation preference amount thereof, and (y) the amount such Series D+ Preferred Shares would have received, with respect to each Series D+ Preferred Share, had that Series D+ Preferred Share been converted into Ordinary Shares immediately prior to the consummation of the Liquidation Event (the "**Series D+ Liquidation Preference**"). If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full Series D+ Liquidation Preference, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series D+ Preferred Shares in proportion to the Series D+ Liquidation Preference to which each such holder is otherwise entitled.
- (b) If there are any assets or funds remaining after the aggregate Series D+ Liquidation Preference has been distributed or paid in full to the holders of the Series D+ Preferred Shares pursuant to Article 25(a) above, each holder of Series D Preferred Shares shall be entitled to receive for each Series D Preferred Share it holds, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series C Preferred Shares, Series B Preferred Shares, Ordinary Shares or any other class or series of Shares by reason of their ownership of such Shares, the amount equal to the greater of (x) the aggregate of (i) the Series D Original Issue Price, (ii) any dividends declared and unpaid with respect to such Series D Preferred Share, and (iii) an amount that would give such holder of Series D Preferred Shares a simple non-compounded interest of five percent (5%) per annum on the Series D Original Issue Price, calculated from the Series D Original Issue Date up until the date of receipt by the holder of the full liquidation preference amount thereof, and (y) the amount such Series D Preferred Shares would have received, with respect to each Series D Preferred Share, had that Series D Preferred Share been converted into Ordinary Shares immediately prior to the consummation of the Liquidation Event (the "**Series D Liquidation Preference**"). If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full Series D Liquidation Preference, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series D Preferred Shares in proportion to the Series D Liquidation Preference to which each such holder is otherwise entitled.

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- (c) If there are any assets or funds remaining after the aggregate Series D Liquidation Preference has been distributed or paid in full to the holders of the Series D Preferred Shares pursuant to Article 25(b) above, each holder of Series C Preferred Shares shall be entitled to receive for each Series C Preferred Share it holds, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series B Preferred Shares, Ordinary Shares or any other class or series of Shares by reason of their ownership of such Shares, the amount equal to the greater of (x) the aggregate of (i) the Series C Original Issue Price, (ii) any dividends declared and unpaid with respect to such Series C Preferred Share, and (iii) an amount that would give such holder of Series C Preferred Shares a simple non-compounded interest of five percent (5%) per annum on the Series C Original Issue Price, calculated from the Series C Original Issue Date up until the date of receipt by the holder of the full liquidation preference amount thereof, and (y) the amount such Series C Preferred Shares would have received, with respect to each Series C Preferred Share, had that Series C Preferred Share been converted into Ordinary Shares immediately prior to the consummation of the Liquidation Event (the “**Series C Liquidation Preference**”). If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full Series C Liquidation Preference, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series C Preferred Shares in proportion to the Series C Liquidation Preference to which each such holder is otherwise entitled.
- (d) If there are any assets or funds remaining after the aggregate Series C Liquidation Preference has been distributed or paid in full to the holders of the Series C Preferred Shares pursuant to Article 25(c) above, each holder of Series B Preferred Shares shall be entitled to receive for each Series B Preferred Share it holds, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Ordinary Shares or any other class or series of Shares by reason of their ownership of such Shares, the amount equal to the greater of (x) the aggregate of (i) the Series B Original Issue Price, (ii) any dividends declared and unpaid with respect to such Series B Preferred Share, and (iii) an amount that would give such holder of Series B Preferred Shares a simple non-compounded interest of five percent (5%) per annum on the Series B Original Issue Price, calculated from the Series B Original Issue Date up until the date of receipt by the holder of the full liquidation preference amount thereof, and (y) the amount such Series B Preferred Shares would have received, with respect to each Series B Preferred Share, had that Series B Preferred Share been converted into Ordinary Shares immediately prior to the consummation of the Liquidation Event (the “**Series B Liquidation Preference**”). If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full Series B Liquidation Preference, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series B Preferred Shares in proportion to the Series B Liquidation Preference to which each such holder is otherwise entitled.

- (e) After setting aside or paying in full the Series D+ Liquidation Preference, the Series D Liquidation Preference, the Series C Liquidation Preference and the Series B Liquidation Preference due pursuant to Article 25 (a) through (d) above, the remaining assets of the Company available for distribution to the Members, if any, shall be distributed to the holders of the Ordinary Shares on a pro rata basis, based on the number of Ordinary Shares then held by each holder.
26. **Deemed Liquidation Event.** Unless waived in writing by the Majority Preferred Holders, each of the following events shall be treated as a “**Deemed Liquidation Event**”: (i) any transaction or series of transactions, whether by merger, consolidation, amalgamation, sale or issuance of equity, scheme of arrangement or otherwise, pursuant to or as a result of which (A) the Members of the Company immediately before such transaction own less than fifty percent (50%) of the direct or indirect voting power of the surviving company immediately after such transaction, or (B) a Person (or a group of Affiliated Persons acting in concert) directly or indirectly acquires, or becomes the holder of, voting power of a Group Company (or the acquiring or surviving company, as applicable) representing no less than a majority of the voting power of such Group Company (or the acquiring or surviving company, as applicable) immediately following such transaction(s) (each a “**Trade Sale**”), (ii) a disposition of all or substantially all of the assets of the Group Companies as a whole, (iii) unless duly approved pursuant to Article 22, any termination or amendment of any Control Document for any reason resulting in (A) the Company losing Control over any Domestic Company that is contractually Controlled by the Company under the Control Documents, or (B) the financial results of any Domestic Company that is contractually Controlled by the Company under the Control Documents 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 owned by the Group Companies as a whole. Any actions taken or to be taken for purposes of the Restructuring in accordance with the Restructuring Memorandum or the Restructuring Framework Agreement shall not constitute a Deemed Liquidation Event.
27. **Non-Cash Distribution.** In the event that the Company proposes to distribute assets other than cash in connection with a Liquidation Event, the value of the assets to be distributed to the Members in accordance with Article 25 shall be determined in good faith by the Board; provided that any securities not subject to investment letter or similar restrictions on free marketability shall be valued as follows:
- (a) If traded on a securities exchange, the value shall be deemed to be the average of the security’s closing prices on such exchange over the thirty-(30-) day period ending one (1) day prior to the distribution;
- (b) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the thirty- (30-) day period ending three (3) days prior to the distribution; and
- (c) If there is no active public market, the value shall be the fair market value thereof as determined in good faith by the Board.

The method of valuation of securities subject to restrictions on free marketability shall be adjusted to make an appropriate discount from the market value determined as above in clauses (a), (b) or (c) to reflect the fair market value thereof as determined in good faith by the Board. The Preferred Holders representing more than two-thirds (2/3) of all of the Preferred Shares of the Company voting as a single class (calculated on an as-converted basis) shall have the right to challenge any determination by the Board of fair market value pursuant to this Article 27, in which case the determination of fair market value shall be made by an independent appraiser selected jointly by the Board and the challenging parties, the cost of such appraisal to be borne by the Company.

28. [Reserved.]

#### MAXIMUM SHAREHOLDING

29. (a) If any Preferred Holder or any of its Affiliates (other than SVF and any of its Affiliates) (each such Preferred Holder for purposes of this Article 29, an “Acquiring Preferred Holder”) acquires any Preferred Shares from any other Preferred Holder or through the exercise of the right of first refusal pursuant to Article 8 (except pursuant to Article 8(b) and Article 8(c)) or the exercise of the preemptive right pursuant to Articles 10 through 13, in each case as a result of which such Acquiring Preferred Holder, together with its Affiliates, holds more than one-third (1/3) of the then issued and outstanding Preferred Shares, then such Acquiring Preferred Holder and its Affiliates shall not be entitled to vote, with respect to the portion (and only such excess portion) of the Preferred Shares held by it and its Affiliates (if any) that is in excess of one-third (1/3) of the then issued and outstanding Preferred Shares (the “**Excess Shares**”) and the Excess Shares shall not be included in the number of total issued and outstanding Preferred Shares for the purpose of determining the relevant consent or approval threshold that may be required from the Preferred Holders (or any series or class thereof) or the Members. For the avoidance of doubt, the foregoing shall not, at any time, affect the voting rights of any Preferred Shares held by any such Acquiring Preferred Holder or its Affiliate that is less than or equal to one-third (1/3) of the then total issued and outstanding Preferred Shares. SVF hereby agrees that SVF, together with its Affiliates, shall not hold more than one-third (1/3) of the then issued and outstanding Preferred Shares without the prior written consent of the Company.
- (b) This Article 29 shall terminate immediately after the consummation of a Qualified IPO.

**SECOND AMENDED AND RESTATED  
INVESTOR RIGHTS AGREEMENT**

**by and among**

**KE HOLDINGS INC.**

**MR. ZUO HUI**

**PERSONS LISTED ON SCHEDULE I**

**PERSONS LISTED ON SCHEDULE II**

**PERSONS LISTED ON SCHEDULE III**

**and**

**PERSONS LISTED ON PART A OF SCHEDULE IV**

Dated November 29, 2019

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## SECOND AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

THIS SECOND AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT (this “Agreement”), dated November 29, 2019, is entered into by and among:

- (i) KE Holdings Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands (the “Company”);
- (ii) Mr. Zuo Hui, a citizen of the PRC, with national identity card number 130302197101190414 (the “Founder”);
- (iii) holders of Ordinary Shares listed on Schedule I;
- (iv) holders of Series B Preferred Shares listed on Schedule II-A;
- (v) holders of Series C Preferred Shares listed on Schedule II-B;
- (vi) holders of Series D Preferred Shares listed on Schedule II-C;
- (vii) holders of Series D+ Preferred Shares listed on Schedule II-D;
- (viii) Persons listed on Schedule III; and
- (ix) Persons listed on Part A of Schedule IV (each, a “Key Group Company”).

Each of the parties to this Agreement is referred to herein individually as a “Party” and collectively as the “Parties”.

### RECITALS

WHEREAS, the Company was incorporated on July 6, 2018;

WHEREAS, an Investor Rights Agreement (the “2018 Prior Agreement”), dated December 28, 2018, was entered into by and among the Company, the Founder, Tencent (as defined below) and certain other parties thereto in connection with sale by the Company of certain Series D Preferred Shares (as defined below) to Tencent and certain other investors;

WHEREAS, pursuant to a Series D and Series D+ Preferred Shares Purchase Agreement, dated November 14, 2019, by and among the Company, SVF (as defined below) and certain other parties thereto (the “Share Purchase Agreement”), the Company issued certain Series D Preferred Shares and Series D+ Preferred Shares (as defined below) to SVF on November 15, 2019, and in connection with that issuance, the 2018 Prior Agreement was amended and restated (such amended and restated agreement, the “Prior Agreement”);

WHEREAS, additional share purchase agreements (“Additional Share Purchase Agreements”) were entered into on or after November 15, 2019 and prior to the date hereof, pursuant to which (i) the Company will issue certain Series D+ Preferred Shares to investors including Tencent Mobility (as defined below), Parallel Stellar (as defined below), SC GGF III Holdco, Ltd., SCC Growth V Holdco P, Ltd., and HH PDII Holdings Limited, and (ii) investors including Parallel Stellar, Morespark (as defined below) and HH PDII Holdings Limited will

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purchase from certain existing shareholders of the Company certain Ordinary Shares and Series B Preferred Shares (each as defined below), as applicable; and

WHEREAS, the Parties desire to modify certain rights, obligations and other terms set out in the Prior Agreement in light of the transactions referred to above. The capital structure of the Company immediately prior to Closing (as defined in the Share Purchase Agreement) and immediately after the Closing on a fully diluted and as-converted basis is as set forth in Schedule X.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree that the Prior Agreement shall be amended and restated in its entirety to read as follows:

## ARTICLE I

### DEFINITIONS

Section 1.01      Definitions. (a) As used in this Agreement, the following terms have the following meanings:

“Affiliate” means, with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with such Person. With respect to any natural person, each of the following Persons is such natural person’s Affiliate for purposes of this Agreement and the other Transaction Documents: (i) spouse; (ii) parents; (iii) children; (iv) siblings; (v) father-in-law and mother-in-law; (vi) son-in-law and daughter-in-law; (vii) brother-in-law and sister-in-law; (viii) any other person who is a lineal ascendant or descendant of such natural person, including adoptive relationships; and (ix) any other person who is a relative of such natural person and lives in the same household with such natural person (collectively, such natural person’s “Immediate Family Members”). In the case of Parallel Galaxy, “Affiliate” shall also include (i) any general partner or fund manager of a fund that, directly or indirectly, wholly owns Parallel Galaxy, and (ii) any fund that directly or indirectly is Controlled by, under common Control with, or is managed by any general partner or fund manager of a fund that, directly or indirectly, wholly owns Parallel Galaxy. In the case of Parallel Stellar, “Affiliate” shall also include (i) any general partner or fund manager of a fund that, directly or indirectly, wholly owns Parallel Stellar, and (ii) any fund that directly or indirectly is Controlled by, under common Control with, or is managed by any general partner or fund manager of a fund that, directly or indirectly, wholly owns Parallel Stellar. In the case of SVF, “Affiliate” shall also include (i) any Person that directly or indirectly Controls SVF (including, if applicable, any general partner or any fund manager of SVF), and (ii) any Person that directly or indirectly Controls, is Controlled by, is under common Control with, or is managed by SVF, the general partner or the fund manager of SVF, which, for the avoidance of doubt, shall include Softbank Group Corp. and any of Softbank Group Corp.’s Affiliates.

“Alternate Director” means a person appointed pursuant to Section 2.01(d) and appointed as an alternate Director by the appointing Director.

“Applicable ABAC Laws” means anti-corruption laws, regulations or ordinances (including laws prohibiting fraud and tax evasion) applicable to the Company, Group Companies, and their respective Subsidiaries and operations from time to time, including without limitation (i) the U.S. Foreign Corrupt Practices Act of 1977 (as amended), (ii) the

United Kingdom Bribery Act, (iii) anti-bribery legislation promulgated by the European Union and implemented by its member states, (iv) the PRC's Criminal Law adopted by the National People's Congress on July 1, 1979, as amended, the PRC Anti-Unfair Competition Law adopted by the National People's Congress on September 2, 1993, as amended, and the Interim Rules on Prevention of Commercial Bribery issued by the PRC State Administration of Industry and Commerce on November 15, 1996, and (v) legislation adopted in furtherance of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

“Applicable AML Laws” means applicable financial recordkeeping and reporting requirements of the U.S. Currency and Foreign Transaction Reporting Act of 1970, as amended; the U.S. Money Laundering Control Act of 1986, as amended; the EU Fourth Money Laundering Directive and legislation enacted by EU Member States to give effect to this and other EU anti-money laundering directives; the Anti-Money Laundering Law of the People's Republic of China; and all related laws of other jurisdictions where the Company or any Group Company operates its Business or owns assets prohibiting money laundering, including but not limited to attempting to conceal or disguise the identity of illegally obtained proceeds.

“Applicable Discrimination Law” means all laws and regulations applying to the Company or its Affiliates prohibiting discrimination in the workplace on the basis of any legally protected characteristic, which may include age, disability, ethnicity, gender reassignment, genetics, marriage/civil partnership, national origin, pregnancy, race/color, religion/belief, sex, or sexual orientation.

“Applicable Harassment Law” means all laws and regulations applying to the Company or its Affiliates prohibiting unwelcome conduct in or related to the workplace (including conduct based on one or more protected characteristics set forth in the Applicable Discrimination Laws), including requiring such conduct to be endured as a condition of continued employment or when such conduct is sufficiently severe or pervasive that it creates a work environment that a reasonable person would consider intimidating, hostile or abusive.

“Applicable Law” means, with respect to any Person, any transnational, domestic or foreign federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended.

“Applicable Liquidation Preference” means, with respect to the holder of Series B Preferred Shares, the Series B Liquidation Preference; with respect to the holder of Series C Preferred Shares, the Series C Liquidation Preference; with respect to the holder of Series D Preferred Shares, the Series D Liquidation Preference; and with respect to the holder of Series D+ Preferred Shares, the Series D+ Liquidation Preference.

“Asset Management Group Company” means each of 北京愿景明德管理咨询有限公司, a PRC company, and its current and future wholly owned Subsidiaries, and the “Asset Management Group” refers to all the Asset Management Group Companies collectively.

“Associated Person” means, in relation to a company or other entity, an individual or entity (including a director, officer, employee, consultant, agent or other representative) who or that has acted or performed services for or on behalf of that company or other entity but only

with respect to actions or the performance of services for or on behalf of that company or other entity.

“Baidu” means Baidu (Hong Kong) Limited and its successors and assigns as permitted pursuant to Section 10.01.

“Board” means the board of directors of the Company.

“Business” means, in respect of any Group Company, (i) the business it currently conducts and it currently proposes to conduct, including the provision of online and offline, firsthand and secondhand, real estate sales, brokerage, leasing, renovation, franchising, advertising and other information services (including online brokerage platform) in connection with the real estate industry, and other related businesses and (ii) the Finance Business.

“Business Cooperation Agreement” means the Strategic Cooperation Framework Agreement (战略合作框架协议), dated December 28, 2018, by and among, *inter alia*, the Company and an Affiliate of Tencent Mobility.

“Business Day” means a day, other than Saturday, Sunday or another day on which commercial banks in New York, Hong Kong, the PRC, London or the Cayman Islands are authorized or required by Applicable Law to close.

“CEO” means the Chief Executive Officer of the Company.

“Class A Ordinary Shares” means class A ordinary shares, par value \$0.0001 per share, of the Company.

“Class B Ordinary Shares” means class B ordinary shares, par value \$0.0001 per share, of the Company.

“Closing” shall have the meaning given to it in the Tencent Series D+ Share Purchase Agreement (i.e., the purchase and sale of the Series D+ Preferred Shares pursuant to the Tencent Series D+ Share Purchase Agreement).

“Closing Date” shall have the meaning given to it in the Tencent Series D+ Share Purchase Agreement (i.e., the date on which the purchase and sale of the Series D+ Preferred Shares takes place pursuant to the Tencent Series D+ Share Purchase Agreement, being November 29, 2019).

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Companies Law” means the Companies Law (2018 Revision), as amended, of the Cayman Islands.

“Company Restricted Person” means (a) each Person as set forth on Schedule VI hereto (the “Subject Person”), and (b) each of the Subject Person’s Affiliates that, directly or indirectly, engages in or holds a majority of the Equity Securities of or otherwise Controls any Person that engages in, any business that satisfies item (ii) below in the first proviso of this paragraph. The Company shall be entitled, from January 1, 2020, to update Schedule VI hereto during the last week of March and/or the last week of September in each calendar year but no more than twice per calendar year; provided that the Company shall not include any Person in Schedule VI hereto after the Closing unless as of the date of the inclusion such Person owns or operates any

business that is (i) in the good-faith judgement of the Company material to that Person's business or strategy and (ii) in direct competition with any Group Company within the PRC, Hong Kong, Macau or Taiwan in online and offline, firsthand and secondhand, real estate sales, brokerage, leasing, renovation, franchising, and advertising and other information services (including online brokerage platform) in connection with the real estate industry; provided further, that the number of Persons set forth on Schedule VI hereto (as may be decreased by the automatic deletion in accordance with the immediately following sentence) shall at all times be no more than ten (10). For the avoidance of doubt, if any of the Subject Persons (other than the Subject Persons as of the date of this Agreement) does not satisfy either standard as set forth in item (i) or (ii) of the foregoing sentence, such Subject Person shall be deemed to be automatically deleted from Schedule VI.

"Company Securities" means the Equity Securities of the Company.

"Compliance Program" means such policies and procedures that: (i) satisfy regulatory guidance, regulatory requirements, and global best practices, in each case related to Applicable ABAC Laws, Sanctions Laws and Applicable AML Laws; and (ii) without prejudice to the generality of the foregoing, are reasonably designed to prevent the Company, its Affiliates, as well as any Associated Person of the Company or any of its Affiliates, from engaging in any activity, practice or conduct that would violate any of the Applicable ABAC Laws, Applicable AML Laws, or Sanctions Laws. The elements of the Compliance Program shall include, but not be limited to, implementation and maintenance of: (i) policies and protocols for conducting risk-based third party and business partner due diligence; (ii) policies and protocols for conducting customer due diligence (including risk-based sanctions screening and Know-Your-Customer ("KYC") processes), and (iii) regular periodic employee training on the requirements of the Compliance Program and Applicable ABAC Laws, Applicable AML Laws, and Sanctions Laws.

"Contract" means any contract, agreement, undertaking, understanding, commitment, purchase order, indenture, note, bond, loan, instrument, lease, mortgage, deed of trust, franchise, license or other legally binding arrangement, whether written or oral.

"Control" of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by Contract or otherwise; provided, that such power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of fifty percent (50%) or more of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors (or analogous governing body) of such Person. The terms "Controlled" and "Controlling" have meanings correlative to the foregoing.

"Control Documents" means, collectively, Beijing Lianjia Control Documents, Beijing Yiju Control Documents, and Tianjin Xiaowu Control Documents, each as defined in the Share Purchase Agreement.

"Controlled Companies" means Beijing Lianjia, Beijing Yiju and Tianjin Xiaowu.

"Designated Holder" means the holders of Registrable Securities who are parties to this Agreement from time to time, and their permitted transferees that become parties to this Agreement from time to time.

“Director” means any director of the Company.

“Director Indemnification Agreement” shall have the meaning given to it in the Share Purchase Agreement.

“Domestic Companies” means Beijing Lianjia, Beijing Yiju and Tianjin Xiaowu, and their respective current and future Subsidiaries and consolidated affiliate entities.

“Equity Securities” means, with respect to any Person that is not a natural person, any and all shares of capital stock, membership interests, units, profits interests, ownership interests, equity interests, registered capital and other equity securities of such Person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing.

“ESOP” means (i) the employee share incentive plan of the Company, which was established by a resolution adopted by the Board on August 20, 2018, pursuant to which up to a total of 70,045,087 Class A Ordinary Shares are reserved for issuance (the “2018 ESOP”), and (ii) any other employee share incentive plan of the Company that may be approved by the Shareholders from time to time pursuant to Section 2.11.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Finance Business” means the business that Beijing Yiju and its Subsidiaries currently conduct or propose to conduct as of the date hereof, including without limitation real property transactional bridge finance, consumer finance, microcredit lending, P2P lending, financing guarantee, guaranteed payment, third-party payment processing, insurance brokerage, financial lease, commercial factoring and financial supporting services.

“Form F-3” means Form F-3 promulgated by the SEC under the Securities Act or any substantially similar form then in effect.

“Founder Holding Company” means Propitious Global Holdings Limited, a British Virgin Islands company.

“Founder Parties” means the Founder and the Founder Holding Company.

“Governmental Authority” means (i) any national, federal, state, county, municipal, local or foreign government or other political subdivision or instrumentality thereof, (ii) any entity, authority or body exercising executive, legislative, judicial, regulatory, taxing or administrative functions of or pertaining to government, (iii) any agency, division, bureau, department or other political subdivision of any government, entity, authority or body described in the foregoing clauses (i) and (ii) of this definition, (iv) any court, tribunal or arbitrator or (v) any self-regulatory organization. A Governmental Authority also includes public international organizations, i.e., organizations whose members are countries, or territories, governments of countries or territories, other public international organizations or any combination of the foregoing.

“Group Company” means each of the Company, Beijing Lianjia, Beijing Yiju, Tianjin Xiaowu and their respective current and future Subsidiaries and consolidated affiliate entities, and the “Group” refers to all the Group Companies collectively.

“Hillhouse” means, collectively, HH SHL Holdings Limited, HH SPR-IX Holdings Limited and HH PDII Holdings Limited.

“Holders” means the Ordinary Holders and the Preferred Holders.

“Honghua Jingrui” means Tianjin Honghua Jingrui Enterprise Management Partnership Enterprise (Limited Partnership) (天津红华菁睿企业管理合伙企业(有限合伙)), and its successors and assigns as permitted pursuant to Section 10.01.

“Huaxing” means, collectively, Huaxing Fengxiang, Huaxing Fengfu, Honghua Jingrui, Huaxing USD Fund III and Villa Shell I Limited.

“Huaxing Fengfu” means Tianjin Huaxing Fengfu Technology Partnership Enterprise (Limited Partnership) (天津华兴丰富科技合伙企业(有限合伙)), and its successors and assigns as permitted pursuant to Section 10.01.

“Huaxing Fengxiang” means Tianjin Huaxing Fengxiang Technology Partnership Enterprise (Limited Partnership) (天津华兴丰翔科技合伙企业(有限合伙)), and its successors and assigns as permitted pursuant to Section 10.01.

“Huaxing USD Fund III” means Huaxing Growth Capital III, L.P., and its successors and assigns as permitted pursuant to Section 10.01.

“Intellectual Property” means any and all intellectual property, industrial property and propriety rights in any jurisdiction in the world, including (i) patents, all patent rights and all applications therefor and all reissues, reexaminations, continuations, continuations-in-part, divisionals and patent term extensions thereof, (ii) inventions (whether patentable or not), discoveries, improvements, concepts, innovations and industrial models, (iii) registered and unregistered copyrights, copyright registrations and applications, author’s rights and works of authorship (including artwork of any kind), (iv) software of all types in whatever medium, inclusive of computer programs, applications, middleware, software development kits, libraries, software development tools, interfaces, firmware, compiled or interpreted programmable logic, objects, bytecode, machine code, videogames, software implementations of algorithms, models and methodologies, source code, object code and executable code, and documentation relating to any of the foregoing, (v) URLs, domain names, web sites, web pages and any part thereof, (vi) technical information, ideas, know-how, trade secrets, confidential information, drawings, designs, design protocols, specifications for parts and devices, quality assurance and control procedures, design tools, manuals, customer lists, databases, proprietary data, and other proprietary information, (vii) proprietary processes, technology, engineering, formulae, algorithms and operational procedures, and (viii) registered and unregistered trade names, trade dress, trademarks, service marks, logos, designs, symbols, slogans, taglines, brands, product names, corporate names, rights to social media accounts, and other indicia of source, origin or quality, and registrations and applications therefor, and the goodwill of the business symbolized or represented by any of the foregoing.

“Key Persons” means the individuals listed on Schedule V.

“Liquidation Event” means any of the following events: (i) a liquidation, dissolution or winding up of the Company, or (ii) any Deemed Liquidation Event.

“Majority Preferred Holders” means the Preferred Holders representing more than fifty percent (50%) of the voting power of all of the Preferred Shares of the Company voting as a single class, calculated on an as-converted basis.

“Memorandum and Articles” means the Third Amended and Restated Memorandum and Articles of Association of the Company, in the form as attached as Annex D hereto, as amended from time to time.

“Morespark” means Morespark Limited and its successors and assigns as permitted pursuant to Section 10.01.

“New Hope” means Green Frontier Investments Limited and its successors and assigns as permitted pursuant to Section 10.01.

“Ordinary Holder” means each holder of Ordinary Shares from time to time as recorded in the Company’s register of members; provided, however, that no Preferred Holder shall be deemed an Ordinary Holder due to such Preferred Holder’s ownership of any Ordinary Share.

“Ordinary Shareholder Controlling Persons” means the individuals listed on Schedule III.

“Ordinary Shares” means the Class A Ordinary Shares and Class B Ordinary Shares.

“Original Issue Date” means (i) with respect to Series B Preferred Shares, the Series B Original Issue Date; (ii) with respect to the Series C Preferred Shares, the Series C Original Issue Date; (iii) with respect to the Series D Preferred Shares, the Series D Original Issue Date; and (iv) with respect to the Series D+ Preferred Shares, the Series D+ Original Issue Date.

“Original Issue Price” means (i) with respect to Series B Preferred Shares, the Series B Original Issue Price; (ii) with respect to the Series C Preferred Shares, the Series C Original Issue Price; (iii) with respect to the Series D Preferred Shares, the Series D Original Issue Price; and (iv) with respect to the Series D+ Preferred Shares, the Series D+ Original Issue Price.

“Parallel Galaxy” means Parallel Galaxy Investment Limited and its successors and assigns as permitted pursuant to Section 10.01.

“Parallel Stellar” means Parallel Stellar Investment Limited and its successors and assigns as permitted pursuant to Section 10.01.

“Permitted Transferee” means (i) with respect to any Preferred Holder, any of its Affiliates that is not a Company Restricted Person, and (ii) with respect to any Ordinary Holder, (x) any Ordinary Shareholder Controlling Person that holds any shares in the Ordinary Holder, (y) any Person that is wholly owned, directly or indirectly, by such Ordinary Shareholder Controlling Person, and (z) any trust or other entity established for bona fide estate planning purposes for the benefit or on behalf of such Ordinary Shareholder Controlling Person or any Immediate Family Member of such Ordinary Shareholder Controlling Person; provided, that in each case of (i) and (ii), a Permitted Transferee with respect to any Shareholder shall not include any Tencent Restricted Person.

“Person” means any individual, corporation, partnership, limited liability company, association (whether incorporated or unincorporated), trust, proprietorship, joint venture, joint-stock company, firm, estate, governmental entity or other entity or organization.

“PRC” means the People’s Republic of China, but solely for the purposes of this Agreement and the other Transaction Documents, excluding Hong Kong, Macau and Taiwan.

“Preferred Holder” means each holder of Preferred Shares from time to time.

“Preferred Shares” means, collectively, the Series B Preferred Shares, the Series C Preferred Shares, the Series D Preferred Shares and the Series D+ Preferred Shares.

“Public Offering” means a firm-commitment underwritten public offering of Ordinary Shares or derivatives thereof and the listing of such securities for trading on a stock exchange or other public market.

“Qualified IPO” means a firm-commitment underwritten initial public offering of the Ordinary Shares and the listing of such shares (or securities representing such shares) for trading on the New York Stock Exchange, Nasdaq Global Market, The Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange or Shenzhen Stock Exchange, with the implied market capitalization of the Company prior to such public offering being no less than the post-money valuation of the Company immediately after the Closing.

“Redemption Event” means the occurrence of any 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 have ceased to be employed by any Group Company.

“Registrable Securities” means each of the following: (i) any and all Ordinary Shares owned by the Designated Holders or issued or issuable upon conversion of Preferred Shares and any Ordinary Shares issued or issuable upon conversion of any Preferred Shares or exercise of any warrants acquired by any of the Designated Holders after the Closing Date, (ii) any other Ordinary Shares acquired or owned by any of the Designated Holders prior to the effective date of the Qualified IPO, or acquired or owned by any of the Designated Holders after the effective date of the Qualified IPO if such Designated Holder is an Affiliate of the Company and (iii) any Ordinary Shares issued or issuable to any of the Designated Holders with respect to the Registrable Securities by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise and any Ordinary Shares or voting shares issuable upon conversion, exercise or exchange thereof, until, in each case of (i) through (iii) above, (a) a registration statement covering such Registrable Securities has been declared effective by the SEC and such Registrable Securities have been disposed of pursuant to such effective registration statement, (b) such Registrable Securities are or are eligible to be sold under circumstances in which all of the applicable conditions of Rule 144 (or any similar provisions then in force) under the Securities Act are met or (c) such Registrable Securities are otherwise Transferred to a Person other than a Permitted Transferee or a Designated Holder.

“Registration Expenses” means all reasonable fees and expenses, other than all underwriting discounts and selling commissions applicable to the sale of Registrable Securities and any fees charged by the depository bank, incurred in connection with registrations, filings or qualifications pursuant to this Agreement, including all registration, filing and qualification fees (including “blue sky” fees and expenses), printers’ and accounting fees (including the expense of delivering a “cold comfort” letter or any special audits incidental to or required by any such registration, but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company), fees and disbursements of counsel for the Company and underwriters, fees and disbursements of one counsel for the holders of



Registrable Securities and “roadshow” expenses if the underwriters advise that a “roadshow” is advisable to complete the proposed sale of Registrable Securities.

“Regulatory Compliance Material Breach” means a material breach by the Company of certain obligations as separately agreed between the Company and SVF.

“Related Party” of any Group Company (the “Subject Person”) means (a) any shareholder of the Subject Person or its Subsidiaries, the ultimate beneficial controller of such shareholder and any of the Affiliates of such ultimate beneficial controller, (b) any director of the Subject Person or its Subsidiaries, (c) any Key Person, (d) any officer of the Subject Person or its Subsidiaries, (e) any Immediate Family Member of any foregoing Person in (a), (b), (c) or (d), or (f) any Person in which any foregoing Person in (a), (b), (c), (d) or (e) exercises Control or significant influence, including through voting, position or ownership.

“Related Party Transaction” means any Contract or transaction (including the provision of any loan or advance, payment of any fees or remuneration (other than compensation for services rendered in the ordinary course of the Group’s Business, e.g., salary, and not exceeding US\$2,500,000 (or its equivalent in any other currency) for each payee per fiscal year) or grant of any guarantee to secure Indebtedness (as such term is defined in the Share Purchase Agreement)) to be entered into by a Group Company, with, in favor of, or for the benefit of any Related Party.

“Remaining Restructuring Steps” shall have the meaning given to it in the Share Purchase Agreement.

“Restricted Country” means any country or region the government or nationals of which SVF or any other Person subject to the jurisdiction of the United States is or becomes prohibited from dealing with under comprehensive sanctions or embargo programs administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control or by any other U.S. Governmental Authorities (including, but without limitation, Cuba, Iran, North Korea, Syria, and the Crimea region of Ukraine).

“Restructuring” means the shareholding, corporate structure and assets restructuring of certain Affiliates of the Company and related transactions consummated in accordance with the Restructuring Memorandum and the Restructuring Framework Agreement.

“Restructuring Documents” shall have the meaning given to it in the Share Purchase Agreement.

“Restructuring Framework Agreement” means the Restructuring Framework Agreement (“重组框架协议”), dated December 5, 2018, by and among the Company, Beijing Lianjia, Beijing Yiju, Tianjin Xiaowu, shareholders of Beijing Lianjia, Beijing Yiju and Tianjin Xiaowu and other parties thereto.

“Restructuring Memorandum” means the Restructuring Memorandum attached to the 2018 Prior Agreement as Annex E.

“RMB” means Renminbi (人民币), the legal currency of the PRC.

“Rule 144” means Rule 144 (or any successor provisions) under the Securities Act.

“Sanctioned Person” means any individual or entity that is the subject or target of sanctions, prohibitions or restrictions under Sanctions Laws, including: (i) any individual or entity listed on any applicable U.S. or non-U.S. sanctions-related restricted party list, including, without limitation, the U.S. Office of Foreign Asset Control’s (“OFAC”) Specially Designated Nationals and Blocked Persons List and the EU consolidated list of persons, groups and entities subject to EU financial sanctions, (ii) any entity that is, in the aggregate, fifty percent (50%) or greater owned, directly or indirectly, or otherwise controlled by a Person or Persons described in clause (i), or (iii) any national of a Restricted Country.

“Sanctions Laws” means all U.S. and non-U.S. laws relating to economic or trade sanctions, including, without limitation, the laws administered or enforced by the United Kingdom, the United States (including by OFAC or the U.S. Department of State), the United Nations Security Council, and the European Union.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereof.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Series B Original Issue Date” with respect to Series B Preferred Shares held by any certain Shareholder, means the date set forth against its name (or the name of its permitted assignee) in the column entitled “Original Issue Date” in Part A of Schedule IX.

“Series B Original Issue Price” with respect to Series B Preferred Shares held by any certain Shareholder, means the price set forth against its name (or the name of its permitted assignee) in the column entitled “Original Issue Price” in Part A of Schedule IX, as appropriately adjusted for any share dividend, share split, combination of shares, reorganization, recapitalization, reclassification or other similar event affecting the Series B Preferred Shares.

“Series B Preferred Shares” means the series B preferred shares, par value of \$0.0001 per share, of the Company.

“Series C Original Issue Date” with respect to Series C Preferred Shares held by any certain Shareholder, means the date set forth against its name (or the name of its permitted assignee) in the column entitled “Original Issue Date” in Part B of Schedule IX.

“Series C Original Issue Price” with respect to Series C Preferred Shares held by any certain Shareholder, means the price set forth against its name (or the name of its permitted assignee) in the column entitled “Original Issue Price” in Part B of Schedule IX, as appropriately adjusted for any share dividend, share split, combination of shares, reorganization, recapitalization, reclassification or other similar event affecting the Series C Preferred Shares.

“Series C Preferred Shares” means the series C preferred shares, par value of \$0.0001 per share, of the Company.

“Series D Original Issue Date” with respect to Series D Preferred Shares held by any certain Shareholder, means the date set forth against its name (or the name of its permitted assignee) in the column entitled “Original Issue Date” in Part C of Schedule IX.

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“Series D Original Issue Price” means US\$19, as appropriately adjusted for any share dividend, share split, combination of shares, reorganization, recapitalization, reclassification or other similar event affecting the Series D Preferred Shares.

“Series D Preferred Shares” means the series D preferred shares, par value of \$0.0001 per share, of the Company.

“Series D+ Original Issue Date” with respect to Series D+ Preferred Shares held by any certain Shareholder, means the date set forth against its name (or the name of its permitted assignee) in the column entitled “Original Issue Date” in Part D of Schedule IX.

“Series D+ Original Issue Price” means US\$22.80, as appropriately adjusted for any share dividend, share split, combination of shares, reorganization, recapitalization, reclassification or other similar event affecting the Series D+ Preferred Shares.

“Series D+ Preferred Shares” means the series D+ preferred shares, par value of \$0.0001 per share, of the Company.

“Share” means the shares of the Company.

“Shareholder” means any shareholder of the Company as recorded on the Company’s register of members.

“Significant Group Company” means each Person listed on Schedule IV and any of other current and future Subsidiaries and consolidated affiliate entities of the Company whose revenue for the prior fiscal year exceeds RMB500,000,000 or that is otherwise material to the Group.

“Subject Financing Round” means an equity financing round conducted by the Company after the date hereof.

“Subsidiary” means, with respect to any Person, any other Person that is Controlled directly or indirectly by such Person.

“Sunac” means Shining Wish Investment Limited and its successors and assigns as permitted pursuant to Section 10.01.

“SVF” means SVF II Shell Subco (Singapore) Pte. Ltd. and its successors and assigns as permitted pursuant to Section 10.01.

“SVF Priority Preemptive Right Issuance Round” means a Subject Financing Round (the “Relevant Subject Financing Round”) which fulfils either of the following conditions: (i) the gross fundraising amount of which, together with the gross fundraising amounts of all Subject Financing Rounds, if any, conducted and consummated by the Company prior to the date on which the Relevant Subject Financing Round is proposed, would be less than US\$500,000,000; or (ii) the gross fundraising amount of which, together with the gross fundraising amounts of all Subject Financing Rounds, if any, conducted and consummated by the Company after the date hereof and prior to the date on which the Relevant Subject Financing Round is proposed, would be equal to or exceed US\$500,000,000, it being agreed, however, that a Relevant Subject Financing Round shall not constitute an SVF Priority Preemptive Right Issuance Round if the gross fundraising amounts of all Subject Financing Rounds conducted and consummated by the Company prior to the date on which the Relevant

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Subject Financing Round is proposed were equal to or exceeded US\$500,000,000. By way of illustration, if the Company conducts four Subject Financing Rounds and raises US\$200,000,000 in each Subject Financing Round, each of the first three Subject Financing Rounds is a SVF Priority Preemptive Right Issuance Round, and the fourth Subject Financing Round is not a SVF Priority Preemptive Right Issuance Round because the gross fundraising amounts of the first three Subject Financing Rounds were equal to or exceeded US\$500,000,000.

“Tax” shall have the meaning given to it in the Share Purchase Agreement.

“Tencent” means Tencent Mobility, Parallel Galaxy, Parallel Stellar and Morespark collectively, each a “Tencent Entity”.

“Tencent Mobility” means Tencent Mobility Limited and its successors and assigns as permitted pursuant to Section 10.01.

“Tencent Restricted Person” means each Person listed on Schedule VII.

“Tencent Series D+ Share Purchase Agreement” means the Series D+ Share Purchase Agreement, dated November 25, 2019, by and between the Company, the Founder, Tencent Mobility, Parallel Stellar and certain other parties thereto.

“Transaction Documents” means each of this Agreement, the Share Purchase Agreement, the Additional Share Purchase Agreements, Memorandum and Articles, the Restructuring Documents, the Control Documents, the Director Indemnification Agreement, and each of the other agreements, instruments and documents entered into or otherwise delivered in connection with the transactions contemplated by any of the foregoing.

“Transfer” means, with respect to any Equity Securities of any Person, (i) when used as a verb, to sell, assign, dispose of, exchange, pledge, encumber, hypothecate or otherwise transfer such Equity Securities or any participation or interest therein, whether directly or indirectly (including pursuant to a derivative transaction), or to agree or commit to do any of the foregoing, and, (ii) when used as a noun, a direct or indirect sale, assignment, disposition, exchange, pledge, encumbrance, hypothecation or other transfer of such Equity Securities or any participation or interest therein or any agreement or commitment to do any of the foregoing.

“US\$” or “\$” means the lawful currency of the United States of America.

“U.S.” means the United States of America.

“Vanke” means Golden Shell (BVI) Company Limited, and its successors and assigns as permitted pursuant to Section 10.01.

“Ziroom Group Company” means each of Ziroom Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands, and its current and future wholly owned Subsidiaries, and the “Ziroom Group” refers to all the Ziroom Group Companies collectively.

(b) Each of the following terms is defined in the Section set forth opposite such term:

| Term                                 | Section          |
|--------------------------------------|------------------|
| 2018 Prior Agreement                 | Recitals         |
| Acquiring Preferred Holder           | 4.03             |
| Additional Number                    | 5.03(c)          |
| Additional Share Purchase Agreements | Recitals         |
| Agreement                            | Preamble         |
| Board Observer                       | 2.06(a)          |
| Company                              | Preamble         |
| Company Option Period                | 4.01(b)          |
| Company Side Process Agent           | 10.17(a)         |
| Confidential Information             | 9.01(b)          |
| Deed of Adherence                    | 3.02             |
| Deemed Liquidation Event             | 8.02             |
| Dispute Notice                       | 9.14(b)          |
| Dispute Resolution Period            | 9.14(b)          |
| Excess Shares                        | 4.03             |
| Exercising Rightholder               | 4.01(e)          |
| FATCA                                | 9.13(a)          |
| First Participation Notice           | 5.03(b)          |
| First Participation Period           | 5.03(b)          |
| Founder                              | Preamble         |
| Founder Directors                    | 2.01(a)(i)       |
| HKIAC                                | 10.09            |
| Initial Redemption Notice            | 7.02(a)          |
| Initial Redemption Notice Date       | 7.02(a)          |
| Initial Redemption Requesting Holder | 7.02(a)          |
| Investor Directors                   | 2.01(a)(ii)      |
| Key Group Company                    | Preamble         |
| New Securities                       | 5.02             |
| Non-Compliance Cure Period           | 9.14(a)          |
| Offered Securities                   | 4.01(a)          |
| Overallotment Option Period          | 4.01(e)          |
| Oversubscription Participants        | 5.03(c)          |
| Participation Rights Holder          | 5.01             |
| Parties                              | Preamble         |
| Party                                | Preamble         |
| Permitted Class B Holders            | 2.13(a)          |
| Preemptive Right                     | 5.01             |
| Preferred Co-Sale Rightholder        | 4.02(a)          |
| Preferred Option Period              | 4.01(d)          |
| Preferred Redemption Price           | 7.01             |
| Preferred Rightholder                | 4.01(a)          |
| Prior Agreement                      | Recitals         |
| Pro Rata Share                       | 5.03(b), 4.01(d) |
| Redemption Date                      | 7.02(a)          |
| Redemption Shares                    | 7.02(a)          |
| Replacement Nominee                  | 2.03(a)          |
| Representatives                      | 9.01(b)(i)       |
| Rules                                | 10.09            |
| Second Notice                        | 4.01(e)          |
| Second Participation Notice          | 5.03(c)          |

|                                  |          |
|----------------------------------|----------|
| Second Participation Period      | 5.03(c)  |
| Series B Liquidation Preference  | 8.01(d)  |
| Series C Liquidation Preference  | 8.01(c)  |
| Series D Liquidation Preference  | 8.01(b)  |
| Series D+ Liquidation Preference | 8.01(a)  |
| Share Purchase Agreement         | Recitals |
| Subsidiary Board                 | 2.05     |
| SVF Director                     | 2.01(b)  |
| SVF Non-Compliance Notice        | 9.14(a)  |
| SVF Participation Notice         | 5.03(a)  |
| SVF Put Completion Date          | 9.14(c)  |
| SVF Put Price                    | 9.14(a)  |
| SVF Put Shares                   | 9.14(a)  |
| Tencent Director                 | 2.01(b)  |
| Tencent Option Period            | 4.01(c)  |
| Trade Sale                       | 8.02(i)  |
| Transfer Notice                  | 4.01(a)  |
| Transferor                       | 4.01(a)  |

Section 1.02 Interpretation. The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The captions of sections and sub-sections herein are included for convenience of reference only and shall be disregarded in the construction or interpretation hereof. References to Articles, Sections, Exhibits, Schedules and Annexes are to Articles, Sections, Exhibits, Schedules and Annexes of this Agreement unless otherwise specified. All Exhibits, Schedules and Annexes attached hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the word “include”, “includes” or “including” are used in this Agreement, it shall be deemed to be followed by the words “without limitation”. “Writing”, “written” and comparable terms refer to printing, typing and other means of reproducing words (including email or other electronic media) in a visible form. The expression “signed” and comparable terms include signature transmitted via email or other electronic media. References to any agreement or Contract are to that agreement or Contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof; provided that, with respect to any agreement or Contract listed on any schedules hereto, all such amendments, modifications or supplements must also be listed in the appropriate schedule. References to any law include all rules and regulations promulgated thereunder. References to any Person include the successors and permitted assigns of that Person. A Person is a “wholly owned Subsidiary” of another Person if it has no shareholders other than such other Person and such other Person’s wholly owned Subsidiaries, or if it is Controlled by such other Person via variable interest entity arrangements so that its financial results are entirely consolidated with the financial results of such other Person. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. In calculations of share numbers or percentages, (i) references to “fully diluted and as-converted basis” mean that the calculation is to be made assuming that all outstanding options, warrants and other Equity Securities convertible into or exercisable or exchangeable for Ordinary Shares (whether or not by their terms then currently

convertible, exercisable or exchangeable) have been so converted, exercised or exchanged, and (ii) references to an “as-converted basis” mean that the calculation is to be made assuming that all Preferred Shares in issue have been converted into Ordinary Shares. Any share calculation shall be appropriately adjusted to take into account any share split, share consolidation, recapitalization, bonus issue, reclassification or similar event. Notwithstanding anything to the contrary, for the purposes of this Agreement, (i) any Transfer of any Equity Securities of, any issuance or redemption of Equity Securities by or any change in share capital in a limited partner of any fund that, directly or indirectly, wholly owns Parallel Galaxy, Parallel Stellar or SVF (as the case may be) or the addition or removal of any limited partner of such fund shall not be deemed to be a Transfer of any Shares or otherwise subject to any restriction set forth in Article III and Article IV, and (ii) any direct or indirect mortgage, charge, pledge or otherwise permitting any encumbrance over any Equity Securities in Parallel Galaxy, Parallel Stellar or SVF (as the case may be) or any limited partnership interests in any fund that, directly or indirectly, wholly owns Parallel Galaxy, Parallel Stellar or SVF (as the case may be) shall not be deemed to be any direct or indirect mortgage, charge, pledge or otherwise permitting any encumbrance over any interests in the Shares; in each case of (i) and (ii) above, so long as no Company Restricted Person is a party to the relevant transaction.

## ARTICLE II

### CORPORATE GOVERNANCE

#### Section 2.01 Composition of the Board.

(a) The Board shall consist of up to fourteen (14) Directors, consisting of (i) eight (8) Directors designated by the Founder Holding Company (the “Founder Directors”), and (ii) six (6) Directors designated in accordance with Section 2.01(b) (the “Investor Directors”). The Founder shall be entitled to designate one of the Founder Directors as the Chairman of the Board.

(b) The Investor Directors shall consist of (i) one (1) Director designated by SVF (the “SVF Director”); provided that SVF shall cease to have such designation right if the number of Shares held by SVF is less than fifty percent (50%) of the number of Shares held by SVF immediately after the Closing, (ii) one (1) Director designated by Tencent (the “Tencent Director”); provided that Tencent shall cease to have such designation right if the number of Shares held by Tencent is less than fifty percent (50%) of the number of Shares held by Tencent immediately after the Closing, (iii) one (1) Director designated by Sunac; provided that Sunac shall cease to have such designation right if the number of Shares held by Sunac is less than fifty percent (50%) of the number of Shares held by Sunac immediately after the Closing; (iv) one (1) Director designated by Vanke; provided that Vanke shall cease to have such designation right if the number of Shares held by Vanke is less than fifty percent (50%) of the number of Shares held by Vanke immediately after the Closing; (v) one (1) Director designated by Hillhouse; provided that Hillhouse shall cease to have such designation right if the number of Shares held by Hillhouse is less than fifty percent (50%) of the number of Shares held by Hillhouse immediately after the Closing; and (vi) one (1) Director designated by Huaxing; provided that Huaxing shall cease to have such designation right if the number of Shares held by Huaxing is less than fifty percent (50%) of the number of Shares held by Huaxing immediately after the Closing.

(c) Each Shareholder agrees that, if at any time it is then entitled to vote for the appointment of the Directors, it shall vote all of its Company Securities or execute proxies

or written resolutions or consents, as the case may be, and take all other necessary actions (including causing the Company to call an extraordinary general meeting of shareholders) in order to ensure that the composition of the Board is as set forth in this Section 2.01.

(d) Each Director may appoint an Alternate Director from time to time to act during his absence, and such Alternate Director shall be entitled, while holding such office, to receive notices of meetings of the Board or any committee thereof (if the Director who has appointed the Alternate Director is a member of such committee), and attend and vote as a Director at any such meeting at which the appointing Director is not present and generally to exercise all the powers, rights, duties and authorities and to perform all functions of the appointing Director.

(e) To the extent permitted by Applicable Law, in the event that (i) a compensation committee of the Board is established by the Board and (ii) the SVF Director serves on the Board at any time following the establishment of the compensation committee, SVF shall be entitled to designate the SVF Director to that compensation committee; provided, that nothing in this Section 2.01(e) shall obligate the Board to establish a compensation committee.

(f) Notwithstanding anything to the contrary in this Agreement, any right to designate any Director or any Board Observer is individual to the applicable Shareholder and shall not be capable of being transferred or assigned to any Person other than its Permitted Transferee, whether in conjunction with a Transfer of Company Securities or otherwise.

**Section 2.02 Removal.** Each Shareholder agrees that, if at any time it is then entitled to vote for the removal of any Director from the Board, it shall not vote any of its Company Securities or execute proxies or written resolutions or consents, as the case may be, in favor of the removal of any Director who shall have been designated pursuant to Section 2.01 or Section 2.03, unless the Person or Persons entitled to designate or nominate or appoint such Director pursuant to Section 2.01 or Section 2.03 shall have consented to such removal in writing; provided that, if the Person or Persons entitled to appoint any Director pursuant to Section 2.01 or Section 2.03 shall request in writing the removal, with or without cause, of such Director, each Shareholder shall vote all of its Company Securities or execute proxies or written resolutions or consents, as the case may be, in favor of such removal.

**Section 2.03 Vacancies.** If, as a result of death, disability, retirement, resignation, removal (with or without cause) or otherwise, there shall exist or occur any vacancy on the Board:

(a) the Person or Persons entitled under Section 2.01 to designate such Director whose death, disability, retirement, resignation or removal resulted in such vacancy, subject to the provisions of Section 2.01, shall have the exclusive right to designate another individual (the "Replacement Nominee") to fill such vacancy and serve as a Director; and

(b) subject to Section 2.01, each Shareholder agrees that if it is then entitled to vote for the appointment of the Directors, it shall vote all of its Company Securities, or execute proxies or written resolutions or consents, as the case may be, in order to ensure that the Replacement Nominee be appointed to the Board.

**Section 2.04 Director Limitation of Liability and Indemnification.** The Memorandum and Articles shall provide for indemnification of, and advancement of expenses

for, each Director for acts on behalf of the Company to the maximum extent permitted by Applicable Law. At the written request of any Director with whom the Company has not entered into an indemnification agreement (or any Person or Persons that appointed such Director), the Company shall promptly enter into an indemnification agreement with such Director in substantially the same form as the Director Indemnification Agreement.

Section 2.05 Subsidiary Board. If requested by the Majority Preferred Holders, the Significant Group Companies shall have, and the Company and the Founder Parties shall cause each Significant Group Company to have, a board of directors or similar governing body (the “Subsidiary Board”), the authorized size of which at all times be the same size as the Board, and each Preferred Holder shall be entitled to (but shall not be obliged to) nominate and appoint the same number of member(s) to each Subsidiary Board as provided by Section 2.01 above.

Section 2.06 Board Observers.

(a) For so long as Baidu holds not less than fifty percent (50%) of the number of Shares held by it immediately upon the Closing, Baidu may, by written notice to the Company, appoint or replace one (1) person as a Board observer. For so long as New Hope holds not less than fifty percent (50%) of the number of Shares held by it immediately upon the Closing, New Hope may, by written notice to the Company, appoint or replace one (1) person as a Board observer. SVF may, by written notice to the Company, appoint or replace one (1) person as a Board observer if and for so long as SVF is entitled to designate an SVF Director pursuant to Section 2.01(b) but chooses not to designate an SVF Director to the Board; provided, that nothing in this sentence shall entitle SVF to appoint a Board observer if an SVF Director serves on the Board. The Chairman of the Board, in his sole discretion, shall be entitled to grant a Preferred Holder the right to appoint a Board observer in addition to the Board observer referred to in the preceding sentences. Each of the Board observers appointed in accordance with this Section 2.06(a) is referred to as a “Board Observer”. No Board Observer shall have any voting rights, nor shall any Board Observer be counted towards a quorum.

(b) The Company shall send to each Board Observer the notice of the time and place of each meeting of the Board and the Board documentation provided to the Directors in the same manner and at the same time as it shall send such notice and documentation to the Directors. Upon the request of the Company, each Board Observer shall execute a confidentiality undertaking.

Section 2.07 Directors’ Access. Each Director shall be entitled to examine the books, accounts and records of any Group Company and shall have free access, at all times, to any and all properties, facilities, personnel and advisors of any Group Company for the purpose of discharging his or her fiduciary duties. The Company shall provide such information relating to the business affairs and financial position of any Group Company as any Director may reasonably request for the purpose of discharging his or her fiduciary duties.

Section 2.08 [Reserved].

Section 2.09 Action by the Board.

(a) A quorum of the Board and the applicable Subsidiary Board shall consist of a majority of the Directors (including at least two (2) Investor Directors) then in office. If notice of the board meeting has been duly delivered to all directors of the Board or the

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applicable Subsidiary Board prior to the scheduled meeting, or if such notice is duly waived, in each case in accordance with the notice procedure under the charter documents of the applicable Group Company, and the quorum of the Board or the applicable Subsidiary Board is not present within one (1) hour of the time appointed for a meeting due to the absence of any Investor Director, the meeting shall be adjourned to the same place and time three (3) Business Days after the original date set for such meeting; provided that written notice of the adjourned meeting shall be given to all directors of the Board or the applicable Subsidiary Board at least one (1) Business Day before such meeting. If a quorum of the Board or the applicable Subsidiary Board is not present within one (1) hour of the time appointed for such adjourned meeting due to the absence of any Investor Director, the presence of a majority of the Directors, regardless of the presence or absence of any Investor Director, shall constitute a quorum.

(b) Subject to Section 2.10 and Section 2.11, all actions of the Board and each Subsidiary Board shall require the affirmative vote of a majority of the Directors (or the directors of such Subsidiary Board, as the case may be) present at a duly convened meeting of the Board or such Subsidiary Board at which a quorum is present. By way of example, if twelve (12) Directors (or directors of such Subsidiary Board, as the case may be) are present at a duly convened meeting of the Board or such Subsidiary Board at which a quorum is present, actions of the Board or such Subsidiary Board shall require the affirmative vote of at least seven (7) Directors (or directors of such Subsidiary Board, as the case may be) present, regardless of whether the other Directors voted against the action or abstained. Each Director (or directors of such Subsidiary Board, as the case may be) shall have one (1) vote. Nothing in this Section 2.09(b) shall be construed to require that any Subsidiary Board must consist of more than one (1) person. Notwithstanding anything herein to the contrary, any action that may be taken by the Directors at a meeting may be taken by a written resolution signed by all of the Directors.

(c) A Board meeting may be held either in a physical location or telephonically. If held in a physical location, the Board meeting shall be held in a location as may be agreed by a majority of the Directors then in office (including at least two (2) Investor Directors) that takes into account the potential Tax consequences to the Company (taking into account the residency of the Directors), and any Director that is not able to attend the meeting physically shall be entitled to participate by telephone conference or other communications equipment by means of which all the Directors participating in the meeting can communicate with each other at the same time.

Section 2.10 Board Reserved Matters. The Company and the Key Group Companies shall not, and the Company, the Key Group Companies and the Founder Parties shall procure each Group Company not to, take, permit to occur, approve, authorize, or agree or commit to do any action (including any action by the Board or any committee thereof) with respect to any of the following matters, whether in a single transaction or a series of related transactions, directly or indirectly, whether by amendment, merger, amalgamation, consolidation or otherwise, without the affirmative vote at a duly convened meeting of the Board by, or written consent by, (a) at least half of the Investor Directors then in office and (b) at least half of the Founder Directors then in office; provided, that any transaction for the purposes of the Restructuring that is expressly contemplated in the Restructuring Memorandum or the Restructuring Framework Agreement shall not require such affirmative vote or consent in accordance with this Section 2.10:

(i) any change of auditors of any Group Company;

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(ii) any change of accounting policies applicable to any Group Company, except for any change mandated by official changes in accounting rules or application guidance that is mandated by Applicable Laws to be adopted, or any change required by the applicable stock exchange in connection with a Qualified IPO;

(iii) any acquisition, investment, or a series of related acquisitions or investments, the consideration of which exceeds the greater of (A) RMB500,000,000 and (B) fifty percent (50%) of the operating net cash flow of the Company for the prior fiscal year;

(iv) except as otherwise provided in Section 2.10(iii), any capital commitment or expenditure in a single transaction or transactions within any consecutive twelve (12) months in the aggregate, the consideration of which exceeds the lower of (A) RMB500,000,000 and (B) five percent (5%) of the net assets of the Company for the prior fiscal year;

(v) except as otherwise provided in this Agreement, any Transfer, disposal of, or creation of any encumbrance on, any Equity Securities of any Group Company (other than the Company) or any asset of any Group Company, in a single transaction or transactions within any consecutive twelve (12) months in the aggregate, involving a value of the lower of (A) RMB1,000,000,000 and (B) five percent (5%) of the net assets of the Company for the prior fiscal year;

(vi) creation, incurrence or authorization of the creation of any debt on behalf of any Group Company, in a single transaction or transactions within any consecutive twelve (12) months in the aggregate, with a principal amount in excess of the lower of (A) RMB500,000,000 and (B) five percent (5%) of the net assets of the Company for the prior fiscal year;

(vii) any guarantee provided to any Person other than a wholly owned Group Company, except (A) any guarantee provided for the benefit of any Ziroom Group Company or any Asset Management Group Company, in the ordinary course of business of the Ziroom Group or the Asset Management Group (as applicable); provided that the aggregate guaranteed amount to all Ziroom Group Companies and Asset Management Group Companies at any given time shall not exceed thirty percent (30%) of the net assets of the Group for the prior fiscal year, and (B) any guarantee provided solely for the conduct of the Finance Business in the ordinary course of business and on arm's length terms;

(viii) any amendment to or termination of or waiver under any of the Control Documents or any provisions thereunder;

(ix) the establishment of any joint venture, partnership or non-wholly owned Subsidiary excluding any establishment of a new joint venture in the ordinary course of business and on arm's length terms with any bona fide third party, but not excluding any conversion of a wholly owned Group Company into any joint venture;

(x) any disposal of (including any sale, assignment or transfer of, or grant of any exclusive license under, exclusive option, right of first refusal, or right of first offer to acquire or license, or any other prohibition on any Group Company from using or permitting third parties to use ) any Intellectual Property owned by any Group Company that is material to the Group, other than intra-group transfers to any wholly owned Subsidiaries of the Company; or

(xi) enter into any Related Party Transaction, other than (A) intra-group Contracts or transactions with or among wholly owned Subsidiaries of the Company, or with or among non-wholly owned Subsidiaries that is in the ordinary course of business and on arm's length terms, (B) any Related Party Transaction or a series of Related Party Transactions in the ordinary course of business and on arm's length terms with a value not exceeding US\$1,500,000 within the same fiscal year in the aggregate, (C) any Contract or transaction in connection with the establishment or implementation of trusts in relation to any duly approved ESOP or any grant thereunder or exercise thereof, or any loans provided to the officers in connection with any grant under or exercise of ESOP in accordance with the terms of a duly approved ESOP plan, (D) Contracts or transactions contemplated under the Business Cooperation Agreement, (E) any Contract or transaction with any Ziroom Group Company or any Asset Management Group Company in the ordinary course of business, on arm's length terms and priced at fair market value, (F) any guarantee as described in, and subject to the limitations contained in, Section 2.10(vii)(A), and (G) any Contract or transaction between any Group Company on the one hand and a Preferred Holder or its Affiliate(s) that is a real estate developer on the other hand pursuant to which the Group Company provides firsthand real estate sales or brokerage services to that real estate developer, if that Contract or transaction is in the ordinary course of business, on arm's length terms and priced at fair market value.

Section 2.11 Shareholder Reserved Matters. The Company and the Key Group Companies shall not, and the Company, the Key Group Companies and the Founder Parties shall procure each Group Company not to, take, permit to occur, approve, authorize, or agree or commit to do any action (including any action by the Board or any committee thereof) with respect to any of the following matters, whether in a single transaction or in a series of related transactions, directly or indirectly, whether by amendment, merger, amalgamation, consolidation or otherwise, without approval or written consent from (a) Ordinary Holders representing more than fifty percent (50%) of the voting power of all of the Ordinary Shares of the Company voting as a single class and (b) the Majority Preferred Holders; provided that, any transaction for the purposes of the Restructuring that is expressly contemplated in the Restructuring Memorandum or the Restructuring Framework Agreement shall not require approval or consent in accordance with this Section 2.11; provided further that where any such action requires the approval of a special resolution under the Companies Law and if the relevant approval or written consent has not been obtained from the Ordinary Holders representing more than fifty percent (50%) of the voting power of all of the Ordinary Shares of the Company voting as a single class and the Majority Preferred Holders, then all the Shareholders voting against such resolution shall have the voting rights equal to the aggregate power of all the Shareholders voting in favor of such resolution plus one:

(i) any Public Offering other than a Qualified IPO;

(ii) any issuance or authorization of issuance of any securities (including Equity Securities and bond instruments) by the Company except (A) securities issued or authorized to be issued since the Closing Date that do not exceed in the aggregate ten percent (10%) of the total issued and outstanding securities of the Company on an as-converted and fully diluted basis immediately after the Closing Date, for an effective issue price per Ordinary Share (on an as-converted basis) not less than the Series D+ Original Issue Price (for the avoidance of doubt, any issuance separately approved as a reserved matter in accordance with this Section 2.11(ii)) shall not be counted toward this ten percent (10%) limit), and (B) in addition to and not exclusive with the ten percent (10%) limit referred to in Section 2.11(ii)(A) above, Ordinary Shares issued or authorized to be issued since the Closing Date in connection

with any acquisition transaction in the ordinary course of business that do not exceed in the aggregate three percent (3%) of the total issued and outstanding securities of the Company on an as-converted and fully diluted basis immediately after the Closing date, for an effective issue price per Ordinary Share not less than the Series D+ Original Issue Price;

(iii) any issuance or authorization of issuance of any securities (including Equity Securities and bond instruments) by any Group Company other than the Company that is not solely to implement a transaction that has been separately approved as or expressly exempted from being a reserved matter pursuant to Section 2.10(ix);

(iv) any amendment, modification or waiver of any provision of any charter document of the Company or any Significant Group Company that is not solely to implement a transaction that has been separately approved as or expressly exempted from being a reserved matter pursuant to Section 2.10(ix) or Section 2.11(ii), (iii), (vi) or (vii);

(v) any adoption of, material amendment to or termination of any ESOP, or any increase to the total number of Equity Securities issuable pursuant to the 2018 ESOP, other than the adoption of the 2018 ESOP, any amendment of the 2018 ESOP that does not have the effect of increasing the total number of Equity Securities issuable pursuant thereto, termination of the 2018 ESOP, and any issuance of grants pursuant to the 2018 ESOP;

(vi) repurchase, redemption, share subdivision, share combination, share split, recapitalization, reclassification or similar event in respect of any Equity Securities of any Group Company or otherwise make any changes to its capital structure other than as expressly contemplated in this Agreement or the Memorandum and Articles, or reclassification solely to implement a transaction that has been separately approved as or expressly exempted from being a reserved matter pursuant to Section 2.11(vii);

(vii) any merger, amalgamation or consolidation of the Company or any Significant Group Company with or into any Person, or any other corporate reorganization of the Company or any Significant Group Company;

(viii) any pledge of Equity Securities of any Group Company by the Founder Parties to any Person, other than any pledge of Equity Securities of any Group Company in compliance with Section 3.03(ii);

(ix) any disposal of any asset of any Group Company established in the PRC to a third party prior to the completion of the Restructuring other than any such transaction expressly contemplated by the Restructuring Memorandum or the Restructuring Framework Agreement;

(x) any disposal of all or substantially all assets or the Business of the Group to a third party;

(xi) any action that would result in the Company ceasing to be an exempted company with limited liability;

(xii) any material change of the scope or nature of the Business, or cessation of any business line of the Group;

(xiii) the liquidation, dissolution, winding up or commencement of bankruptcy or similar proceedings of the Company or any Significant Group Company;

(xiv) any declaration or payment of a dividend on Equity Securities by any Group Company established in the PRC prior to the completion of the Restructuring other than any such transaction expressly contemplated by the Restructuring Memorandum or the Restructuring Framework Agreement; or

(xv) any declaration or payment of a dividend on Equity Securities with a total amount exceeding fifteen percent (15%) of gross profits of the Company for the prior fiscal year other than any declaration or payment of a dividend on Equity Securities for the purposes of payment of (A) any Preferred Redemption Price in accordance with Article VII, or (B) the SVF Put Price in accordance with Section 9.14.

Section 2.12 Tencent Reserved Matters. For so long as Tencent holds at least fifty percent (50%) of the Series D Preferred Shares held by it immediately after the Closing and at least four point four percent (4.4%) of the issued and outstanding Company Securities on a fully diluted and as-converted basis, the prior written consent of Tencent shall be required for any of the following transactions:

(a) any new issuance of Equity Securities by any Group Company to any Tencent Restricted Person; or

(b) any transaction or series of related transactions, whether by merger, consolidation, amalgamation, sale or issuance of equity, scheme of arrangement or otherwise, pursuant to or as a result of which (i) a Tencent Restricted Person directly or indirectly acquires voting securities or voting power of any Group Company representing a majority of the voting securities or voting power of such Group Company immediately following such transaction(s), (ii) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Group Companies is made to a Tencent Restricted Person, or (iii) an exclusive licensing or sale of all or substantially all Intellectual Property owned by the Group to a Tencent Restricted Person.

For the avoidance of doubt, without prejudice to the rights of any Shareholder specifically provided in this Agreement, none of the foregoing restrictions shall restrict the Company's freedom to engage in good-faith business cooperation with any Tencent Restricted Person not involving a Trade Sale or an issuance or sale of the shares of any Group Company.

Section 2.13 Dual-Class Shareholder Voting.

(a) The Parties acknowledge that the authorized Ordinary Shares consist of two classes: (i) Class A Ordinary Shares, which shares shall carry one (1) vote per share, and (ii) Class B Ordinary Shares, which shares shall carry ten (10) votes per share. The Class B Ordinary Shares shall only be held by the Founder, his wholly owned holding entities, or any trust or other entity established for bona fide estate planning purposes for the benefit of or on behalf of him or his Immediate Family Member (together, the "Permitted Class B Holders").

(b) Upon a Transfer of any Class B Ordinary Shares by a Permitted Class B Holder to any Person (other than to any other Permitted Class B Holder), such Class B Ordinary Shares shall automatically and immediately be converted into an equal number of Class A Ordinary Shares. If the Founder ceases to be an employee of any Group Company, the Class B Ordinary Shares beneficially owned by him and each Permitted Class B Holder, if any, shall

automatically and immediately be converted into an equal number of Class A Ordinary Shares. Under no circumstances shall any Preferred Shares other than Preferred Shares that may be owned by the Founder or any Permitted Class B Holder be convertible into the Class B Ordinary Shares.

(c) Upon consummation of a Qualified IPO, all Preferred Shares shall automatically convert into Class A Ordinary Shares in accordance with the Memorandum and Articles. For the avoidance of doubt, nothing in this Agreement or any other Transaction Document requires the conversion of Class B Ordinary Shares into Class A Ordinary Shares upon consummation of a Qualified IPO.

Section 2.14 Chief Executive Officer. The Founder shall be entitled to designate the CEO, and the Company and all Shareholders shall cause the Founder (or a person as may be designated by the Founder in writing), who shall have the requisite qualifications for such position to represent the interest of the Company and not cause any material adverse effect on any Group Company, to be appointed as the CEO. If a CEO commits a criminal offence which may materially adversely affect the Qualified IPO of the Group or result in any material damage to the reputation or Business of the Group, or willfully and repeatedly disregards the written instructions of the Board in a manner that materially adversely affects the Group, then the Founder shall be obliged to remove the CEO and appoint a replacing CEO; provided, that if the Founder himself is the CEO, he shall not be subject to removal from the CEO position.

Section 2.15 Termination. The provisions of this Article II, other than Section 2.13, shall terminate immediately after the consummation of a Qualified IPO.

### ARTICLE III

#### GENERAL PROVISIONS ON TRANSFER

Section 3.01 General Restrictions on Transfer. Each Shareholder agrees that it shall not Transfer any Company Securities (or solicit any offer in respect of any Transfer of any Company Securities), except in compliance with all Applicable Laws and the terms and conditions of this Agreement. Any attempt to Transfer any Company Securities not in compliance with this Agreement shall be null and void, and the Company shall not, and shall cause any transfer agent not to, give any effect in the Company's share register or equivalent documents to such attempted Transfer.

Section 3.02 Permitted Transfer. Subject to Sections 2.12, 3.04 and 3.05, (a) any Shareholder may Transfer any or all of its Company Securities (i) to one or more Permitted Transferees or, solely with respect to Parallel Galaxy, Parallel Stellar or SVF (as the case may be), notwithstanding anything to the contrary in Section 3.06, to any and all of the limited partners of the fund that, directly or indirectly, wholly owns Parallel Galaxy, Parallel Stellar or SVF (as the case may be), in proportion to the interest each such limited partner has in such fund upon the expiration of the investment period and in anticipation of winding up of such fund as part of the liquidation distribution process, without the consent of the Board or any other Shareholder and without compliance with Section 4.01, (ii) to the Company pursuant to any repurchase right or right of first refusal held by the Company pursuant to any duly approved ESOP (including the Company's right to repurchase Shares granted under any duly approved ESOP in the event of termination of employment under terms and conditions as provided in such ESOP), without the consent of the Board or any other Shareholder and without compliance with Section 4.01, (iii) to one or more Persons that are not Permitted Transferees, subject to

compliance with Section 4.01, or (iv) to one or more Persons that are not Permitted Transferees, pursuant to the Company's redemption or repurchase obligations in accordance with Section 7.06, and (b) in addition, subject to Section 3.03 and Article IV, the Founder Parties may Transfer any or all of their Company Securities to one or more Persons that are not Permitted Transferees of the Founder Holding Company; provided that, in each case, such Person shall have executed and delivered a deed of adherence (the "Deed of Adherence") in the form attached as Annex C, agreeing to comply with and be bound by the terms of this Agreement as if it were the transferring Shareholder. For the avoidance of doubt, subject to Section 2.11(viii), no Shareholder shall pledge, mortgage, charge or otherwise create any encumbrance over any Company Securities held by it (other than an encumbrance over Company Securities as security in favor of any financial institution as a lender that is not a Tencent Restricted Person as part of a bona fide commercial bank lending transaction where such financial institution has agreed in writing with the Company that it will not sell the Company Securities to any third party without first granting to the Company a right of first refusal to purchase such Company Securities) without prior written consent of the Company and the Founder Parties shall not pledge any Equity Securities of any Group Company to any Tencent Restricted Person.

Section 3.03 Restrictions on Founder Transfer. Subject to Section 2.11(viii), the Founder Parties shall not, without the prior written consent of the Majority Preferred Holders, Transfer any Equity Securities of any Group Company to any Person and shall not, without the prior written consent of Tencent, Transfer any Equity Securities of any Group Company to any Tencent Restricted Person, except for (i) any Transfer to any Permitted Transferee of the Founder Holding Company, (ii) any Transfer that constitutes no more than five percent (5%) of the Company Securities on a fully diluted and as-converted basis as of the Closing Date in the aggregate to any Person that is not a Tencent Restricted Person, or (iii) any Transfer that constitutes no more than five percent (5%) of the Company Securities on a fully diluted and as-converted basis as of the Closing Date in the aggregate to any Person that is not a Tencent Restricted Person and the proceeds of which is injected within ninety (90) days of such Transfer into, and used to offset any operational loss incurred by, a Founder-invested business (i.e., the business conducted by the Ziroom Group and the business conducted by the Asset Management Group). For the avoidance of doubt, any Transfer by any Founder Party may, as applicable, be counted toward either but not both of the five percent (5%) limit referred to in Section 3.03(ii), above and the five percent (5%) limit referred to in Section 3.03(iii) above. Notwithstanding anything to the contrary in this Agreement, any Transfer in accordance with any of sub-sections (i) through (iii) above shall not be subject to compliance with Sections 4.01 or 4.02.

Section 3.04 Restrictions on Transfer to Company Restricted Persons. Notwithstanding anything to the contrary in this Agreement, no Shareholder shall, without the prior written consent of the Founder, Transfer any Company Securities to any Company Restricted Person.

Section 3.05 Restrictions on Transfer of Ordinary Shares. Notwithstanding anything to the contrary in this Agreement but subject to Section 3.03, no holder of the Ordinary Shares (other than Ordinary Shares converted from the Preferred Shares) shall, prior to the earlier of the completion of the Qualified IPO or January 1, 2023 and without the prior written consent of the Founder, Transfer any Ordinary Shares to any Person.

Section 3.06 No Avoidance. Subject to the provisions set out in the last sentence of Section 1.02, the Parties agree that (a) the Transfer restrictions in this Agreement and in the Memorandum and Articles shall not be capable of being avoided by the holding of

shares through one or more entities in which interests may be transferred free of such restrictions, and (b) any Transfer of Equity Securities of a Shareholder or Ordinary Shareholder Controlling Person, and any issuance of Equity Securities of a Shareholder or Ordinary Shareholder Controlling Person other than on a pro rata basis to shareholders of such Shareholder or Ordinary Shareholder Controlling Person (as the case may be), shall be deemed to be a Transfer of a pro rata portion of the Equity Securities of the Company directly or indirectly held by such Shareholder or Ordinary Shareholder Controlling Person (as the case may be).

Section 3.07      Termination. The provisions of this Article III shall terminate immediately after the consummation of a Qualified IPO.

## ARTICLE IV

### RIGHT OF FIRST REFUSAL; CO-SALE RIGHTS

Section 4.01      Right of First Refusal.

(a)      Subject to Article III, if any Ordinary Holder or Preferred Holder (a “Transferor”) proposes to Transfer any Company Securities to one or more Persons, the Transferor shall give the Company, the Founder and each Preferred Holder (each Preferred Holder, a “Preferred Rightholder”), a written notice of the Transferor’s intention to effect the Transfer (the “Transfer Notice”), which shall include a description of such Company Securities to be transferred (the “Offered Securities”), the identity and address of the prospective transferee and the consideration and other material terms upon which the proposed Transfer is to be effected.

(b)      The Company and the Founder shall have an option for a period of twenty (20) Business Days following receipt of the Transfer Notice (the “Company Option Period”) to elect to purchase, together or alone, all or any portion of the Offered Securities at the same price and subject to the same terms and conditions as described in the Transfer Notice, by notifying the Transferor in writing before expiration of the Company Option Period as to the number of such Offered Securities that it intends to purchase.

(c)      If and only if the prospective transferee is a Tencent Restricted Person and any such Offered Securities have not been purchased by the Company or the Founder pursuant to Section 4.01(b), Tencent shall, after the Company Option Period and prior to the Preferred Option Period, have an option for a period of twenty (20) Business Days upon expiration of the Company Option Period (the “Tencent Option Period”) to elect to purchase all or any portion of the remaining Offered Securities at the same price and subject to the same terms and conditions as described in the Transfer Notice, by notifying the Transferor and the Company in writing before expiration of the Tencent Option Period as to the number of the remaining Offered Securities that it intends to purchase.

(d)      In the event that the Offered Securities are not Preferred Shares and any such Offered Securities have not been purchased by the Company or the Founder pursuant to Section 4.01(b) or, if applicable, by Tencent pursuant to Section 4.01(c), each Preferred Rightholder shall have an option for a period of twenty (20) Business Days upon expiration of the Company Option Period (in case that the prospective transferee is not a Tencent Restricted Person) or the Tencent Option Period (in case that the prospective transferee is a Tencent Restricted Person) (the “Preferred Option Period”) to elect to purchase all or any portion of its

respective Pro Rata Share of the remaining Offered Securities at the same price and subject to the same terms and conditions as described in the Transfer Notice, by notifying the Transferor and the Company in writing before expiration of the Preferred Option Period as to the number of such Offered Securities that it intends to purchase. For the purpose of this Section 4.01, the “Pro Rata Share” of a Preferred Rightholder of the applicable Offered Securities shall be equal to (i) the total number of such remaining Offered Securities, multiplied by (ii) a fraction, the numerator of which shall be the aggregate number of Ordinary Shares held by such Preferred Rightholder on the date of the Transfer Notice (including all Preferred Shares held by such Preferred Rightholder on an as-converted basis) and the denominator of which shall be the total number of Ordinary Shares held by all Preferred Rightholders on such date (including all Preferred Shares held by such Preferred Rightholders on an as-converted basis).

(e) If any Preferred Rightholder fails to exercise its right to purchase its full Pro Rata Share of the applicable Offered Securities in accordance with Section 4.01(d), the Transferor shall deliver written notice hereof (the “Second Notice”), within five (5) days after the expiration of the Preferred Option Period, to each Preferred Rightholder that elected to purchase its entire Pro Rata Share of the applicable Offered Securities (the “Exercising Rightholder”). Subject to Section 4.03, each Exercising Rightholder shall have a right of overallotment that entitles it to exercise an additional right to purchase such unpurchased Offered Securities by notifying the Transferor and the Company in writing within twenty (20) days after receipt of the Second Notice (the “Overallotment Option Period”); provided, however, that if the Exercising Rightholders desire to purchase in the aggregate more than the number of such unpurchased Offered Securities, then such unpurchased Offered Securities will be allocated to the extent necessary among the Exercising Rightholders in accordance with their relative Pro Rata Shares (or as otherwise agreed in writing among the Exercising Rightholders).

(f) If the Company, the Founder, Tencent or any Preferred Rightholder (as the case may be) gives the Transferor and/or the Company (as the case may be) written notice pursuant to Sections 4.01(b), (c), (d) or (e) (as the case may be), that it desires to purchase Offered Securities, and, as the case may be, any overallotment thereof, then payment for the Offered Securities to be purchased shall be made by wire transfer in immediately available funds of the appropriate currency, against transfer of such Offered Securities to be purchased and, in case of a transfer to Tencent or a Preferred Rightholder, an executed instrument of transfer, at a place agreed by the Transferor, the Company, Tencent or the exercising Preferred Rightholder (as the case may be) and at the time of the scheduled closing therefor, but if they cannot agree, then at the principal executive offices of the Company on the twentieth (20th) Business Day after expiration of the Company Option Period (in case of any purchase by the Company or the Founder), the Tencent Option Period (in case of any purchase by Tencent), or the Preferred Option Period or the Overallotment Option Period (as the case may be) (in case of any purchase by any Preferred Rightholder).

(g) Notwithstanding anything to the contrary in this Agreement, the Company itself shall under no circumstances be deemed to be an Ordinary Holder or a Preferred Holder for purposes of this Section 4.01 and Section 4.02.

#### Section 4.02 Co-Sale Rights.

(a) In the event of any proposed Transfer of Ordinary Shares where any Founder Party is the Transferor, to the extent that any Preferred Rightholder that is entitled to exercise but does not exercise its right of first refusal as to any Offered Securities proposed to



be sold by the Transferor to the prospective transferee identified in the Transfer Notice, such Preferred Rightholder (the “Preferred Co-Sale Rightholder”) shall have the right to participate in such sale, to the prospective transferee identified in the Transfer Notice on the same terms and conditions as specified in the Transfer Notice by notifying the Transferor in writing within twenty (20) Business Days upon the expiration of the Preferred Option Period or the Overallotment Option Period (as the case may be); provided that no Preferred Co-Sale Rightholder shall be obligated in connection with such Transfer (i) to pay any amount with respect to any liabilities arising from the representations and warranties made by it in excess of its share of the total consideration paid by the prospective transferee, (ii) to make any representations or warranties concerning the Business or assets of the Group or any Group Company, or (iii) enter into any non-competition or non-solicitation covenant or agreement.

(b) The maximum number of Company Securities that each Preferred Co-Sale Rightholder may elect to sell shall be equal to the product of (i) the aggregate number of the Offered Securities subject to the co-sale right herein, multiplied by (ii) a fraction, the numerator of which shall be the number of Ordinary Shares held by such Preferred Co-Sale Rightholder on an as-converted basis as of the date of the Transfer Notice and the denominator of which shall be the total number of Ordinary Shares held by the Transferor and all participating Preferred Co-Sale Rightholders as of the date of the Transfer Notice on an as-converted basis.

(c) Each Preferred Co-Sale Rightholder shall effect its participation in the sale by promptly delivering to the Transferor for Transfer to the prospective transferee, before the applicable closing, one or more share certificates, which represent the type and number of Company Securities that the Preferred Co-Sale Rightholder elects to sell, together with an instrument of transfer in respect of such Company Securities duly executed by or on behalf of such Preferred Co-Sale Rightholder.

(d) The share certificate or certificates that each Preferred Co-Sale Rightholder delivers to the Transferor pursuant to Section 4.02(c) shall be submitted to the Company for cancellation and the Company shall, upon the consummation of the sale of the Company Securities pursuant to the terms and conditions specified in the Transfer Notice, issue a new share certificate to each Preferred Co-Sale Rightholder for the remaining balance. The Company shall update its register of members upon consummation of such Transfer to record the Transfer of such Company Securities from the Preferred Co-Sale Rightholder to the transferee. To the extent one or more Preferred Co-Sale Rightholders exercise such right of co-sale in accordance with the terms and conditions set forth herein, the number of Offered Securities that the Transferor may sell in the Transfer to the third party transferee identified in the Transfer Notice shall be correspondingly reduced.

(e) The Company Securities that the Preferred Co-Sale Rightholder(s) elect to sell by way of participation in such sale, as represented by the share certificate or certificates that each Preferred Co-Sale Rightholder delivers to the Transferor pursuant to Section 4.02(c) shall be transferred to the prospective purchaser in consummation of the sale of the Offered Securities pursuant to the terms and conditions specified in the Transfer Notice, and the Transferor shall concurrently therewith remit, or shall procure the prospective transferee concurrently therewith remit to each such Preferred Co-Sale Rightholder that portion of the sale proceeds to which such Preferred Co-Sale Rightholder is entitled by reason of its participation in such sale.

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(f) To the extent that any prospective purchaser does not agree to the participation by a Preferred Co-Sale Rightholder in a proposed Transfer or otherwise refuses to purchase the Company Securities from a Preferred Co-Sale Rightholder, the Transferor shall not sell to such prospective purchaser any Offered Securities unless and until, simultaneously with such sale, the Transferor shall purchase from such Preferred Co-Sale Rightholder such Company Securities that such Preferred Co-Sale Rightholder would otherwise be entitled to sell to the prospective purchaser pursuant to its co-sale rights under this Section 4.02 for the same consideration and on the same terms and conditions as the proposed transfer described in the Transfer Notice.

(g) The Transferor may consummate the Transfer of any Offered Securities that remain after the exercise of the right of first refusal by the Company, Tencent and the Preferred Rightholders and the co-sale right by the Preferred Co-Sale Rightholders pursuant to Section 4.01 or Section 4.02 to the prospective transferee, no later than one hundred and seventy (170) days (in case the prospective transferee is not a Tencent Restricted Person) or one hundred and forty (140) days (in case the prospective transferee is a Tencent Restricted Person) following delivery to the Company, the Founder and each Preferred Rightholder of the Transfer Notice, which shall be on the terms and conditions no more favorable to the prospective transferee than those described in the Transfer Notice. Any proposed transfer at a lower price or upon non-price terms and conditions that are more favorable to the prospective transferee than those described in the Transfer Notice, as well as any proposed transfer of any Company Securities by the Transferor after such 170-day or 140-day period (as the case may be) following delivery to the Company, the Founder and each Preferred Rightholder of the Transfer Notice, shall again be subject to the right of first refusal by the Company, Tencent and the Preferred Rightholders and the co-sale right by the Preferred Co-Sale Rightholders, as applicable, and shall require compliance by the Transferor with the procedures described in Sections 4.01 and 4.02 of this Agreement.

**Section 4.03 Maximum Shareholding.** If any Preferred Holder or any of its Affiliates (other than SVF and any of its Affiliates) (each such Preferred Holder for purposes of this Section 4.03, an “Acquiring Preferred Holder”) acquires any Preferred Shares from any other Preferred Holder or through the exercise of the right of first refusal pursuant to Section 4.01 (except pursuant to Section 4.01(b) and Section 4.01(c)) or the exercise of the preemptive right pursuant to Article V, in each case as a result of which such Acquiring Preferred Holder, together with its Affiliates, holds more than one-third (1/3) of the then issued and outstanding Preferred Shares, then such Acquiring Preferred Holder and its Affiliates shall not be entitled to vote, with respect to the portion (and only such excess portion) of the Preferred Shares held by it and its Affiliates (if any) that is in excess of one-third (1/3) of the then issued and outstanding Preferred Shares (the “Excess Shares”) and the Excess Shares shall not be included in the number of total issued and outstanding Preferred Shares for the purpose of determining the relevant consent or approval threshold that may be required from the Preferred Holders (or any series or class thereof) or the Shareholders. For the avoidance of doubt, the foregoing shall not, at any time, affect the voting rights of any Preferred Shares held by any such Acquiring Preferred Holder or its Affiliate that is less than or equal to one-third (1/3) of the then total issued and outstanding Preferred Shares. SVF hereby agrees that SVF, together with its Affiliates, shall not hold more than one-third (1/3) of the then issued and outstanding Preferred Shares without the prior written consent of the Company.

**Section 4.04 Termination.** The provisions of this Article IV shall terminate immediately after the consummation of a Qualified IPO.

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## ARTICLE V

### **PREEMPTIVE RIGHTS**

Section 5.01 **General.** Each Shareholder (each, a “Participation Rights Holder”) shall have the right of first refusal to purchase such Participation Rights Holder’s Pro Rata Share of all (or any part) of any New Securities that the Company may from time to time issue after the date of this Agreement (the “Preemptive Right”). Notwithstanding the foregoing, SVF shall have a priority preemptive right in any SVF Priority Preemptive Right Issuance Round in accordance with and subject to Section 5.03(a).

Section 5.02 **New Securities.** “New Securities” means any Preferred Shares, any Ordinary Shares or other Company Securities, whether now authorized or not, and rights, options or warrants to purchase such Preferred Shares, Ordinary Shares, other Company Securities, or securities of any type whatsoever that are, may become, exercisable for, convertible into or exchangeable into for Preferred Shares, Ordinary Shares or other Company Securities; provided, however, that the term “New Securities” shall not include any of the following:

- (a) Ordinary Shares issued upon conversion of the Preferred Shares or another class of Ordinary Shares;
- (b) securities issued as a dividend or distribution on the Preferred Shares;
- (c) Ordinary Shares issuable upon share split, share dividend or any subdivision of Ordinary Shares;
- (d) Ordinary Shares (or options or warrants therefor) issued or issuable to officers, directors, employees and consultants of the Company pursuant to a duly approved ESOP;

(e) Company Securities to be issued under the Share Purchase Agreement, the Additional Share Purchase Agreements, the Restructuring Memorandum or the Restructuring Framework Agreement other than those issued in consideration for or in connection with the reduction of registered capital of Beijing Lianjia or Beijing Yiju in accordance with the Restructuring Framework Agreement;

(f) any securities issued pursuant to the acquisition of or the investment in another entity by the Company by consolidation, merger, purchase of assets, investment or reorganization whereby (A) such acquisition or investment has been duly approved by the Board as a reserved matter pursuant to Section 2.10(iii) and the effective issue price per Ordinary Share thereunder is not less than the Series D+ Original Issue Price, or (B) such securities falls within the exemption contained in Section 2.11(ii)(B); and

- (g) subject to Section 5.05, any securities issued pursuant to a Qualified IPO of the Company.

Section 5.03 **Procedures.**

(a) **SVF Priority Preemptive Right.** In the event that the Company proposes to effect an issuance of New Securities in an SVF Priority Preemptive Right Issuance Round,

the Company shall give to SVF a written notice of its intention to issue New Securities (the “SVF Participation Notice”), describing the amount and type of New Securities, the price and the general terms upon which the Company proposes to issue such New Securities. SVF shall have five (5) Business Days from the date of receipt of the SVF Participation Notice to agree in writing to purchase a portion of such New Securities for the price and upon the terms and conditions specified in the SVF Participation Notice, by giving a written notice to the Company and stating therein the quantity of New Securities to be purchased; provided, that the quantity of New Securities to be purchased by SVF shall not exceed twenty percent (20%) of the total number of New Securities to be issued in that SVF Priority Preemptive Right Issuance Round. If SVF fails to so agree in writing within such five (5) Business Days to purchase a portion of the New Securities pursuant to the foregoing sentence, then SVF shall be deemed to have forfeited its right hereunder to purchase any portion of the New Securities in that SVF Priority Preemptive Right Issuance Round, without prejudice to participating in any future or other offerings of New Securities (including with respect to any subsequent SVF Priority Preemptive Right Issuance Round). Notwithstanding anything to the contrary in this Agreement, SVF shall not be entitled to receive any First Participation Notice or any Second Participation Notice or to purchase New Securities in accordance therewith with respect to a proposed issuance of New Securities in any SVF Priority Preemptive Right Issuance Round.

(b) First Participation Notice. In the event that either (i) the Company proposes to effect an issuance of New Securities and such issuance is not to occur in an SVF Priority Preemptive Right Issuance Round, or (ii) the Company proposes to effect an issuance of New Securities in an SVF Priority Preemptive Right Issuance Round and SVF has elected or forfeited its priority preemptive right set out in Section 5.03(a), the Company shall give to each Participation Rights Holder a written notice of its intention to issue New Securities (the “First Participation Notice”), describing the amount and type of New Securities, the price and the general terms upon which the Company proposes to issue such New Securities. Each Participation Rights Holder shall have fifteen (15) Business Days from the date of receipt of the First Participation Notice (the “First Participation Period”) to agree in writing to purchase such Participation Rights Holder’s Pro Rata Share of such New Securities for the price and upon the terms and conditions specified in the First Participation Notice, by giving a written notice to the Company and stating therein the quantity of New Securities to be purchased (not to exceed such Participation Rights Holder’s Pro Rata Share). If any Participation Rights Holder fails to so agree in writing within such fifteen (15) Business Days to purchase such Participation Rights Holder’s full Pro Rata Share of an offering of New Securities, then such Participation Rights Holder shall be deemed to have forfeited its right hereunder to purchase that portion of its Pro Rata Share of such New Securities that it did not agree to purchase, without prejudice to participating in any future or other offerings of New Securities. “Pro Rata Share” means, (A) in the case of Section 5.03(b) (i) and with respect to a Participation Rights Holder, the ratio of (x) the number of the Ordinary Shares (calculated on a fully diluted and as-converted basis) held by such Participation Rights Holder immediately prior to the issuance of New Securities giving rise to the Preemptive Right, to (y) the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) then held by all Participation Rights Holders immediately prior to the issuance of New Securities giving rise to the Preemptive Right; or (B) in the case of Section 5.03(b)(ii) and with respect to a Participation Rights Holder other than SVF, the ratio of (xx) the number of the Ordinary Shares (calculated on a fully diluted and as-converted basis) held by such Participation Rights Holder immediately prior to the issuance of New Securities giving rise to the Preemptive Right, to (yy) the total number of Ordinary Shares (calculated on a fully diluted and as-converted basis) then held by all Participation

Rights Holders other than SVF immediately prior to the issuance of New Securities giving rise to the Preemptive Right.

(c) Second Participation Notice; Oversubscription. If any Participation Rights Holder fails to exercise in full or forfeits its Preemptive Right in accordance with Section 5.03(b), the Company shall promptly give notice (the “Second Participation Notice”) to each Participation Rights Holder that exercised in full its Preemptive Right (the “Oversubscription Participants”) in accordance with Section 5.03(b), which notice shall set forth the number of New Securities that were not subscribed for by the Participation Rights Holders pursuant to Section 5.03(b) above. Each Oversubscription Participant shall have five (5) Business Days from the date of receipt of the Second Participation Notice (the “Second Participation Period”) to notify the Company in writing of its desire to purchase more than its Pro Rata Share of the New Securities, stating the number of the additional New Securities it proposes to buy (subject to Section 4.03, the “Additional Number”). Such notice may be made by telephone if subsequently confirmed in writing within two (2) days thereafter. If, as a result thereof, such oversubscription exceeds the total number of the remaining New Securities available for subscription, each Oversubscription Participant will be cut back by the Company with respect to its oversubscription to that number of remaining New Securities equal to (1) at least the lesser of (x) the Additional Number and (y) the product obtained by multiplying (i) the number of the remaining New Securities available for subscription by (ii) a fraction, the numerator of which is the number of Ordinary Share (calculated on an as-converted and fully diluted basis) held by such Oversubscription Participant, and the denominator of which is the total number of Ordinary Shares (calculated on an as-converted and fully diluted basis) held by all the Oversubscription Participants, in each case (for both the numerator and the denominator) immediately prior to the issuance of the New Securities and (2) at most its Additional Number. Each Participation Rights Holder shall be obligated to buy such number of New Securities as determined by the Company pursuant to Section 5.03(b) and Section 5.03(c) and the Company shall so notify the Participation Rights Holder within twenty (20) days following the expiration of the First Participation Period (or the Second Participation Period if any Participation Rights Holder fails to exercise in full or forfeits its Preemptive Right in accordance with Section 5.03(b)).

(d) Failure to Exercise. Upon the expiration of the First Participation Period (or the Second Participation Period if any Participation Rights Holder fails to exercise in full or forfeits its Preemptive Right in accordance with Section 5.03(b)), the Company shall have ninety (90) days thereafter to sell the New Securities described in the First Participation Notice with respect to which the Preemptive Right hereunder were not exercised at the same or higher price and upon non-price terms no more favorable to the purchasers thereof than specified in the First Participation Notice. In the event that the Company has not issued and sold such New Securities within such ninety- (90-) day period, then the Company shall not thereafter issue or sell any New Securities without again first offering such New Securities to the Participation Rights Holders pursuant to this Article V.

(e) Notwithstanding anything to the contrary in this Agreement, any preemption right of the Shareholders with respect to the Company Securities issued in consideration for or in connection with the reduction of registered capital of Beijing Lianjia or Beijing Yiju in accordance with Section 5 of the Restructuring Framework Agreement shall be exercised in accordance with the procedure as set forth in Section 4.3.6 of the Restructuring Framework Agreement.

Section 5.04 Termination. The provisions of this Article V shall terminate immediately after the consummation of a Qualified IPO.

Section 5.05 Tencent's and SVF's Right. Notwithstanding anything to the contrary in this Agreement and subject to the requisite approval by the applicable Governmental Authority and stock exchange (which approval the Company will use its commercial reasonable efforts to obtain), each of the Tencent Entities and SVF shall have the right to purchase its respective Pro Rata Share of all (or any part) of any New Securities that the Company issues in any Public Offering.

## ARTICLE VI

### REGISTRATION RIGHTS

Section 6.01 Registration Rights. The Designated Holders shall be entitled to the registration rights with respect to the Registrable Securities held thereby as are set forth in Annex A attached hereto.

## ARTICLE VII

### REDEMPTION RIGHTS

Section 7.01 Redemption Rights of Preferred Holders. Subject to the Companies Law, upon the occurrence of any Redemption Event, the Company shall redeem, at the written request of any Preferred Holder, all or any of the issued and outstanding Preferred Shares held and as elected by such Preferred Holder, out of funds legally available therefor, at the price per share equal to the aggregate of (x) the applicable Original Issue Price and (y) an amount that would give such Preferred Holder a simple non-compounded interest of eight percent (8%) per annum on the applicable Original Issue Price, calculated from the applicable Original Issue Date up until the date of receipt by such Preferred Holder of the full redemption amount thereof (such amount, the "Preferred Redemption Price").

Section 7.02 Redemption Notice.

(a) Any holder of the Preferred Shares (the "Initial Redemption Requesting Holder") that intends to cause the Company to redeem any or all of the Preferred Shares held by it shall deliver a notice of redemption (the "Initial Redemption Notice") to the Company, with a copy to the Significant Group Companies and the Founder Parties on or after the date on which such Preferred Shares become redeemable pursuant to Section 7.01, stating the class and number of Preferred Shares to be redeemed (the Preferred Shares to be redeemed, the "Redemption Shares", the delivery date of the Initial Redemption Notice, the "Initial Redemption Notice Date"). The Company shall, within ten (10) Business Days after the Initial Redemption Notice, give a written notice to the other Preferred Holders, stating the existence of the Initial Redemption Notice and the closing date of the redemption estimated by the Company, which closing date shall be within one hundred and twenty (120) days after the Initial Redemption Notice Date (the actual completion date of the redemption, the "Redemption Date"). Any other Preferred Holder may elect to tag along with the Initial Redemption Requesting Holder and exercise its redemption right by separately giving a redemption notice to the Company stating the class and number of its Redemption Shares within ten (10) Business Days after the receipt of the Company's written notice. The Company shall ensure that all redemptions of the Redemption Shares be carried out in accordance with this Section 7.02, in

any event completed within one hundred and twenty (120) days from the Initial Redemption Notice Date.

(b) Once the Company has received the Initial Redemption Notice, it shall not (and shall not permit any other Group Company to) take any action which would have the effect of delaying, undermining or restricting the redemption of any Redemption Share, and the Company shall in good faith use its best efforts to increase the amount of funds legally available for redemption, including causing any other Group Company to distribute any and all available funds to the Company to ensure that all Redemption Shares would be timely and fully redeemed in accordance with this Section 7.02. Until the date by which all Redemption Shares are redeemed, the Company shall not declare or pay any dividend nor otherwise make any distribution of or otherwise decrease its profits available for distribution.

Section 7.03 Manner and Mechanics of Redemption. Until such time as the applicable Preferred Redemption Price in respect of all the Redemption Shares has been paid in full to the relevant Preferred Holder, such Preferred Holder shall remain entitled to all of the rights, including its voting rights, in respect of all of its Redemption Shares as if they were not redeemed in any part. Upon the Redemption Date, each redeeming Preferred Holder shall surrender to the Company its share certificate or certificates representing such Preferred Shares to be redeemed at the place agreed by the Company and the redeeming Preferred Holder for that purpose, on the date when the applicable Preferred Redemption Price is fully paid to the order of the Preferred Holder whose name appears on the register of members of the Company as the holder of such Preferred Shares, and each share certificate representing such Preferred Shares shall be cancelled. In the event that less than all the Preferred Shares represented by any such share certificate are redeemed, a new share certificate shall be issued representing the unredeemed Preferred Shares.

Section 7.04 Insufficient Funds. Without limiting the generality of Section 7.03, if the funds of the Company legally available for redemption are insufficient to redeem all the Redemption Shares within the one-hundred-and-twenty- (120-) day period from the Initial Redemption Notice Date, those funds of the Company will be paid to redeem all Preferred Shares requested to be redeemed based on their pro rata Preferred Redemption Prices (i.e., the Preferred Redemption Price of each Preferred Share as against the total amount of Preferred Redemption Prices of all Preferred Shares requested to be redeemed). The remaining Redemption Shares to be redeemed shall be redeemed as soon as the Company has legally available funds to do so.

Section 7.05 Obligations of the Key Group Companies and the Founder Parties. In the event that any redeeming Preferred Holder exercises its redemption right pursuant to Section 7.01, the Founder Parties, the Ordinary Shareholder Controlling Persons and the Key Group Companies shall procure the Company to comply with its obligations pursuant to this Article VII and shall be jointly and severally liable with the Company to such redeeming Preferred Holder. Notwithstanding anything to the contrary in this Agreement, the aggregate obligations of the Founder Parties and the aggregate obligations of each Ordinary Shareholder Controlling Person under this Article VII shall not exceed the fair market value of all Equity Securities then held, directly or indirectly, by the Founder Parties (including their Affiliates) or such Ordinary Shareholder Controlling Person (as applicable, including its Affiliates) in the Group Companies; provided that, in the event of any breach or non-fulfillment of any covenant, agreement or obligation to be performed by the Founder Parties or any Ordinary Shareholder Controlling Person pursuant to any Transaction Document, the fair market value of all Equity Securities then held, directly or indirectly, by the Founder Parties

(including their Affiliates) or such Ordinary Shareholder Controlling Person (as applicable, including its Affiliates), shall be determined disregarding the effect of such breach or non-fulfillment.

Section 7.06 Third-Party Share Acquisition. Notwithstanding anything to the contrary in this Article VII, the Company may, at its discretion, fulfill its redemption or repurchase obligations by, in lieu of (i) redeeming the Preferred Shares requested to be redeemed in an Initial Redemption Notice and subsequent redemption notices delivered by other Preferred Holders or (ii) repurchasing the SVF Put Shares, as applicable, procuring one or more third-party purchasers, which shall not be a Tencent Restricted Person, to acquire such Preferred Shares within the applicable time period at the applicable price. For the avoidance of doubt, any acquisition of Preferred Shares effected in accordance with this Section 7.06 shall not be subject to compliance with Sections 4.01 or 4.02.

Section 7.07 Termination. The provisions of this Article VII shall terminate immediately after the consummation of a Qualified IPO.

## ARTICLE VIII

### LIQUIDATION PREFERENCE

Section 8.01 Liquidation Preference. In the event of a 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:

(a) Each holder of Series D+ Preferred Shares shall be entitled to receive for each Series D+ Preferred Share it holds, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series D Preferred Shares, Series C Preferred Shares, Series B Preferred Shares, Ordinary Shares or any other class or series of Shares by reason of their ownership of such Shares, the amount equal to the greater of (x) the aggregate of (i) the Series D+ Original Issue Price, (ii) any dividends declared and unpaid with respect to such Series D+ Preferred Share, and (iii) an amount that would give such holder of Series D+ Preferred Shares a simple non-compounded interest of five percent (5%) per annum on the Series D+ Original Issue Price, calculated from the Series D+ Original Issue Date up until the date of receipt by the holder of the full liquidation preference amount thereof, and (y) the amount such Series D+ Preferred Shares would have received, with respect to each Series D+ Preferred Share, had that Series D+ Preferred Share been converted into Ordinary Shares immediately prior to the consummation of the Liquidation Event (the "Series D+ Liquidation Preference"). If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full Series D+ Liquidation Preference, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series D+ Preferred Shares in proportion to the Series D+ Liquidation Preference to which each such holder is otherwise entitled.

(b) If there are any assets or funds remaining after the aggregate Series D+ Liquidation Preference has been distributed or paid in full to the holders of the Series D+ Preferred Shares pursuant to Section 8.01(a) above, each holder of Series D Preferred Shares shall be entitled to receive for each Series D Preferred Share it holds, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series C Preferred Shares, Series B Preferred Shares, Ordinary Shares or any other class or series of Shares by reason of their ownership of such Shares, the amount equal to the greater of (x) the

aggregate of (i) the Series D Original Issue Price, (ii) any dividends declared and unpaid with respect to such Series D Preferred Share, and (iii) an amount that would give such holder of Series D Preferred Shares a simple non-compounded interest of five percent (5%) per annum on the Series D Original Issue Price, calculated from the Series D Original Issue Date up until the date of receipt by the holder of the full liquidation preference amount thereof, and (y) the amount such Series D Preferred Shares would have received, with respect to each Series D Preferred Share, had that Series D Preferred Share been converted into Ordinary Shares immediately prior to the consummation of the Liquidation Event (the “Series D Liquidation Preference”). If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full Series D Liquidation Preference, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series D Preferred Shares in proportion to the Series D Liquidation Preference to which each such holder is otherwise entitled.

(c) If there are any assets or funds remaining after the aggregate Series D Liquidation Preference has been distributed or paid in full to the holders of the Series D Preferred Shares pursuant to Section 8.01(b) above, each holder of Series C Preferred Shares shall be entitled to receive for each Series C Preferred Share it holds, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series B Preferred Shares, Ordinary Shares or any other class or series of Shares by reason of their ownership of such Shares, the amount equal to the greater of (x) the aggregate of (i) the Series C Original Issue Price, (ii) any dividends declared and unpaid with respect to such Series C Preferred Share, and (iii) an amount that would give such holder of Series C Preferred Shares a simple non-compounded interest of five percent (5%) per annum on the Series C Original Issue Price, calculated from the Series C Original Issue Date up until the date of receipt by the holder of the full liquidation preference amount thereof, and (y) the amount such Series C Preferred Shares would have received, with respect to each Series C Preferred Share, had that Series C Preferred Share been converted into Ordinary Shares immediately prior to the consummation of the Liquidation Event (the “Series C Liquidation Preference”). If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full Series C Liquidation Preference, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series C Preferred Shares in proportion to the Series C Liquidation Preference to which each such holder is otherwise entitled.

(d) If there are any assets or funds remaining after the aggregate Series C Liquidation Preference has been distributed or paid in full to the holders of the Series C Preferred Shares pursuant to Section 8.01(c) above, each holder of Series B Preferred Shares shall be entitled to receive for each Series B Preferred Share it holds, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Ordinary Shares or any other class or series of Shares by reason of their ownership of such Shares, the amount equal to the greater of (x) the aggregate of (i) the Series B Original Issue Price, (ii) any dividends declared and unpaid with respect to such Series B Preferred Share, and (iii) an amount that would give such holder of Series B Preferred Shares a simple non-compounded interest of five percent (5%) per annum on the Series B Original Issue Price, calculated from the Series B Original Issue Date up until the date of receipt by the holder of the full liquidation preference amount thereof, and (y) the amount such Series B Preferred Shares would have received, with respect to each Series B Preferred Share, had that Series B Preferred Share been converted into Ordinary Shares immediately prior to the consummation of the Liquidation Event (the “Series B Liquidation Preference”). If the assets and funds



available for distribution shall be insufficient to permit the payment to such holders of the full Series B Liquidation Preference, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series B Preferred Shares in proportion to the Series B Liquidation Preference to which each such holder is otherwise entitled.

(e) After setting aside or paying in full the Series D+ Liquidation Preference, the Series D Liquidation Preference, the Series C Liquidation Preference and the Series B Liquidation Preference due pursuant to Section 8.01 (a) through (d) above, the remaining assets of the Company available for distribution to the Shareholders, if any, shall be distributed to the holders of the Ordinary Shares on a pro rata basis, based on the number of Ordinary Shares then held by each holder.

Section 8.02 Deemed Liquidation Event. Unless waived in writing by the Majority Preferred Holders, each of the following events shall be treated as a “Deemed Liquidation Event”: (i) any transaction or series of transactions, whether by merger, consolidation, amalgamation, sale or issuance of equity, scheme of arrangement or otherwise, pursuant to or as a result of which (A) the Shareholders of the Company immediately before such transaction own less than fifty percent (50%) of the direct or indirect voting power of the surviving company immediately after such transaction, or (B) a Person (or a group of Affiliated Persons acting in concert) directly or indirectly acquires, or becomes the holder of, voting power of a Group Company (or the acquiring or surviving company, as applicable) representing no less than a majority of the voting power of such Group Company (or the acquiring or surviving company, as applicable) immediately following such transaction(s) (each a “Trade Sale”), (ii) a disposition of all or substantially all of the assets of the Group Companies as a whole, (iii) unless duly approved pursuant to Section 2.10, any termination or amendment of any Control Document for any reason resulting in (A) the Company losing Control over any Domestic Company that is contractually Controlled by the Company under the Control Documents, or (B) the financial results of any Domestic Company that is contractually Controlled by the Company under the Control Documents 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 owned by the Group Companies as a whole. Any actions taken or to be taken for purposes of the Restructuring in accordance with the Restructuring Memorandum or the Restructuring Framework Agreement shall not constitute a Deemed Liquidation Event.

Section 8.03 Non-Cash Distribution. In the event that the Company proposes to distribute assets other than cash in connection with a Liquidation Event, the value of the assets to be distributed to the Shareholders in accordance with Section 8.01 shall be determined in good faith by the Board; provided that any securities not subject to investment letter or similar restrictions on free marketability shall be valued as follows:

(a) If traded on a securities exchange, the value shall be deemed to be the average of the security’s closing prices on such exchange over the thirty- (30-) day period ending one (1) day prior to the distribution;

(b) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the thirty- (30-) day period ending three (3) days prior to the distribution; and

- (c) If there is no active public market, the value shall be the fair market value thereof as determined in good faith by the Board.

The method of valuation of securities subject to restrictions on free marketability shall be adjusted to make an appropriate discount from the market value determined as above in clauses (a), (b) or (c) to reflect the fair market value thereof as determined in good faith by the Board. The Preferred Holders representing more than two-thirds (2/3) of all of the Preferred Shares of the Company voting as a single class (calculated on an as-converted basis) shall have the right to challenge any determination by the Board of fair market value pursuant to this Section 8.03, in which case the determination of fair market value shall be made by an independent appraiser selected jointly by the Board and the challenging parties, the cost of such appraisal to be borne by the Company.

## ARTICLE IX

### ADDITIONAL COVENANTS AND AGREEMENTS

#### Section 9.01 Confidentiality.

(a) Each Party agrees that Confidential Information furnished and to be furnished to it has been and may in the future be made available in connection with the transactions contemplated by this Agreement. Each Party agrees that it shall use, and that it shall cause any Person to whom Confidential Information is disclosed pursuant to clause (i) below to use, the Confidential Information only in connection with its investment in the Company and not for any other purpose. Each Party acknowledges and agrees that it shall not disclose any Confidential Information to any Person, except that Confidential Information may be disclosed (i) to such Party and its Affiliates (and, with respect to SVF, Softbank Group Corp. and SVF's and Softbank Group Corp.'s existing investors (including limited partners and shareholders)) and their respective Representatives, in each case on a need-to-know basis in the normal course of the performance of their duties; provided that such Persons are advised of the confidential nature of such information and are under appropriate nondisclosure obligations similar to and not inconsistent with those set forth herein; (ii) to the extent required by any Applicable Law (including complying with any oral or written questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process to which a Party is subject; provided that, to the extent reasonably and legally possible, such Party agrees to give the Party from whom it received Confidential Information prompt notice of such requests so that the other Party may seek an appropriate protective order or other relief (and such Party shall cooperate with such efforts by the other Party, and shall in any event make only the minimum disclosure required by such Applicable Law)); or (iii) to any Governmental Authority to which any Party or any of its Affiliates is subject; provided that such authority is advised of the confidential nature of such information. Nothing contained herein shall prevent the use (subject, to the extent possible, to a protective order) of Confidential Information in connection with the assertion or defense of any claim by or against the Company or any Shareholder.

(b) “Confidential Information” means any information concerning any Party or the financial condition, business, operations or prospects of such Party, or any such Persons in the possession of, or furnished to any Party (including by virtue of its present or former right to designate a director of the Company); provided that the term “Confidential Information” does not include information that (i) is or becomes generally available to the public other than as a result of a disclosure by a Shareholder or its current or bona fide

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prospective investors, directors, officers, employees, stockholders, members, partners, counsel, advisers or other representatives (all such persons being collectively referred to as “Representatives”) in violation of this Agreement or other Transaction Documents; (ii) was available to such Shareholder on a non-confidential basis prior to its disclosure to such Shareholder or its Representatives by the Company; (iii) becomes available to such Shareholder on a non-confidential basis from a source other than the Company after the disclosure of such information to such Shareholder or its Representatives by the Company, which source is (at the time of receipt of the relevant information) not, to the best of such Shareholder's knowledge, bound by a confidentiality obligation to the Company or another Person; or (iv) is independently developed by such Shareholder without violating any confidentiality agreement with, or other obligation of secrecy to, the Company.

(c) Except as required by Applicable Law, by any Governmental Authority (including any relevant stock exchange on which the shares in a Party or any of its parent companies are listed), no press release or public announcement that references any Party shall be made concerning this Agreement, any other Transaction Document or the transactions contemplated hereby or thereby without such Party's prior written consent.

(d) Use of Brands and Marks of Tencent. Notwithstanding anything to the contrary in this Agreement, without the prior written consent of Tencent, and whether or not Tencent or any of its Affiliates are then a shareholder of any Group Company, the Company and each other Party shall not, and shall cause its Affiliates not to, use in advertising, publicity, announcements, or otherwise the name of “Tencent”, “腾讯”, “QQ”, “Wechat”, “微信” or that of any Affiliate of Tencent, either alone or in combination thereof, including “微信”, “wechat”, “RTX”, “腾讯企业邮EXMAIL.QQ.COM”, “微信朋友圈”, “微信电视”, “Tencent腾讯”, “QQ”, “imqq.com”, “QQ秀/QQSHOW”, “WWW.QQ.COM”, “QQmusic/QQ音乐”, “QQ空间”, “tencent image”, “小Q”, “QQ彩贝/彩贝联盟”, “小Q书桌”, “微云/腾讯微云”, “QQ会员”, “爱马哥”, “QQShowSHOW.QQ.COM”, “Q影”, “腾讯印象”, “同步助手”, “腾讯云”, “应用宝”, “财付通”, “QQ电脑管家”, “腾讯手机管家”, “安全管家”, “酷抠族COOL”, “路宝/腾讯路宝”, “QQ浏览器”, “微众”, “腾讯游戏/腾讯互动娱乐Tencent Interactive Entertainment”, “洛克王国Roco Kingdom”, “斗战神ASURA”, “QQ炫舞”, “QQ西游QQXY.QQ.COM”, “QQ飞车”, “英雄杀YXS.QQ.COM”, “AI战士AL.QQ.COM”, “功夫西游”, “逆战NZ.QQ.COM”, “QQ游戏QQGAME.QQ.COM”, “Q游记”, “功夫企鹅”, “Q游记17Q.QQ.COM”, “腾讯原创动漫AC.QQ.COM”, “趣西游”, “众神争霸”, “天天酷跑”, “天天爱消除”, “天天连萌”, “全民三国”, “天天飞车”, “腾讯文学Tencent Literature”, “腾讯网”, “FUN秀”, “小拇指”, “腾讯微漫画”, “碰星球PUNG”, “翻秀”, “腾讯儿童DIY微漫画”, “潮童范儿”, “广点通”, “微彩票518.qq.com”, “QQ彩票888.QQ.COM”, “腾讯微公益基金”, “新年新衣”, “筑梦新农村”, “米大师”, “铜关Tongguan”, “益行家”, “王者荣耀”, “腾讯地图”, “天天快报”, “TIM”, “FOXMAIL”, “自选股”, “疾风之刃”, “JOOX”, “VOOV”, “理财通”, “Ipick”, any associated logos of the above brands, or any company name, trade name, trademark, service mark, domain name, device, design, symbol or any abbreviation, contraction or simulation thereof owned or used by Tencent or any of its Affiliates; or represent, directly or indirectly, that any product or services provided by any Party or any of their respective Affiliates have been approved or endorsed by Tencent or any of its Affiliates.

(e) Use of Brands and Marks of SVF. Notwithstanding anything to the contrary in this Agreement, without the prior written consent of SVF, and whether or not SVF or any of its Affiliates are then a shareholder of any Group Company, the Company and each

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other Party shall not, and shall cause its Affiliates not to, use in advertising, publicity, announcements, or otherwise, the name of “SoftBank”, the “Vision Fund” or that of any Affiliate of SVF, either alone or in combination thereof, any associated logos of the above brands, or any company name, trade name, trademark, service mark, domain name, device, design, symbol or any abbreviation, contraction or simulation thereof owned or used by SVF or any of its Affiliates; or represent, directly or indirectly, that any product or services provided by any Party or any of their respective Affiliates have been approved or endorsed by SVF or any of its Affiliates.

(f) Notwithstanding the restrictions set forth in Section 9.01(d) and Section 9.01(e), nothing in this Agreement is intended to prohibit any Party from using any company name, trade name, trademark, service mark, domain name, device, design, symbol or any abbreviation, contraction or simulation thereof, to the extent that such use does not constitute an infringement or other violation thereof under Applicable Law.

Section 9.02 Ordinary Shareholder Controlling Persons Non-Compete. Each of the Ordinary Shareholder Controlling Persons undertakes that it shall not, and shall procure that none of its Affiliates shall, without the approval of all of the Preferred Holders, (a) commencing from the date of this Agreement until twelve (12) months after such Ordinary Shareholder Controlling Person and its Affiliates cease to hold directly or indirectly any Equity Securities in any Group Company and any position in any Group Company, form, carry out, engage in, provide assistance to or directly or indirectly own any pecuniary interest in any business similar to or competitive with the Business or other business engaged by any Group Company from time to time, (b) take steps for purposes of enticing away or soliciting customers, suppliers or employees from any Group Company, or (c) engage in any action that disparages any Group Company or that is adverse to the reputation of any Group Company; provided that nothing in this Section 9.02 shall prohibit any of the Ordinary Shareholder Controlling Person or their respective Affiliates (including each of the management, directors and employees of such Affiliates) from (i) acquiring or holding Equity Securities of any publicly traded entity so long as such Person’s ownership represents less than one percent (1%) of such entity’s Equity Securities on a fully diluted basis as reported by such entity as of the end of its preceding fiscal year; or (ii) engaging in investment activities or holding equity interest in certain entities as set forth in Annex B. Each and every obligation under this Section 9.02 shall be treated as a separate obligation and shall be severally enforceable as such. In the event of any obligation being or becoming unenforceable in whole or in part, such part which is unenforceable shall be deemed deleted from such provision and any such deletion shall not affect the enforceability of the remainder parts of such provision. The Parties agree that having regard to all the circumstances, the restrictive covenants contained in this Section 9.02 are reasonable and necessary for the protection of the Company and other Parties, and further agree that having regard to those circumstances those covenants are not excessive or unduly onerous upon the Ordinary Shareholder Controlling Persons.

Section 9.03 Preferred Holders Non-Compete.

(a) Each Preferred Holder (other than Tencent and SVF) undertakes that for so long as such Preferred Holder or any of its Affiliates owns any Shares, such Preferred Holder shall not, and such Preferred Holder shall procure that none of its Related Entities will, without the prior written consent of the Founder and the approval of the Board, directly or indirectly (a) form, carry out, engage in or provide financial support to any business in competition with the Business, or (b) own or through any other means (including derivatives) acquire any equity or other pecuniary interests in, make any loan to or for the benefit of, or otherwise provide

financial support to any Company Restricted Person; provided that nothing in this Section 9.03 shall prohibit any Preferred Holder or its Affiliates from (i) acquiring or holding Equity Securities of any Company Restricted Person that is publicly traded so long as such Person's ownership represents less than five percent (5%) of such Company Restricted Person's Equity Securities on a fully diluted basis as reported by such Company Restricted Person as of the end of its preceding fiscal year; so long as none of such Preferred Holder and its Affiliates (x) is or is entitled to appoint any director to such Company Restricted Person or (y) has influence or control over such Company Restricted Person, or (ii) maintaining (and, for the avoidance of doubt, not increasing) its existing investments that have been made prior to the date of the Share Purchase Agreement and are disclosed to the Company (which disclosure shall be in writing and specifically refer to this Section 9.03(a)(ii)).

(b) For the purpose of this Section 9.03, "Related Entities" of a Preferred Holder means, (i) with respect to such Preferred Holder that is a private equity fund or a special purpose vehicle owned by private equity fund(s), the general partner of the Preferred Holder, or the general partner(s) of the private equity fund(s) that owns the Preferred Holder, or any private equity fund that is Controlled by such general partner(s), or (ii) with respect to such Preferred Holder that is neither a private equity fund nor a special purpose vehicle owned by private equity fund(s), any Person that is an Affiliate of such Preferred Holder.

(c) Each and every obligation under this Section 9.03 shall be treated as a separate obligation and shall be severally enforceable as such. In the event of any obligation being or becoming unenforceable in whole or in part, such part which is unenforceable shall be deemed deleted from such provision and any such deletion shall not affect the enforceability of the remainder parts of such provision. The Parties agree that having regard to all the circumstances, the restrictive covenants contained in this Section 9.03 are reasonable and necessary for the protection of the Company and other Parties, and further agree that having regard to those circumstances those covenants are not excessive or unduly onerous upon the Preferred Holders.

(d) Without limiting any other remedy at law or in equity to which the Company is or may be entitled, if any Preferred Holder (other than Tencent and SVF) or its Related Entity commits a breach of Section 9.03, such Preferred Holder and its Affiliates shall automatically forfeit any and all voting rights or consent or veto rights, whether by law or by Contract, and, as applicable, the right to appoint a director and to appoint a Board observer under Section 2.01, inspection rights under Section 9.04 and information rights under Section 9.05.

**Section 9.04** Inspection Rights. The Company covenants and agrees that, for so long as any Preferred Holder holds at least three percent (3%) of the then issued and outstanding Company Securities on a fully diluted and as-converted basis, such Shareholder, or authorized representative of such Shareholder, shall have the right to, at its own costs, (i) access and inspect the facilities, records and books of each Group Company during regular working hours upon reasonable prior notice to the Company or such Group Company, as applicable and (ii) discuss the Business, operations and conditions of any Group Company with its officers and senior management; provided that such access, inspection and discussion shall not affect the ordinary operation of such Group Company and that the Preferred Holder shall keep information obtained through such access, inspection and discussion confidential pursuant to Section 9.01(a); provided further that none of the Group Companies shall be obligated to provide access to any information that the Board or the CEO reasonably and in good faith

determines to be a trade secret of the Group, or the disclosure of which would adversely affect the attorney-client privilege between any Group Company and its counsel.

Section 9.05 Information Rights. The Company agrees to furnish to each Preferred Holder, for so long as it holds at least three percent (3%) of the then issued and outstanding Company Securities on a fully diluted and as-converted basis:

(a) audited annual consolidated financial statements of the Company (and, if the financial statements of any Domestic Companies are not consolidated into the financial statements of the Company pending the completion of the Restructuring, the audited annual consolidated financial statements of such Domestic Companies), within one hundred and fifty (150) days after the end of each fiscal year; and

(b) unaudited quarterly consolidated financial statements (and, if the financial statements of any Domestic Companies are not consolidated into the financial statements of the Company pending the completion of the Restructuring, the unaudited quarterly consolidated financial statements of such Domestic Companies), within forty-five (45) days of the end of each fiscal quarter.

Section 9.06 Restructuring. The Company, the Significant Group Companies and the Founder Parties shall procure the timely completion of the Remaining Restructuring Steps. The Shareholders shall provide reasonable assistance and cooperation as may be requested by the Company in respect of the Remaining Restructuring Steps.

Section 9.07 2018 ESOP. The Parties agree that any issuance of grants pursuant to the 2018 ESOP shall be within the sole discretion of the Founder while any amendment of the 2018 ESOP having the effect of increasing the total number of Equity Securities issuable pursuant to the 2018 ESOP is subject to the approval by the Shareholders pursuant to Section 2.11.

Section 9.08 Qualified IPO.

(a) The Company, the Key Group Companies and the Founder Parties shall use their best efforts to cause the Group to implement a Qualified IPO by December 28, 2023. Notwithstanding the generality of the foregoing, in the event that the conduct of any competing business by any Related Person of any Group Company would have a material adverse effect on the consummation of a Qualified IPO, the Company, the Key Group Companies and the Founder Parties shall and shall procure the Group Companies to take all necessary measures to eliminate the impact of such competing business on the Group's suitability for listing, including using their best efforts to (i) obtain a noncompetition undertaking from such Related Person, (ii) acquire from such Related Person all or a portion of such competing business at fair market value, and (iii) procure the entry into of other adequate arrangements to manage conflicts of interest and delineation of the businesses between the Company and such Related Person.

(b) To the extent required by the applicable listing rules (or the governing body of any stock exchange on which a Qualified IPO is conducted), immediately upon the consummation of a Qualified IPO, Article II (other than Section 2.10 and Section 2.11) shall terminate and be of no further force and effect.

Section 9.09 Obligations of the Parties. The Company and the Key Group Companies shall procure that each Group Company acts in a manner consistent with the terms

of this Agreement and the Memorandum and Articles. The Founder Parties shall procure the due performance by the Company of its obligations under this Agreement and the Memorandum and Articles; provided that the Founder Parties shall not be liable for, and each Shareholder irrevocably waives any right to assert, any monetary damages of any kind whatsoever, for any failure to procure the due performance by the Company of its obligations under this Agreement and the Memorandum and Articles other than the Company's non-compliance with Section 2.10, Section 2.11 or Article VII; provided further that in the event of any such non-compliance with Section 2.10, Section 2.11 or Article VII, the aggregate obligations of the Founder Parties under this Agreement shall not exceed the fair market value of all Equity Securities then held, directly or indirectly, by the Founder Parties and their Affiliates in the Group Companies and in the event of any breach or non-fulfillment of any covenant, agreement or obligation to be performed by any Founder Party, the fair market value of all Equity Securities then held, directly or indirectly, by the Founder Parties and their Affiliates, shall be determined disregarding the effect of such breach or non-fulfillment. Each Party agrees that it shall and shall procure its Affiliate, to the extent such Party and/or its Affiliate is a party to any Control Document, to act in good faith and in compliance with such Control Document to which it is a party.

Section 9.10      No Conflicting Agreements. Each of the Company and the Shareholders represents and agrees that it shall not (a) grant any proxy or enter into or agree to be bound by any voting trust or agreement with respect to the Company Securities, except as expressly contemplated by this Agreement, (b) enter into any agreement or arrangement of any kind with any Person with respect to any Company Securities inconsistent with the provisions of this Agreement or for the purpose or with the effect of denying or reducing the rights of any other Shareholder under this Agreement, including agreements or arrangements with respect to the Transfer or voting of its Company Securities, or (c) act, for any reason, as a member of a group or in concert with any other Person in connection with the Transfer or voting of its Company Securities in any manner that is inconsistent with the provisions of this Agreement. Any proxy, voting trust or agreement or other arrangement granted to or entered into in breach of the foregoing sentence shall be void.

Section 9.11      Deed of Adherence. Notwithstanding any other provision of this Agreement, no Shares shall be allotted and issued to any Person who is not already a party to this Agreement unless such Person has agreed in writing to be bound by the terms and conditions of this Agreement by way of executing and delivering a Deed of Adherence substantially in the form of Annex C prior to or upon the allotment and issuance of Shares to such Person.

Section 9.12      Compliance.

(a)            The Company shall not, and shall cause each of its Affiliates not to, and shall use its reasonable best efforts to cause its Associated Persons, non-controlled Subsidiaries and joint ventures not to: (i) directly or indirectly offer, promise, give or authorize any payment of anything of value to any person in order to obtain an undue business advantage, or otherwise in violation of any of the Applicable ABAC Laws, (ii) engage in any sales or transact any other business with or for the benefit of any Sanctioned Person in violation of Sanctions Laws, and (iii) otherwise violate applicable Applicable AML Laws.

(b)            The Company and its Affiliates shall implement and maintain the Compliance Program.

(c) The Company and its Affiliates will maintain systems of internal controls reasonably adequate to prevent a violation of, and as may be required by, Applicable ABAC Laws.

(d) The Company and its Affiliates shall use their reasonable best efforts not to violate any Applicable Discrimination Laws or Applicable Harassment Laws, which may include adopting a program of workplace policies and training and vesting responsibility for these efforts in one or more suitably qualified and resourced individuals.

(e) The Company shall promptly notify SVF in writing of receipt or discovery of any allegation, report, or evidence (which in each case appears credible following a reasonable preliminary investigation or similar inquiry) related to any actual, suspected, or alleged material violation of Applicable ABAC Laws, Sanctions Laws, Applicable AML Laws, Applicable Discrimination Laws or Applicable Harassment Laws by the Company, its Affiliates, or any of their respective Associated Persons.

(f) The Company's officer responsible for overseeing the Compliance Program or his/her designee shall provide written updates to all members of the Board no less frequently than once per year and, if requested by SVF, additionally inform and consult with SVF on a semi-annual basis, regarding (i) the status of the Group's internal controls and Compliance Program, and (ii) any alleged material violations of Applicable ABAC Laws, Applicable AML Laws, and Sanctions Laws (including but not limited to whistleblower complaints and internal incident reports received relating to the same), the actions taken to investigate each such alleged material violation, the findings of such investigations, and any remedial or disciplinary measures taken in response.

(g) Upon written request by SVF, the Company shall confirm in writing once each year that it has complied with the undertakings in this Section 9.12.

Section 9.13 Tax Matters.

(a) Each Shareholder covenants and agrees to provide promptly, at any times requested by the Company, any information (or certification or verification thereof) the Company reasonably determines is necessary to comply with any requirements imposed under applicable Tax laws (including under FATCA). The information required to be provided by the preceding sentence may include, without limitation, an Internal Revenue Service Form W-8 or W-9. "FATCA" shall mean (i) Sections 1471 through 1474 of the Code and any Treasury Regulations, forms, instructions or other guidance issued pursuant thereto, any similar legislation, regulations or guidance enacted in any jurisdiction which seeks to implement similar Tax reporting and/or withholding Tax regimes, and any similar future law, regulations or guidance promulgated by any Governmental Authority of the U.S. and (ii) any current or future intergovernmental agreement, treaty, regulation, guidance or any other agreement entered into in order to comply with, facilitate, supplement or implement the legislation, regulations or guidance described in sub-section (i).

(b) The Company (and any successor thereof) shall, at all times, be treated as a corporation for U.S. federal income tax purposes. The Company agrees that it will not take any action that would cause it to cease to be classified as an association taxable as a corporation for U.S. federal income tax purposes (including, without limitation, filing any U.S. Internal Revenue Service Form 8832 that would cause the Company to be taxed other than as a

corporation for U.S. federal income tax purposes). The Company agrees that it will not change the jurisdiction of incorporation from the Cayman Islands.

Section 9.14 SVF Regulatory Compliance Put Right.

(a) In the event that (i) a Regulatory Compliance Material Breach occurs and is continuing, and (ii) the Company fails to remedy that Regulatory Compliance Material Breach to the reasonable satisfaction of SVF within ninety (90) days after service of a written notice (the “SVF Non-Compliance Notice”, and such ninety- (90-) day cure period, the “Non-Compliance Cure Period”) by SVF requiring it to remedy that Regulatory Compliance Material Breach, SVF shall, subject to Section 9.14(b), have the option to sell all or a portion of the Series D Preferred Shares and the Series D+ Preferred Shares then held by SVF (the Series D Preferred Shares and the Series D+ Preferred Shares to be sold by SVF, the “SVF Put Shares”) to the Company at a price per Share equal to the aggregate of (i) the Series D Original Issue Price or the Series D+ Original Issue Price, as applicable, and (ii) an amount that would give SVF a simple non-compounded interest of eight percent (8%) per annum on the Series D Original Issue Price or the Series D+ Original Issue Price, as applicable, calculated from the Series D Original Issue Date or Series D+ Original Issue Date, as applicable, up until the date of consummation of such sale transaction between the Company and SVF (the “SVF Put Price”).

(b) In the event that the Company disputes the occurrence of a Regulatory Compliance Material Breach alleged in the SVF Non-Compliance Notice, the Company shall have the right to deliver a written notice (the “Dispute Notice”) to SVF within thirty (30) days of receipt of the SVF Non-Compliance Notice, which notice shall set out the reason of such dispute in reasonable detail. Upon the delivery of the Dispute Notice, SVF and the Company shall consult in good faith for a period of thirty (30) days with a view of resolving the dispute (the “Dispute Resolution Period”). Notwithstanding anything to the contrary in this Section 9.14, if the Company delivers a Dispute Notice to SVF, the Non-Compliance Cure Period shall be deemed to commence on the earlier of (i) the date of expiration of the Dispute Resolution Period; or (ii) the date on which the dispute is resolved in SVF’s favor and the Company concedes the existence of a Regulatory Compliance Material Breach.

(c) The Company shall ensure that the repurchase of the SVF Put Shares pursuant to this Section 9.14 be carried out in accordance with this Section 9.14(c), in any event completed within sixty (60) days from the expiration of the Non-Compliance Cure Period (the actual completion date of the repurchase, the “SVF Put Completion Date”). Once a Regulatory Compliance Material Breach occurs and is continuing and the Company has received the SVF Non-Compliance Notice, (i) the Company shall not (and shall not permit any other Group Company to) take any action which would have the effect of delaying, undermining or restricting the repurchase of the SVF Put Shares, and the Company shall in good faith use its best efforts to increase the amount of funds legally available for repurchase, including causing any other Group Company to distribute any and all available funds to the Company to ensure that all SVF Put Shares would be timely and fully redeemed in accordance with this Section 9.14, and (ii) the Company shall not, until the date by which all SVF Put Shares are repurchased, declare or pay any dividend nor otherwise make any distribution of or otherwise decrease its profits available for distribution.

(d) Until such time as the applicable SVF Put Price in respect of all the SVF Put Shares has been paid in full to SVF, SVF shall remain entitled to all of the rights, including its voting rights, in respect of all of the SVF Put Shares as if they were not repurchased in any



part. Upon the SVF Put Completion Date, SVF shall surrender to the Company its share certificate or certificates representing such SVF Put Shares to be redeemed at the place agreed by the Company and SVF for that purpose, on the date when the applicable SVF Put Price is fully paid to the order of the person whose name appears on such share certificate or certificates as the holder of such Preferred Shares, and each such share certificate shall be cancelled. In the event that less than all the Shares represented by any such share certificate are repurchased, a new share certificate shall be issued representing the Preferred Shares not repurchased.

(e) In the event that SVF exercises its put right pursuant to this Section 9.14, the Key Group Companies shall procure the Company to comply with its obligations pursuant to this Section 9.14 and shall be jointly and severally liable with the Company to SVF.

(f) The provisions of this Section 9.14 shall terminate immediately after the consummation of a Qualified IPO.

## ARTICLE X

### MISCELLANEOUS

Section 10.01 Binding Effect; Assignability. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective heirs, successors, legal representatives and permitted assigns. Unless otherwise expressly provided in this Agreement, neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by any Party pursuant to any Transfer of Company Securities or otherwise, except that any Person acquiring the Company Securities from any Shareholder in a Transfer in compliance with this Agreement (but excluding any such Transfer made in a Public Offering) or any Person acquiring the Company Securities as required or permitted by this Agreement shall, unless already bound hereby, execute and deliver to the Company an agreement to be bound by this Agreement in the form of Annex C hereto and shall thenceforth be a “Shareholder”.

Section 10.02 Notices. Any notice required or permitted pursuant to this Agreement shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, facsimile, electronic mail or similar means to the address of the relevant Party as shown on Schedule VIII (or at such other address as such Party may designate by ten (10) Business Days’ advance written notice to the other parties to this Agreement given in accordance with this Section 10.02). Where a notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a written confirmation of delivery, and to have been effected at the earlier of (a) delivery (or when delivery is refused) and (b) expiration of two (2) Business Days after the letter containing the same is sent as aforesaid. Where a notice is sent by facsimile or electronic mail, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as aforesaid, if such day is a Business Day and if sent during normal business hours of the recipient, otherwise the next Business Day. Any Person that becomes a Shareholder shall provide its address and facsimile number to the Company, which shall promptly provide such information to each other Shareholder.

Section 10.03 Third-Party Beneficiaries. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the Parties, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement pursuant to the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the laws of Hong Kong).

Section 10.04 Amendment. This Agreement may only be amended or otherwise modified by an instrument in writing executed by (i) the Company; (ii) Ordinary Holders representing more than fifty percent (50%) of the voting power of all of the Ordinary Shares of the Company voting as a single class; (iii) the Majority Preferred Holders (which shall include the Preferred Holders holding not less than forty percent (40%) of the aggregate voting power of the Series D Preferred Shares and the Series D+ Preferred Shares then issued and outstanding); and (iv) if the proposed amendment or modification would be materially and disproportionately adverse to a specific series of Preferred Shares, Preferred Holders representing more than fifty percent (50%) of the voting power of that series of Preferred Shares. Notwithstanding the foregoing, any provision in this Agreement that specifically and expressly gives a right to a named Person shall not be amended or waived without the prior written consent of such named Person, and no additional obligations or restrictions shall be placed upon a named Person by way of an amendment of this Agreement without the consent of such named Person.

Section 10.05 Waiver. No waiver of any provision of this Agreement by a Party, and no consent or approval of a Party, shall be effective unless set forth in a written instrument signed by such Party waiving such provision or granting such consent or approval. No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy. Without limiting the foregoing, no waiver by a Party of any breach by any other Party of any provision hereof shall be deemed to be a waiver of any subsequent breach of that or any other provision hereof.

Section 10.06 Effectiveness; Termination. This Agreement shall become effective on the date hereof. Unless otherwise provided in this Agreement, this Agreement shall terminate and be of no further force and effect upon the earlier to occur of (i) with respect to any Party that is a Shareholder, the date upon which such Party ceases to hold any Company Securities, and (ii) any date agreed upon in writing by the Parties. If this Agreement is terminated pursuant to this Section 10.06, it shall become void and of no further force and effect solely in respect of such relevant Party, except for the provisions of (x) this Section 10.06, Article I, Section 9.01, Section 10.01, Section 10.02, Section 10.03, Section 10.04, Section 10.05, Section 10.08, Section 10.09, Section 10.10, Section 10.11, Section 10.12, Section 10.17, and (y) Article VI and Annex A applicable to such relevant Party with respect to any offering of Registrable Securities completed prior to the date such relevant Party ceased to own any Company Securities) and provided that such termination shall be without prejudice to the rights of any Party in respect of a breach of this Agreement prior to such termination.

Section 10.07 Fees and Expenses. Unless otherwise expressly provided in any other Transaction Document, all fees and expenses incurred in connection with the preparation of this Agreement, or any amendment or waiver hereof, and the transactions contemplated hereby shall be the responsibility of the Party or Parties incurring such costs or expenses.

Section 10.08 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Hong Kong, without regard to principles of conflict of laws thereof.

Section 10.09 Dispute Resolution. Any dispute arising out of or relating to this Agreement, including any question regarding its existence, construction, interpretation, validity, termination or implementation, shall be referred to and finally resolved by arbitration at the Hong Kong International Arbitration Centre (“HKIAC”) in accordance with the HKIAC Administered Arbitration Rules then in force (the “Rules”). There shall be three (3) arbitrators. The claiming party or parties shall have the right to appoint one (1) arbitrator, the responding party or parties shall have the right to appoint one (1) arbitrator, and the third arbitrator shall be appointed by the Hong Kong International Arbitration Centre. The law of this arbitration clause shall be Hong Kong law. The seat of arbitration shall be in Hong Kong. The arbitration proceedings shall be conducted in English. Each of the Parties irrevocably waives any immunity to jurisdiction to which it may be entitled or become entitled (including without limitation sovereign immunity, immunity to pre-award attachment, post-award attachment or otherwise) in any arbitration proceedings and/or enforcement proceedings against it arising out of or based on this Agreement or the transactions contemplated hereby. Notwithstanding the foregoing: (a) either Party may seek immediate injunctive relief or other interim relief from any court of competent jurisdiction as necessary to enforce the provisions of this Agreement; and (b) each Party hereby agrees that in the case of any dispute as to the occurrence of a Regulatory Compliance Material Breach, prior to the constitution of the Tribunal, either Party may apply to the HKIAC for the arbitration in relation to such dispute to be conducted in accordance with an expedited procedure (as contemplated by the Rules).

Section 10.10 Entire Agreement. This Agreement and other Transaction Documents, together with all schedules and annexes hereto and thereto, constitute the full and entire understanding and agreement among the Parties with respect to the subjects hereof and thereof, and supersede all other agreements between or among any of the Parties with respect to the subject matters hereof and thereof.

Section 10.11 Severability. Each provision of this Agreement shall be considered separable. If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the Parties. In such event, the Parties shall negotiate in good faith a substitute, valid and enforceable provision or agreement which most closely effects the Parties’ intent in entering into this Agreement.

Section 10.12 Equitable Remedies. The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof, and that the Parties shall be entitled to an injunction or injunctions or other equitable relief to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof. Each Party hereby waives any and all defenses it may have on the ground of lack of jurisdiction or competence of the court to grant such an injunction or other equitable relief. The existence of this right will not preclude a Party from pursuing any other rights or remedies that it may have at law or in equity. The rights of each

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Party under this Agreement are cumulative and in addition to all other rights or remedies that any Party may otherwise have at law or in equity.

Section 10.13 Aggregation of Shares. All Shares held or acquired by any Affiliates of a Shareholder shall be aggregated for the purpose of determining the availability of any rights of that Shareholder under this Agreement, including with respect to the Preemptive Rights, rights of first refusal and co-sale rights of any Shareholder under Article IV and Article V. The Shares held by such Shareholder and its Affiliates shall be aggregated and such Shareholder and its Affiliates shall be deemed as one Person for the purpose of calculating (i) the Pro Rata Share of such Shareholder and its Affiliates under Section 4.01(d) and Section 5.03(b) and (ii) the maximum number of Company Securities that such Shareholder and its Affiliates may elect to sell under Section 4.02(b). The allocation of the Pro Rata Share under Section 4.01(d) and Section 5.03(b) and of Company Securities under Section 4.02(b) among such Shareholder and its Affiliates may be determined in the sole discretion of such Shareholder and its Affiliates.

Section 10.14 Further Assurances. Each Party shall vote their Shares and otherwise act within its power in a manner consistent with and not impede the transactions contemplated by the Transaction Documents. Each Party shall from time to time and at all times hereafter make, do, execute or cause to be made, done and executed such further acts, deeds, conveyances, consents and assurances, without further consideration, which may reasonably be required to give full effect to the terms of this Agreement or to vest in any other Party such other Party’s full rights and entitlements hereunder.

Section 10.15 Supremacy. In the event of any conflict or inconsistency between any provision of this Agreement and any provision of the Memorandum and Articles, this Agreement shall prevail as between the Shareholders in all respects to the maximum extent legally permissible, and the Shareholders shall give full effect to and act in accordance with the provisions of this Agreement over the provisions of the Memorandum and Articles. In furtherance of, and not as a limitation to, the foregoing, in the event of such conflict or inconsistency, the Shareholders shall procure at the request of any of the Shareholders such modification of or amendment to the Memorandum and Articles as shall be necessary to cure such conflict or inconsistency.

Section 10.16 Counterparts. This Agreement may be executed in several counterparts and as so executed shall constitute one agreement binding on all Parties, notwithstanding that all of the Parties have not signed the same counterpart.

Section 10.17 Process Agent.

(a) Each of the Company, the Key Group Companies, the Ordinary Holders and the Ordinary Shareholder Controlling Persons hereby irrevocably designates and appoints Beike Investments (Hong Kong) Limited 貝殼投資（香港）有限公司 at Suite 2409, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong (the “Company Side Process Agent”), as its authorized agent upon whom process may be served in any such suit or proceeding, it being understood that the designation and appointment of the Company Side Process Agent as such authorized agent shall become effective immediately without any further action on the part of the Company, the Key Group Companies, the Ordinary Holders and the Ordinary Shareholder Controlling Persons. Each of the Company, the Key Group Companies, the Ordinary Holders and the Ordinary Shareholder Controlling Persons hereby represents that it has notified the Company Side Process Agent of such designation and appointment and that

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the Company Side Process Agent has accepted the same in writing. Each of the Company, the Key Group Companies, the Ordinary Holders and the Ordinary Shareholder Controlling Persons hereby irrevocably authorizes and directs the Company Side Process Agent to accept such service on its behalf. Each of the Company, the Key Group Companies, the Ordinary Holders and the Ordinary Shareholder Controlling Persons further agrees that service of process upon the Company Side Process Agent and notice of said service to such Person mailed by prepaid registered first class mail or delivered to the Company Side Process Agent at its principal office, shall be deemed in every respect effective service of process upon such Person, in any such suit or proceeding. Each of the Company, the Key Group Companies, the Ordinary Holders and the Ordinary Shareholder Controlling Persons further agrees to take any and all actions, including the execution and filing of any and all such documents and instruments as may be necessary to continue such designation and appointment of the Company Side Process Agent in full force and effect so long as such Person has any outstanding obligations under this Agreement.

- (b) Notwithstanding the foregoing, nothing herein shall affect the right of any Party to serve process in any other manner permitted by law.

*[Signature pages follow]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

**KE HOLDINGS INC.**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

\_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

ZUO HUI

[Signature Page to Investor Rights Agreement]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Ordinary Shares

**PROPTIOUS GLOBAL HOLDINGS LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Ordinary Shares

**CLOVER RICH LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Ordinary Shares

**ADVANCE HARMONY HOLDINGS LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Ordinary Shares

**BLOSSOM SOUTH LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Ordinary Shares

**BRIGHT AUSPICIOUS HOLDINGS LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Ordinary Shares

**GOLDEN COMMITMENT LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Ordinary Shares

**GOLDEN FORTITUDE ENTERPRISES LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Ordinary Shares

**EMERALD JOY LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Ordinary Shares

**EMINENT HOVER LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Ordinary Shares

**FLAME HARMONY LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Ordinary Shares

**NEW EMINENCE INTERNATIONAL LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series B Preferred Shares

**TIANJIN HUAXING FENGXIANG TECHNOLOGY PARTNERSHIP  
ENTERPRISE (LIMITED PARTNERSHIP)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series B Preferred Shares

**CYPRESS STAR INVESTMENTS LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series B Preferred Shares

**BAIDU (HONG KONG) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series B Preferred Shares

**HAIXIA HAPPINESS LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series B, Series C, Series D and Series D+ Preferred Shares

**TENCENT MOBILITY LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series B and Series C Preferred Shares

**GREEN FRONTIER INVESTMENTS LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series B Preferred Shares

**VISION PELICAN LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series B Preferred Shares

**TIANJIN HONGHUA JINGRUI ENTERPRISE MANAGEMENT  
PARTNERSHIP ENTERPRISE (LIMITED PARTNERSHIP)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series B Preferred Shares and Ordinary Shares

**MORESPARK LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series B and Series D+ Preferred Shares and Ordinary Shares

**PARALLEL STELLAR INVESTMENT LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series C Preferred Shares

**SHINING WISH INVESTMENT LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---



IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series C Preferred Shares

**HH SHL HOLDINGS LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series C Preferred Shares

**SICHUAN BUSINESS NO.10 HOLDINGS LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series C Preferred Shares

**TRINITY INVESTMENT HOLDINGS LTD.**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series C Preferred Shares

**HONGTU CAPITAL LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series C Preferred Shares

**TIANJIN HUAXING FENGFU TECHNOLOGY PARTNERSHIP  
ENTERPRISE (LIMITED PARTNERSHIP)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series C Preferred Shares

**GOLDEN SHELL (BVI) COMPANY LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**PARALLEL GALAXY INVESTMENT LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**HUAXING GROWTH CAPITAL III, L.P.**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**H Capital V, L.P.**

**By: H Capital V GP, L.P., its general partner**

**By: H Capital V GP, Ltd., its general partner**

By: \_\_\_\_\_  
Name:  
Title: Authorized Signatory  
Date:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**H Capital XM, L.P.**

**By: H Capital XM GP, Ltd., its general partner**

By: \_\_\_\_\_

Name:

Title: Authorized Signatory

[Signature Page to Investor Rights Agreement]

---



IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**HAIXIA TIGER L.P.**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**KNIGHT RAY LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**HH SPR-IX HOLDINGS LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**PERSEUS TECHNOLOGY INVESTMENT LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**LEVEE VENTURE LTD.**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**VILLA SHELL I LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**REDVIEW CAPITAL INVESTMENT I LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**CGVC COMPANY LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**STAR CAVITY LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D Preferred Shares

**PA SHELL LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---



IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D and Series D+ Preferred Shares

**SVF II SHELL SUBCO (SINGAPORE) PTE. LTD.**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D+ Preferred Shares

**SC GGF III HOLDCO, LTD.**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D+ Preferred Shares

**SCC GROWTH V HOLDCO P, LTD.**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Holder of Series D+ Preferred Shares, Series B Preferred Shares and Ordinary Shares

**HH PDII HOLDINGS LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Ordinary Shareholder Controlling Persons

SHAN YIGANG (单一刚)

\_\_\_\_\_

DANG JIE (党杰)

\_\_\_\_\_

XU WANGANG (徐万刚)

\_\_\_\_\_

GAO JUN (高军)

\_\_\_\_\_

DU XIN (杜欣)

\_\_\_\_\_

CHEN RONG (陈戎)

\_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Ordinary Shareholder Controlling Persons

**RUAN GUANGJIE (阮广杰)**

\_\_\_\_\_

**SHAO FEI (邵非)**

\_\_\_\_\_

**ZHOU XIAOLONG (周小龙)**

\_\_\_\_\_

**LIU XIAOXIAO (刘潇潇)**

\_\_\_\_\_

**DING ZONGYANG (丁宗洋)**

\_\_\_\_\_

**FENG XIA (冯霞)**

\_\_\_\_\_

[Signature Page to Investor Rights Agreement]

\_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Ordinary Shareholder Controlling Persons

GU FEIFAN (顾非凡)

\_\_\_\_\_

LIN JUNQUAN (林俊权)

\_\_\_\_\_

LIU WUYANG (刘伍洋)

\_\_\_\_\_

ZHANG JIANDONG (张剑东)

\_\_\_\_\_

WANG ZHE (王哲)

\_\_\_\_\_

CHENG WENLONG (程文龙)

\_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Ordinary Shareholder Controlling Persons

GE JUN (葛军)

\_\_\_\_\_

SONG DONGFENG (宋东风)

\_\_\_\_\_

FENG WENCUI (冯文萃)

\_\_\_\_\_

LI GUOPING (李国平)

\_\_\_\_\_

TAO HONGBING (陶红兵)

\_\_\_\_\_

WEI ZHENGHUI (尉征慧)

\_\_\_\_\_

[Signature Page to Investor Rights Agreement]

\_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Ordinary Shareholder Controlling Persons

ZHANG XUEFEI (张学飞)

\_\_\_\_\_

LIU ENPENG (刘恩鹏)

\_\_\_\_\_

[Signature Page to Investor Rights Agreement]

\_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE GROUP (CAYMAN) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---



IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE HOLDINGS (CAYMAN) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE INVESTMENTS (CAYMAN) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE FINTECH HOLDINGS (CAYMAN) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE FINANCE HOLDINGS (CAYMAN) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE GROUP (BVI) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE HOLDINGS (BVI) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE INVESTMENTS (BVI) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE FINTECH HOLDINGS (BVI) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE FINANCE HOLDINGS (BVI) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE GROUP (HONG KONG) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---



IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE INVESTMENTS (HONG KONG) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**SMART LINKAGE (HK) CO., LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**PONTUS DEVELOPMENT (HONG KONG) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**SHAREHOME HK INTERNATIONAL LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE INVESTMENT HOLDINGS LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE FINTECH HOLDINGS (HONG KONG) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE FINANCE HOLDINGS (HONG KONG) LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**HK LEAPING MEIKO LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**JINBEI (TIANJIN) TECHNOLOGY CO., LTD.**  
**(金贝 (天津) 技术有限公司)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**YINBEI (TIANJIN) TECHNOLOGY CO., LTD.**  
**(银贝 (天津) 科技有限公司)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---



IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**SHIBEI (TIANJIN) TECHNOLOGY CO., LTD.**  
**(拾贝 (天津) 科技有限公司)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE (TIANJIN) INVESTMENT CO., LTD.**  
**(贝壳 (天津) 投资有限公司)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE JINKE (TIANJIN) TECHNOLOGY CO., LTD.**  
**(贝壳金科 (天津) 技术有限公司)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

\_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**XIBEI (TIANJIN) TECHNOLOGY CO., LTD.**  
**(喜贝(天津)科技有限公司)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

\_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**SHANGHAI BEIRU INFORMATION TECHNOLOGY CO., LTD.**  
**(上海贝如信息科技有限公司)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIKE (CHINA) INVESTMENT HOLDING CO., LTD.**  
**(贝壳(中国)投资控股有限公司)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

---

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIJING LIANJIA REAL ESTATE AGENCY CO., LTD.**  
**(北京链家房地产经纪有限公司)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**BEIJING YIJU TAIHE TECHNOLOGY CO., LTD.**  
**(北京宜居泰和科技有限公司)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

\_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**TIANJIN XIAOWU INFORMATION TECHNOLOGY CO., LTD.**  
**(天津小屋信息科技有限公司)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

\_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Key Group Company.

**LIANJIA (TIANJIN) ENTERPRISE MANAGEMENT CO., LTD.**  
**(链家(天津)企业管理有限公司)**

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Investor Rights Agreement]

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## SCHEDULE I

### HOLDERS OF ORDINARY SHARES

1. Propitious Global Holdings Limited
2. Clover Rich Limited
3. Advance Harmony Holdings Limited
4. Blossom South Limited
5. Bright Auspicious Holdings Limited
6. Golden Commitment Limited
7. Golden Fortitude Enterprises Limited
8. Emerald Joy Limited
9. Eminent Hover Limited
10. Flame Harmony Limited
11. New Eminence International Limited
12. Morespark Limited
13. Parallel Stellar Investment Limited
14. HH PDII Holdings Limited

Schedule I

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## SCHEDULE II-A

### HOLDERS OF SERIES B PREFERRED SHARES

1. Tianjin Huaxing Fengxiang Technology Partnership Enterprise (Limited Partnership) (天津华兴丰翔科技合伙企业(有限合伙))
2. Cypress Star Investments Limited
3. Baidu (Hong Kong) Limited
4. Haixia Happiness Limited
5. Tencent Mobility Limited
6. Green Frontier Investments Limited
7. Vision Pelican Limited
8. Tianjin Honghua Jingrui Enterprise Management Partnership Enterprise (Limited Partnership) (天津红华菁睿企业管理合伙企业(有限合伙))
9. Morespark Limited
10. Parallel Stellar Investment Limited
11. HH PDII Holdings Limited

Schedule II-A

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## **SCHEDULE II-B**

### **HOLDERS OF SERIES C PREFERRED SHARES**

1. Tencent Mobility Limited
2. Green Frontier Investments Limited
3. Shining Wish Investment Limited
4. HH SHL Holdings Limited
5. Sichuan Business No.10 Holdings Limited
6. Trinity Investment Holdings Ltd.
7. Hongtu Capital Limited
8. Tianjin Huaxing Fengfu Technology Partnership Enterprise (Limited Partnership)
9. Golden Shell (BVI) Company Limited

Schedule II-B

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## **SCHEDULE II-C**

### **HOLDERS OF SERIES D PREFERRED SHARES**

1. Tencent Mobility Limited
2. Parallel Galaxy Investment Limited
3. Huaxing Growth Capital III, L.P.
4. H Capital V, L.P.
5. H Capital XM, L.P.
6. Haixia Tiger L.P.
7. Knight Ray Limited
8. HH SPR-IX Holdings Limited
9. Perseus Technology Investment Limited
10. Levee Venture Ltd.
11. Villa Shell I Limited
12. Redview Capital Investment I Limited
13. CGVC Company Limited
14. PA Shell Limited
15. Star Cavity Limited
16. SVF II Shell Subco (Singapore) Pte. Ltd.

Schedule II-C

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## **SCHEDULE II-D**

### **HOLDERS OF SERIES D+ PREFERRED SHARES**

1. SVF II Shell Subco (Singapore) Pte. Ltd.
2. SC GGF III Holdco, Ltd.
3. SCC Growth V Holdco P, Ltd.
4. HH PDII Holdings Limited
5. Tencent Mobility Limited
6. Parallel Stellar Investment Limited

Schedule II-D

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SCHEDULE III

ORDINARY SHAREHOLDER CONTROLLING PERSONS

The Founder, SHAN Yigang (单一刚), DANG Jie (党杰), XU Wangang (徐万刚), GAO Jun (高军), DU Xin (杜欣), CHEN Rong (陈戎), RUAN Guangjie (阮广杰), SHAO Fei (邵非), ZHOU Xiaolong (周小龙), LIU Xiaoxiao (刘潇潇), DING Zongyang (丁宗洋), FENG Xia (冯霞), GU Feifan (顾非凡), LIN Junquan (林俊权), LIU Wuyang (刘伍洋), ZHANG Jiandong (张剑东), WANG Zhe (王哲), CHENG Wenlong (程文龙), GE Jun (葛军), SONG Dongfeng (宋东风), FENG Wencui (冯文萃), LI Guoping (李国平), TAO Hongbing (陶红兵), WEI Zhenghui (尉征慧), ZHANG Xuefei (张学飞) and LIU Enpeng (刘恩鹏).

Schedule III

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## SCHEDULE IV

### EXISTING SIGNIFICANT GROUP COMPANIES

#### Part A

1. Beike Group (Cayman) Limited 贝壳集团 (开曼) 有限公司
2. Beike Holdings (Cayman) Limited 贝壳控股 (开曼) 有限公司
3. Beike Investments (Cayman) Limited 贝壳投资 (开曼) 有限公司
4. Beike Fintech Holdings (Cayman) Limited
5. Beike Finance Holdings (Cayman) Limited
6. Beike Group (BVI) Limited 贝壳集团 (维京群岛) 有限公司
7. Beike Holdings (BVI) Limited 贝壳控股 (维京群岛) 有限公司
8. Beike Investments (BVI) Limited 贝壳投资 (维京群岛) 有限公司
9. Beike Fintech Holdings (BVI) Limited
10. Beike Finance Holdings (BVI) Limited
11. Beike Group (Hong Kong) Limited 貝殼集團 (香港) 有限公司
12. Beike Investments (Hong Kong) Limited 貝殼投資 (香港) 有限公司
13. Smart Linkage (HK) Co., Limited
14. Pontus Development (Hong Kong) Limited (formerly known as Beike Development (Hong Kong) Limited (貝殼發展 (香港) 有限公司))
15. Sharehome HK International Limited 香港享住国际有限公司
16. Beike Investment Holdings Limited 贝壳投资控股有限公司
17. Beike Fintech Holdings (Hong Kong) Limited
18. Beike Finance Holdings (Hong Kong) Limited
19. HK Leaping MEIKO Limited
20. Jinbei (Tianjin) Technology Co., Ltd. (金贝 (天津) 技术有限公司)
21. Yinbei (Tianjin) Technology Co., Ltd. (银贝 (天津) 科技有限公司)
22. Shibe (Tianjin) Technology Co., Ltd. (拾贝 (天津) 科技有限公司)
23. Beike (Tianjin) Investment Co., Ltd. (贝壳 (天津) 投资有限公司)
24. Beike Jinke (Tianjin) Technology Co., Ltd. (贝壳金科 (天津) 技术有限公司)
25. Xibei (Tianjin) Technology Co., Ltd. (喜贝 (天津) 科技有限公司)
26. Shanghai Beiru Information Technology Co., Ltd. (上海贝如信息科技有限公司)
27. Beike (China) Investment Holding Co., Ltd. (贝壳 (中国) 投资控股有限公司)
28. Beijing Lianjia Real Estate Agency Co., Ltd. (北京链家房地产经纪有限公司) (“Beijing Lianjia”)
29. Beijing Yiju Taihe Technology Co., Ltd. (北京宜居泰和科技有限公司) (“Beijing Yiju”), formerly known as Beijing Boheng Taihe Advertising Co., Ltd. (北京博恒泰和广告有限公司)
30. Tianjin Xiaowu Information Technology Co., Ltd. (天津小屋信息科技有限公司) (“Tianjin Xiaowu”)
31. Lianjia (Tianjin) Enterprise Management Co., Ltd. (链家 (天津) 企业管理有限公司)

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## Part B

1. 德佑房地产经纪有限公司
2. 四川链家房地产经纪有限公司
3. 贝壳找房（北京）科技有限公司
4. 深圳链家房地产经纪有限公司
5. 北京方源房地产咨询服务有限公司
6. 海南链家旅居产业科技服务有限公司
7. 广东链家房地产经纪有限公司
8. 大连链家房地产经纪有限公司
9. 天津链家宝业房地产经纪有限公司
10. 重庆房江湖信息科技有限公司
11. 重庆链家房地产经纪有限公司

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SCHEDULE V

KEY PERSONS

|                  | Title       | ID/Passport Number |
|------------------|-------------|--------------------|
| Zuo Hui左晖        | 董事长         | 130302197101190414 |
| Shan Yigang单一刚   | 董事          | 210203197302060051 |
| Peng Yongdong彭永东 | 董事/CEO      | 342623197911118958 |
| Wang Yongqun王拥群  | 董事/COO      | 422426197106181610 |
| Xu Tao徐涛         | CFO         | 110105197307295451 |
| Shao Fei邵非       | 董事          | 360403197504251810 |
| Xu Wangang徐万刚    | 董事/大中华北区COO | 510102196511137478 |
| Zhang Haiming张海明 | 大中华南区COO    | 13032319840125261X |
| Li Fengyan李峰岩    | 大中华华北省区总经理  | 230802197501010911 |

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## SCHEDULE VI

### CERTAIN COMPANY RESTRICTED PERSONS

1. 58.com Inc./北京五八信息技术有限公司;
2. Fang Holdings Limited / 北京搜房科技发展有限公司;
3. E-House (China) Enterprise Holdings Limited / 易居(中国)企业控股有限公司;
4. Sankuai Technology Co., Ltd. / 北京三快在线科技有限公司;
5. JD.com, Inc. / 北京京东叁佰陆拾度电子商务有限公司;
6. Alibaba Group Holding Limited / 阿里巴巴集团控股有限公司;
7. 河南蘑菇公寓管理有限公司;
8. Shenzhen FangDD Network Technology Co., Ltd. / 深圳市房多多网络科技有限公司; and
9. Beijing Sohu Internet Information Service Co.,Ltd. / 北京搜狐互联网信息服务有限公司.

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## SCHEDULE VII

### TENCENT RESTRICTED PERSONS

1. Alibaba Group Holding Limited / 阿里巴巴集团控股有限公司;
2. Yunfeng Capital or YF Capital. / 云锋基金, and any funds managed by the foregoing;
3. Qihoo 360 Technology Co. Ltd. / 三六零安全科技股份有限公司;
4. Zhejiang Ant Micro-finance Service Group Co. Ltd. / 浙江蚂蚁小微金融服务集团股份有限公司;
5. Bytedance Ltd. / 北京字节跳动科技有限公司; and
6. Any entity in which any of the Persons as set forth in any of the above items 1 to 5 holds directly or indirectly more than thirty percent (30%) of the total equity interest or voting rights of such entity

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## SCHEDULE VIII

### ADDRESS FOR NOTICES

1. To the Company and any Significant Group Company:

Building 16 NO.5 Jiangtai Road, Chaoyang District, Beijing, China  
Lianjia Real Estate Agency Co., Ltd.  
E-mail: shenglei@ke.com; chenyan044@ke.com  
Contact: Mr. SHENG Lei; Mr. CHEN Yan

2. Tianjin Huaxing Fengxiang Technology Partnership Enterprise (Limited Partnership):

No. 1, Fang 8, Yingke Centre  
No. 2 North Worker's Stadium Road  
Chaoyang District, Beijing  
E-Mail: xwwang@huaxing.com  
Attention: Wang Xinwei (王新卫)

3. Cypress Star Investments Limited:

Room 1203, 12th Floor, Avic Capital Tower, Building 2  
Area 4, Wangjing dongyuan  
Chaoyang District, Beijing  
E-Mail: lvr@yicapital.com  
Attention: Lv Ran (吕然)

4. Baidu (Hong Kong) Limited:

Baidu HK  
1102, The Lee Gardens, 33 Hysan Avenue  
Causeway Bay, Hong Kong  
E-Mail: lvwenying@baidu.com  
Attention: Lv Wenying (吕文颖)

5. Haixia Happiness Limited and Haixia Tiger L.P.:

Floor 22, East Building, Block D, Tsinghua Tongfang Science and Technology Plaza  
No. 1 Wangzhuang Road  
Haidian District, Beijing  
E-Mail: zhangmingyi@haixiaasset.com  
Attention: Zhang Mingyi (张明义)

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6. any Tencent Entity:

Level 29, Three Pacific Place  
1 Queen's Road East, Wanchai, Hong Kong  
E-Mail: legalnotice@tencent.com  
Attention: Compliance and Transactions Department

with a copy to:

Tencent Binhai Towers  
No.33 Haitian 2nd Road  
Nanshan District, Shenzhen  
Email: PD\_Support@tencent.com  
Attention: Mergers and Acquisitions Department

7. Green Frontier Investments Limited:

Floor 11, Building B, T3, Wangjing SOHO Center  
No. 10, Wangjing Street  
Chaoyang District, Beijing  
E-Mail: zhaorui1@newhope.cn  
Attention: Zhao Rui (赵蕊)

8. Vision Pelican Limited:

Room 2001, Floor 20, Building B, Ping An International Finance Centre  
South Xinyuan Road  
Chaoyang District, Beijing  
E-Mail: lanezhao@innov-cap.com  
Attention: Zhao Fu (赵福)

9. Tianjin Honghua Jingrui Enterprise Management Partnership Enterprise (Limited Partnership):

Honghua Capital, No.1507, East Tower, World Financial Center  
No. 1 Middle East Third Ring Road  
Chaoyang District, Beijing  
E-Mail: lijia@flamingocap.com  
Attention: Li Jia (李嘉)

10. Shining Wish Investment Limited:

C7-10, Aocheng Commercial Plaza  
Binshui West Road  
Nankai District, Tianjin  
E-Mail: wangliming@sunac.com.cn  
Attention: Wang Liming (王黎明)

11. Golden Shell (BVI) Company Limited:

55/F, Bank of China Tower,  
1 Garden Road, Hong Kong  
E-Mail: mofan@vanke.com/ wingkitchan@vanke.com  
Attention: Mo Fan/ Chan Wing Kit

with a copy to:

Wanke Center, No. Jia 1  
Nongzhan South Road  
Chaoyang District, Beijing  
E-Mail: lij28@vanke.com  
Attention: Li Jinjin (李金金)

12. HH SHL Holdings Limited:

Floor 28, Building B, Ping An International Finance Centre  
No.1-3 South Xinyuan Road  
Chaoyang District, Beijing  
E-Mail: yma@hillhousecap.com ; Legal@hillhousecap.com  
Attention: Ma Yuan (马源)

13. Sichuan Business No.10 Holdings Limited:

Floor 22, Building 2  
No.366 Jinshi Road  
Jinjiang District, Chengdu, Sichuan  
E-Mail: liujb@csfund1.com  
Attention: Liu Jinbo (刘金波)

14. Trinity Investment Holdings Ltd.:

HK Office Address:  
Suite 1702-03, 17/F, One Exchange Square  
8 Connaught Place, Central  
Hong Kong  
E-Mail: lilyxydd@126.com  
Attention: Yang Lili (杨莉莉)

15. Tianjin Huaxing Fengfu Technology Partnership Enterprise (Limited Partnership):

No. 1, Fang 8, Yingke Centre  
No. 2 North Worker's Stadium Road  
Chaoyang District, Beijing  
E-Mail: xwwang@huaxing.com  
Attention: Wang Xinwei (王新卫)

16. Hongtu Capital Limited:

Floor 14, Minsheng Finance Mansion  
Haitian Road  
Futian District, Shenzhen  
E-Mail: dadachenteng@163.com  
Attention: Chen Teng (陈腾)

17. Huaxing Growth Capital III, L.P. and Villa Shell I Limited :

北京市朝阳区工人体育场北路甲2号盈科中心捌坊1号  
Tel: 010-85679988  
E-Mail: xwwang@huaxing.com  
Attention: Wang Xingwei (王新卫)

18. Knight Ray Limited:

Nerine Chambers, PO Box 905  
Road Town, Tortola, British Virgin Islands  
E-Mail: hpang@gawcapital.com.cn  
Attention: Humbert Hing Bong Pang

19. H Capital V L.P. and H Capital XM, L.P. :

Campbells Corporate Services Limited, Floor 4, Willow House  
Cricket Square, Grand Cayman KY1-9010  
Cayman Islands  
E-Mail: zuzu@hcapital-management.com, zliu@gunder.com, stan@gunder.com  
Attention: Zuzu Zhu, Zhen Liu, Shuyue Tan

20. HH SPR-IX Holdings Limited and HH PDII Holdings Limited:

Suite 2202, 22nd Floor, Two International Finance Centre,  
8 Finance Street,  
Central, Hong Kong  
E-Mail: lmhuang@hillhousecap.com, with a copy to Legal@hillhousecap.com  
Attention: Liming HUANG

21. Perseus Technology Investment Limited and Levee Venture Ltd.:

Unit 605-08, Wing On Centre, 111 Connaught Road Central  
Sheung Wan, Hong Kong  
E-Mail: ks@sourcecodecap.com, sy@sourcecodecap.com, xy@sourcecodecap.com  
Attention: Charlie Cao

22. Redview Capital Investment I Limited:

Suites 1702-03, 17/F, One Exchange Square,  
8 Connaught Place, Central  
Hong Kong  
Facsimile: (852) 2801 4882  
Email: zoujm@redviewcap.com; legal@nhfund.com  
Attention: Director

23. CGVC Company Limited and Star Cavity Limited:

Vistra Corporate Services Centre, Wickhams Cay II  
Road Town, Tortola, VG1110  
British Virgin Islands  
E-Mail: rogerluo@countrygarden.com.cn  
Attention: 罗杰

24. PA Shell Limited:

22/F, Lujiazui, No. 1333, Pingan Finance Tower  
Pu Dong New District, Shanghai  
E-Mail: lance.liu@pingan.com  
Attention: Liu Shengke (刘圣珂)

25. SVF II Shell Subco (Singapore) Pte. Ltd.:

SB Investment Advisers (UK) Limited  
69 Grosvenor Street  
London W1K 3JP  
United Kingdom  
E-Mail: legal@softbank.com  
Attention: Legal

with a copy (not constituting notice) to:

Kirkland & Ellis  
26th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong  
E-Mail: deich@kirkland.com / tziyang.seow@kirkland.com  
Attention: David Patrick Eich / Tzi Yang Seow

26. SC GGF III Holdco, Ltd.:

2800 Sand Hill Rd #101  
Menlo Park, CA 94025  
USA  
E-Mail: sequoiacapital@sequoiacap.com

27. SCC Growth V Holdco P, Ltd.:

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive, PO Box 2681  
Grand Cayman, KY1-1111, Cayman Islands  
E-Mail: eip@sequoiacap.com  
Attention: Ip Siu Wai Eva

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**SCHEDULE IX**

**ORIGINAL ISSUE DATES AND ORIGINAL ISSUE PRICES**

**Part A Series B Preferred Shares**

| <b>Name of Shareholder</b>  | <b>Original Issue Date</b> | <b>Original Issue Price</b> |
|---|----------------------------|-----------------------------|
| Tianjin Huaxing Fengxiang Technology Partnership Enterprise (Limited Partnership) (天津华兴丰翔科技合伙企业(有限合伙))            | July 12, 2016              | US\$ 12.3933                |
| Cypress Star Investments Limited  | April 1, 2016              | US\$ 12.3933                |
| Baidu (Hong Kong) Limited   | April 1, 2016              | US\$ 12.3933                |
| Haixia Happiness Limited  | December 16, 2016          | US\$ 12.3933                |
| Tencent Mobility Limited  | June 23, 2016              | US\$ 12.3933                |
| Green Frontier Investments Limited  | June 17, 2016              | US\$ 12.3933                |
| Vision Pelican Limited  | November 4, 2016           | US\$ 12.3933                |
| Tianjin Honghua Jingrui Enterprise Management Partnership Enterprise (Limited Partnership) (天津红华菁睿企业管理合伙企业(有限合伙)) | December 1, 2016           | US\$ 12.3933                |
| Morespark Limited   | December 16, 2016          | US\$ 12.3933                |
| Parallel Stellar Investment Limited   | December 16, 2016          | US\$ 12.3933                |
| HH PDII Holdings Limited  | December 16, 2016          | US\$ 12.3933                |

**Part B Series C Preferred Shares**

| <b>Name of Shareholder</b>  | <b>Original Issue Date</b> | <b>Original Issue Price</b> |
|---|----------------------------|-----------------------------|
| Shining Wish Investment Limited   | January 11, 2017           | US\$ 16.1913                |
| Golden Shell (BVI) Company Limited  | January 11, 2017           | US\$ 16.1913                |
| Sichuan Business No.10 Holdings Limited   | May 5, 2017                | US\$ 16.1913                |
| Trinity Investment Holdings Ltd.  | May 20, 2019               | US\$ 16.1913                |
| Tencent Mobility Limited  | May 27, 2017               | US\$ 16.1913                |
| Green Frontier Investments Limited  | June 7, 2017               | US\$ 16.1913                |
| HH SHL Holdings Limited   | June 9, 2017               | US\$ 16.1913                |
| Hongtu Capital Limited  | September 30, 2018         | US\$ 16.1913                |
| Tianjin Huaxing Fengfu Technology Partnership Enterprise (Limited Partnership) (天津华兴丰富科技合伙企业(有限合伙)) | October 11, 2017           | US\$ 16.1913                |

**Part C Series D Preferred Shares**

| <b>Name of Shareholder</b>                                 | <b>Original<br/>Issue Date</b> | <b>Original<br/>Issue Price</b> |         |
|--|--------------------------------|---------------------------------|---------|
| Tencent Mobility Limited                                   | December 28, 2018              | US\$                            | 19.0000 |
| Parallel Galaxy Investment Limited                         | December 28, 2018              | US\$                            | 19.0000 |
| Huaxing Growth Capital III, L.P.                           | December 28, 2018              | US\$                            | 19.0000 |
| Knight Ray Limited   | December 28, 2018              | US\$                            | 19.0000 |
| Haixia Tiger L.P.  | December 28, 2018              | US\$                            | 19.0000 |
| HH SPR-IX Holdings Limited                                 | December 28, 2018              | US\$                            | 19.0000 |
| H Capital V, L.P.  | December 28, 2018              | US\$                            | 19.0000 |
| H Capital XM, L.P.   | December 28, 2018              | US\$                            | 19.0000 |
| Perseus Technology Investment Limited                      | January 30, 2019               | US\$                            | 19.0000 |
| Levee Venture Ltd.   | January 30, 2019               | US\$                            | 19.0000 |
| Villa Shell I Limited                                      | April 2, 2019                  | US\$                            | 19.0000 |
| Redview Capital Investment I Limited                       | April 10, 2019                 | US\$                            | 19.0000 |
| CGVC Company Limited, formerly known as City Bliss Limited | April 30, 2019                 | US\$                            | 19.0000 |
| Star Cavity Limited  | August 8, 2019                 | US\$                            | 19.0000 |
| PA Shell Limited   | August 16, 2019                | US\$                            | 19.0000 |
| SVF II Shell Subco (Singapore) Pte. Ltd.                   | November 15, 2019              | US\$                            | 19.0000 |

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**Part D Series D+ Preferred Shares**

| <b>Name of Shareholder</b>               | <b>Original<br/>Issue Date</b> | <b>Original<br/>Issue Price</b> |
|--|--------------------------------|---------------------------------|
| SVF II Shell Subco (Singapore) Pte. Ltd. | November 15, 2019              | US\$22.8000                     |
| SC GGF III Holdco, Ltd.                  | November 18, 2019              | US\$22.8000                     |
| SCC Growth V Holdco P, Ltd.              | November 19, 2019              | US\$22.8000                     |
| HH PDII Holdings Limited                 | November 20, 2019              | US\$22.8000                     |
| Tencent Mobility Limited                 | November 29, 2019              | US\$22.8000                     |
| Parallel Stellar Investment Limited      | November 29, 2019              | US\$22.8000                     |



## SCHEDULE X

## CAPITAL STRUCTURE

| Shareholders  | Before SVF Closing |        | Upon Closing |        |
|---|--------------------|--------|--------------|--------|
|   | Shares             | %      | Shares       | %      |
| <b>Class B Ordinary Shares</b>                              |                    |        |              |        |
| Propitious Global Holdings Limited                          | 186,657,850        | 34.31% | 177,060,256  | 28.23% |
| <b>Class A Ordinary Shares</b>                              |                    |        |              |        |
| Clover Rich Limited   | 10,529,832         | 1.94%  | 9,555,555    | 1.52%  |
| Advance Harmony Holdings Limited                            | 1,593,460          | 0.29%  | 1,446,024    | 0.23%  |
| Blossom South Limited                                       | 5,367,568          | 0.99%  | 4,870,931    | 0.78%  |
| Bright Auspicious Holdings Limited                          | 5,082,226          | 0.93%  | 4,082,226    | 0.65%  |
| Golden Commitment Limited                                   | 36,019,222         | 6.62%  | 29,099,664   | 4.64%  |
| Golden Fortitude Enterprises Limited                        | 329,965            | 0.06%  | 329,965      | 0.05%  |
| Emerald Joy Limited   | 6,689,950          | 1.23%  | 6,070,959    | 0.97%  |
| Eminent Hover Limited                                       | 786,165            | 0.14%  | 586,165      | 0.09%  |
| Flame Harmony Limited                                       | 177,140            | 0.03%  | 88,570       | 0.01%  |
| New Eminence International Limited                          | 20,000,000         | 3.68%  | 17,600,000   | 2.81%  |
| Unissued shares under ESOP                                  | 50,045,087         | 9.20%  | 50,045,087   | 7.98%  |
| Treasury shares from repurchase                             | 1,761,201          | 0.32%  | 0            | 0.00%  |
| Morespark Limited   |                    |        | 8,327,414    | 1.33%  |
| Parallel Stellar Investment Limited                         |                    |        | 3,774,718    | 0.60%  |
| HH PDII Holdings Limited                                    |                    |        | 12,102,132   | 1.93%  |
| <b>Series B Preferred Shares</b>                            |                    |        |              |        |
| Tianjin Huaxing Fengxiang Technology Partnership Enterprise |                    |        |              |        |
| (Limited Partnership) (天津华兴丰翔科技合伙企业 (有限合伙))                 |                    |        |              |        |
|   | 16,553,066         | 3.04%  | 16,553,066   | 2.64%  |
| Cypress Star Investments Limited                            | 880,492            | 0.16%  | 880,492      | 0.14%  |
| Baidu (Hong Kong) Limited                                   | 8,804,826          | 1.62%  | 8,804,826    | 1.40%  |
| Haixia Happiness Limited                                    | 2,934,950          | 0.54%  | 2,934,950    | 0.47%  |
| Tencent Mobility Limited                                    | 8,804,826          | 1.62%  | 8,804,826    | 1.40%  |
| Green Frontier Investments Limited                          | 9,391,821          | 1.73%  | 9,391,821    | 1.50%  |
| Haixia Happiness Limited                                    | 7,043,866          | 1.29%  | 2,665,154    | 0.42%  |
| Vision Pelican Limited                                      | 2,934,950          | 0.54%  | 2,934,950    | 0.47%  |
| Tianjin Honghua Jingrui Enterprise Management Partnership   |                    |        |              |        |
| Enterprise (Limited Partnership) (天津红华菁睿企业管理合伙企业 (有限合伙))    |                    |        |              |        |
|   | 2,347,955          | 0.43%  | 2,347,955    | 0.37%  |

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| Shareholders  | Before SVF Closing |       | Upon Closing |       |
|---|--------------------|-------|--------------|-------|
|   | Shares             | %     | Shares       | %     |
| Parallel Stellar Investment Limited   |                    |       | 682,871      | 0.11% |
| Morespark Limited   |                    |       | 1,506,485    | 0.24% |
| HH PDII Holdings Limited  |                    |       | 2,189,356    | 0.35% |
| <b>Series C Preferred Shares</b>  |                    |       |              |       |
| Tencent Mobility Limited  | 2,791,743          | 0.51% | 2,791,743    | 0.45% |
| Green Frontier Investments Limited  | 14,667,350         | 2.70% | 14,667,350   | 2.34% |
| Shining Wish Investment Limited   | 27,917,359         | 5.13% | 27,917,359   | 4.45% |
| Golden Shell (BVI) Company Limited  | 27,917,359         | 5.13% | 27,917,359   | 4.45% |
| HH SHL Holdings Limited   | 9,305,794          | 1.71% | 9,305,794    | 1.48% |
| Sichuan Business No.10 Holdings Limited   | 465,282            | 0.09% | 465,282      | 0.07% |
| Trinity Investment Holdings Ltd.  | 465,289            | 0.09% | 465,289      | 0.07% |
| Tianjin Huaxing Fengfu Technology Partnership Enterprise<br>(Limited Partnership) (天津华兴丰富科技合伙企业 (有限合伙)) | 5,583,462          | 1.03% | 5,583,462    | 0.89% |
| Hongtu Capital Limited  | 4,999,997          | 0.92% | 4,999,997    | 0.80% |
| <b>Series D Preferred Shares</b>  |                    |       |              |       |
| Tencent Mobility Limited  | 26,315,789         | 4.84% | 26,315,789   | 4.20% |
| Parallel Galaxy Investment Limited  | 15,789,474         | 2.90% | 15,789,474   | 2.52% |
| Huaxing Growth Capital III, L.P.  | 789,474            | 0.15% | 789,474      | 0.13% |
| Knight Ray Limited  | 5,263,158          | 0.97% | 5,263,158    | 0.84% |
| H Capital V, L.P.   | 1,168,947          | 0.21% | 1,168,947    | 0.19% |
| H Capital XM, L.P.  | 1,462,632          | 0.27% | 1,462,632    | 0.23% |
| HH SPR-IX Holdings Limited  | 4,210,526          | 0.77% | 4,210,526    | 0.67% |
| Haixia Tiger L.P.   | 276,316            | 0.05% | 276,316      | 0.04% |
| Perseus Technology Investment Limited   | 631,579            | 0.12% | 631,579      | 0.10% |
| Levee Venture Ltd.  | 2,105,263          | 0.39% | 2,105,263    | 0.34% |
| Villa Shell I Limited   | 259,211            | 0.05% | 259,211      | 0.04% |
| Redview Capital Investment I Limited<br>(After 03/31/2019)  | 1,578,947          | 0.29% | 1,578,947    | 0.25% |
| CGVC Company Limited  | 2,631,579          | 0.48% | 2,631,579    | 0.42% |
| STAR CAVITY LIMITED   | 842,105            | 0.15% | 842,105      | 0.13% |
| PA SHELL LIMITED  | 1,789,474          | 0.33% | 1,789,474    | 0.29% |

Schedule X-2

| Shareholders                             | Before SVF Closing |               | Upon Closing       |               |
|--|--------------------|---------------|--------------------|---------------|
|  | Shares             | %             | Shares             | %             |
| SVF II Shell Subco (Singapore) Pte. Ltd. |                    |               | 21,052,632         | 3.36%         |
| <b>Series D+ Preferred Shares</b>        |                    |               |                    |               |
| SVF II Shell Subco (Singapore) Pte. Ltd. |                    |               | 41,666,667         | 6.64%         |
| Tencent Mobility Limited                 |                    |               | 5,002,339          | 0.80%         |
| Parallel Stellar Investment Limited      |                    |               | 2,267,500          | 0.36%         |
| HH PDII Holdings Limited                 |                    |               | 4,443,329          | 0.71%         |
| SC GGF III Holdco, Ltd.                  |                    |               | 6,578,947          | 1.05%         |
| SCC Growth V Holdco P, Ltd.              |                    |               | 2,217,049          | 0.35%         |
| <b>Total</b>                             | <b>543,964,527</b> | <b>100.0%</b> | <b>627,192,990</b> | <b>100.0%</b> |

## REGISTRATION RIGHTS

The Designated Holders shall be entitled to the following rights with respect to any potential public offering of the Company's Ordinary Shares in the United States and shall be entitled to reasonably analogous or equivalent rights with respect to any other offering of the Company Securities (or securities representing interests in the Company Securities) in any other jurisdiction in which the Company undertakes to publicly offer or list such securities for trading on a recognized securities exchange.

**1. Demand Registration.**

- (a) If, at any time following one hundred and eighty (180) days after the effective date of the registration statement for a Public Offering, the Company shall receive a request from the Designated Holders holding at least five percent (5%) Registrable Securities then outstanding (the "Requesting Shareholder") that the Company effect the registration of the Registrable Securities under the Securities Act of such Requesting Shareholder's Registrable Securities where the anticipated gross proceeds (before the deduction of any discounts or commissions) would be at least US\$200 million (the "Demand Threshold"), then the Company shall promptly give notice of such requested registration (each such request, a "Demand Registration") to the other Shareholders and thereupon shall use its reasonable best efforts to effect, as expeditiously as possible, the registration under the Securities Act of:
- (i) all Registrable Securities for which the Requesting Shareholder has requested registration under this Section 1; and
- (ii) subject to the restrictions set forth in Sections 1(e) and 2, all 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 under this Section 1 (all such Shareholders, together with the Requesting Shareholders, and any Shareholders participating in a Piggyback Registration pursuant to Section 2, the "Registering Shareholders") have requested the Company to register by request received by the Company within five (5) Business Days after such Shareholders receive the Company's notice of the Demand Registration;

all to the extent necessary to permit the disposition (in accordance with the intended methods thereof as aforesaid) of the Registrable Securities so to be registered; provided that, subject to Section 1(d), the Company shall not be obligated to effect more than three (3) Demand Registrations for such Requesting Shareholder, other than Demand Registration to be effected pursuant to a Registration Statement on Form F-3, for which an unlimited number of Demand Registrations (including Shelf Offerings) shall be permitted. In no event shall the Company be required to effect more than one Demand Registration hereunder within any six- (6-) month period, provided that this restriction shall not apply to the filing of a Shelf Registration Statement and a Shelf Offering off such Shelf Registration Statement.

- (b) Promptly after the expiration of the five- (5-) Business Day period referred to in Section 1(a)(ii), the Company will notify all Registering Shareholders of the identities of the other Registering Shareholders and the number of shares of Registrable Securities requested to be included therein. At any time prior to the effective date of the registration statement relating to such registration, the Requesting Shareholders may revoke such request, without liability to any of the other Registering Shareholders, by providing a notice to the Company revoking such request.
- (c) The Company shall be liable for and pay all Registration Expenses in connection with any Demand Registration, regardless of whether such registration is effected.
- (d) A Demand Registration shall not be deemed to have occurred:
  - (i) unless the registration statement relating thereto (1) has become effective under the Securities Act and (2) has remained effective for a period of at least one hundred and eighty (180) days (or such shorter period in which all Registrable Securities of the Registering Shareholders included in such registration have actually been sold thereunder); or
  - (ii) if the Maximum Offering Size is reduced in accordance with Section 1(e) so that less than fifty percent (50%) of the Registrable Securities of the Requesting Shareholders sought to be included in such registration are included.
- (e) If a Demand Registration involves an underwritten Public Offering and the managing underwriter advises the Company and the Requesting Shareholders that, in its view, the number of shares of Registrable Securities requested to be included in such registration (including any securities that the Company proposes to be included that are not Registrable Securities) exceeds the largest number of shares that can be sold without having an adverse effect on such offering, including the price at which such shares can be sold (the "Maximum Offering Size"), the Company shall include in such registration, in the priority listed below, up to the Maximum Offering Size:
  - (i) first, all Registrable Securities requested to be registered by the Requesting Shareholders;
  - (ii) second, all Registrable Securities requested to be included in such registration by any other Registering Shareholder (allocated, if necessary for the offering not to exceed the Maximum Offering Size, pro rata among such other Shareholders on the basis of the relative number of Registrable Securities so requested to be included in such registration by each such Shareholder); and
  - (iii) third, any securities proposed to be registered by any other Persons (including the Company), with such priorities among them as the Company shall determine.

#### Annex A-2

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- (f) Upon notice to each Requesting Shareholder, the Company may postpone effecting a registration pursuant to this Section 1 on one occasion during any period of twelve (12) consecutive months for a reasonable time specified in the notice but not exceeding ninety (90) days (which period may not be extended or renewed), if (i) an investment banking firm of recognized national standing shall advise the Company and the Requesting Shareholders in writing that effecting the registration would materially and adversely affect an offering of securities of such Company the preparation of which had then been commenced or (ii) the Company is in possession of material non-public information the disclosure of which during the period specified in such notice the Company reasonably believes would not be in the best interests of the Company.
  - (g) After the closing of an initial Public Offering, the Company shall use its best efforts to qualify for registration on Form F-3. At any time following the consummation of an initial Public Offering and when the Company is eligible to use a Form F-3 registration statement, each Designated Holder may request the Company in writing to file an unlimited number of Registration Statements on Form F-3 (or any successor form to Form F-3, or any comparable form for Registration in a jurisdiction other than the United States) for a public offering of Registrable Securities (including without limitation a Registration Statement for the sale on a continuous or a delayed basis by the holders of the Registrable Securities pursuant to Rule 415 under the Securities Act and/or any similar rule that may be adopted by the SEC) for which the Company is entitled to use Form F-3 or a comparable form to register the requested Registrable Securities (a "Shelf Registration Statement"). If the Company is a "well-known seasoned issuer" (as defined in Rule 405 under the Securities Act) at the time any such request is submitted to the Company or if the Company will become a "well-known seasoned issuer" by the time of the filing of such Shelf Registration Statement, such Shelf Registration Statement shall be an automatic shelf registration statement (as defined in Rule 405 under the Securities Act) (an "Automatic Shelf Registration Statement"). Upon receipt of such a request the Company shall (i) promptly give written notice of the proposed registration to all other holders of Registrable Securities and (ii) as soon as practicable, and in any event within ninety (90) days of the receipt of such request, cause the Registrable Securities specified in the request to be registered and qualified for sale and distribution in such jurisdictions as such Designated Holder may reasonably request. Each Designated Holder may at any time, and from time to time, require the Company to effect the registration of Registrable Securities under this Section 1(g).
  - (h) For so long as a Shelf Registration Statement is and remains effective, each Designated Holder will have the right at any time or from time to time to elect to sell pursuant to an offering (including an underwritten offering) Registrable Securities available for sale pursuant to such Shelf Registration Statement ("Shelf Registrable Securities"). If a Designated Holder desires to sell Registrable Securities pursuant to an underwritten offering, they shall deliver to the Company a written notice (a "Shelf Offering Notice") specifying the number of Shelf Registrable Securities that such holder desires to sell pursuant to such underwritten offering (the "Shelf Offering"). The Demand Threshold shall not apply to any Shelf Offering, including any Underwritten Block Trade.

#### Annex A-3

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Notwithstanding the other time periods set forth in this Section 1, the Company (1) as promptly as practicable, but in no event later than five (5) Business Days after receipt of a Shelf Offering Notice, will give written notice of such Shelf Offering Notice to all other holders of Shelf Registrable Securities that have been identified as selling stockholders in such Shelf Registration Statement and are otherwise permitted to sell in such Shelf Offering, (2) subject to Section 1(e), will include in such Shelf Offering all Shelf Registrable Securities with respect to which the Company has received written requests for inclusion (which request will specify the maximum number of Shelf Registrable Securities intended to be disposed of by such Holder) within five (5) Business Days after the receipt of the Shelf Offering Notice, and (3) will, as expeditiously as possible (and in any event within twenty (20) days after the receipt of a Shelf Offering Notice), use its reasonable best efforts to facilitate such Shelf Offering. The Company will, at the request of any Designated Holder, file any prospectus supplement or any post-effective amendments and otherwise take any action necessary to include therein all disclosure and language deemed necessary or advisable by such Designated Holder to effect such Shelf Offering.

- (i) If a Designated Holder desires to engage in an underwritten block trade or bought deal off of a Shelf Registration Statement (either through filing an Automatic Shelf Registration Statement or through a take-down from an already existing Shelf Registration Statement) (each, an “Underwritten Block Trade”), then notwithstanding the other time periods set forth in this Section 1, (1) such Designated Holder will notify the Company of its intention to undertake an Underwritten Block Trade not less than five (5) Business Days prior to the day such offering is first anticipated to commence, (2) if requested by the Designated Holder, the Company will promptly notify other holders of Shelf Registrable Securities of such Underwritten Block Trade and such notified holders (each, a “Potential Participant”) may elect whether or not to participate no later than the next Business Day (i.e. two (2) Business Days prior to the day such offering is to commence) (unless a longer period is agreed to by the Designated Holder who initiated such Underwritten Block Trade), and (3) the Company will as expeditiously as possible use its reasonable best efforts to facilitate such Underwritten Block Trade (which may close as early as two (2) Business Days after the date it prices and which may price on the date it commences). Any Potential Participant’s request to participate in an Underwritten Block Trade shall be binding on the Potential Participant; provided further that each such electing Potential Participant may condition its participation on the Underwritten Block Trade being completed within fifteen (15) Business Days after its acceptance at a price per share (after giving effect to any underwriters’ discounts or commissions) to such Potential Participant of not less than ninety percent (90%) of the closing price for the shares on their principal trading market on the Business Day immediately prior to such Potential Participant’s election to participate.

## 2. Piggyback Registration.

- (a) If at any time following an initial Public Offering the Company proposes to register any Company Securities under the Securities Act (other than a registration relating to Company Securities issuable upon exercise of employee

stock options or in connection with any employee benefit or similar plan of the Company or in connection with a direct or indirect acquisition by the Company of another Person), whether or not for sale for its own account, the Company shall each such time give prompt notice at least ten (10) Business Days prior to the anticipated filing date of the registration statement relating to such registration to each holder of Registrable Securities, which notice shall set forth such Shareholder's rights under this Section 2 and shall offer such Shareholder the opportunity to include in such registration statement the number of Registrable Securities of the same class or series as those proposed to be registered as each such Shareholder may request (a "Piggyback Registration"), subject to the provisions of Section 2(b). Upon the request of any such Shareholder made within five (5) Business Days after the receipt of notice from the Company (which request shall specify the number of Registrable Securities intended to be registered by such Shareholder), the Company shall use its reasonable best efforts to effect the registration under the Securities Act of all Registrable Securities that the Company has 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; provided that (1) if such registration involves an underwritten Public Offering, all such Shareholders requesting to be included in the Company's registration must sell their Registrable Securities to the underwriters selected as provided in Section 4(f) on the same terms and conditions as apply to the Company or the Requesting Shareholders, as applicable, and (2) if, at any time after giving notice of its intention to register any Company Securities pursuant to this Section 2(a) and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register such securities, the Company shall give notice to all such Shareholders and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such registration. The Company shall pay all Registration Expenses in connection with each Piggyback Registration.

- (b) If a Piggyback Registration involves an underwritten Public Offering (other than any Demand Registration, in which case the provisions with respect to priority of inclusion in such offering set forth in Section 1(e) shall apply) and the managing underwriter advises the Company that, in its view, the number of Registrable Securities that the Company and such Shareholders intend to include in such registration exceeds the Maximum Offering Size, the Company shall include in such registration, in the following priority, up to the Maximum Offering Size:
- (i) first, so much of the Registrable Securities proposed to be registered for the account of the Company as would not cause the offering to exceed the Maximum Offering Size;
  - (ii) second, all Registrable Securities requested to be included in such registration by any Shareholders pursuant to this Section 2 (allocated, if necessary for the offering not to exceed the Maximum Offering Size, pro rata among such Shareholders on the basis of the relative number of shares of Registrable Securities so requested to be included in such registration by each); and

- (iii) third, any securities proposed to be registered for the account of any other Persons with such priorities among them as the Company shall determine.

3. **Lock-Up Agreements.** If any registration of Registrable Securities shall be effected in connection with an underwritten Public Offering, upon the request of the lead managing underwriter in the Public Offering, each Shareholder shall execute a customary lock-up agreement with such managing underwriter providing that, subject to customary exceptions to be agreed between the managing underwriter and the Shareholders, no Shareholder shall effect any public sale or distribution, including any sale pursuant to Rule 144, of Registrable Securities (except as part of such Public Offering) during the period beginning on the date of commencement of the offering until the earlier of (i) such time as the Company and the lead managing underwriter may agree and (ii) the earliest date that the Shareholder is allowed to effect such public sale or distribution pursuant to such request of the lead managing underwriter, provided that (1) these restrictions shall not apply for more than one hundred and eighty (180) days from pricing of a Public Offering (in the case of the initial Public Offering) or more than ninety (90) days from pricing of a Public Offering (in the case of any subsequent Public Offering) and (2) each Shareholder's obligation to execute a lock-up agreement shall be subject to each officer and director of the Company executing a substantially similar form of lock-up agreement.
4. **Registration Procedures.** Whenever Shareholders request that any Registrable Securities be registered pursuant to Sections 1 or 2, subject to the provisions of such Sections, the Company shall use its reasonable best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and, in connection with any such request:
- (a) The Company shall as expeditiously as practicable prepare and file with the SEC a registration statement on any form for which the Company then qualifies or that counsel for the Company shall deem appropriate and which form shall be available for the sale of the Registrable Securities to be registered thereunder in accordance with the intended method of distribution thereof, and use its reasonable best efforts to cause such filed registration statement to become and remain effective for a period of not less than one hundred and eighty (180) days, or in the case of a Shelf Registration Statement, two (2) years (or such shorter period in which all of the Registrable Securities of the Shareholders included in such registration statement shall have actually been sold thereunder).
- (b) Prior to filing a registration statement or prospectus or any amendment or supplement thereto, the Company shall, if requested, furnish to each participating Shareholder and each underwriter, if any, of the Registrable Securities covered by such registration statement copies of such registration statement as proposed to be filed, and thereafter the Company shall furnish to such Shareholder and underwriter, if any, such number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus and any summary prospectus) and such other documents as such Shareholder or underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Shareholder. Each



Shareholder shall have the right to request that the Company modify any information contained in such registration statement, amendment and supplement thereto pertaining to such Shareholder and the Company shall use its best efforts to comply with such request; provided, however, that the Company shall not have any obligation so to modify any information if the Company reasonably expects that so doing would cause the prospectus to contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

- (c) After the filing of the registration statement, the Company shall (i) cause the related prospectus to be supplemented by any required prospectus supplement, and, as so supplemented, to be filed pursuant to the Securities Act, (ii) comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the Shareholders thereof set forth in such registration statement or supplement to such prospectus and (iii) promptly notify each Shareholder holding Registrable Securities covered by such registration statement of any stop order issued or threatened by the SEC or any state securities commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.
- (d) The Company shall use its reasonable best efforts to (i) register or qualify the Registrable Securities covered by such registration statement under such other securities or “blue sky” laws of such jurisdictions in the United States as any Registering Shareholder holding such Registrable Securities reasonably (in light of such Shareholder’s intended plan of distribution) requests and (ii) cause such Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be reasonably necessary or advisable to enable such Shareholder to consummate the disposition of the Registrable Securities owned by such Shareholder; provided that the Company shall not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 4(d), (B) subject itself to taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction.
- (e) The Company shall immediately notify each Registering Shareholder holding such Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and promptly prepare and make available to each such Shareholder and file with the SEC any such supplement or amendment.
- (f) (i) The Designated Holders shall have the right, in their sole discretion, to select an underwriter or underwriters in connection with any Public Offering resulting

from the exercise by any such Designated Holder of a Demand Registration, which underwriter or underwriters may include any Affiliate of any Designated Holder, and (ii) the Designated Holders holding a majority of the voting power of the Registrable Securities (voting as a single class) shall have the right to select an underwriter or underwriters in connection with a Demand Registration of a Designated Holder, which selection shall be subject to the approval of the Company, not to be unreasonably withheld. In connection with any Public Offering, the Company shall enter into customary agreements (including an underwriting agreement in customary form) and take such all other actions as are required in order to expedite or facilitate the disposition of such Registrable Securities in any such Public Offering, including the engagement of a “qualified independent underwriter” in connection with the qualification of the underwriting arrangements with the Financial Industry Regulatory Authority.

- (g) Upon execution of confidentiality agreements in form and substance acceptable to the Company, the Company shall make available for inspection by any holder of Registrable Securities and any underwriter participating in any disposition pursuant to a registration statement being filed by the Company pursuant to this Section 4 and any attorney, accountant or other professional retained by any such holder of Registrable Securities or underwriter (collectively, the “Inspectors”), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the “Records”) as shall be reasonably necessary or desirable to enable them to fulfill their due diligence responsibility, and cause the Company’s officers, directors and employees to supply all information reasonably requested by any Inspector in connection with such registration statement. Records that the Company determines, in good faith, to be confidential and that it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in such registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction. Each Shareholder agrees that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it or its Affiliates as the basis for any market transactions in the Registrable Securities unless and until such information is made generally available to the public. Each Shareholder further agrees that, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, it shall give notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential.
- (h) The Company shall furnish to each Registering Shareholder and to each such underwriter, if any, a signed counterpart, addressed to such Registering Shareholder or underwriter, of (i) an opinion or opinions of counsel to the Company and (ii) a comfort letter or comfort letters from the Company’s independent public accountants, each in customary form and covering such matters of the kind customarily covered by opinions or comfort letters, as the case may be, as a majority of such Shareholders or the managing underwriter therefor requests.

- (i) The Company may require each Shareholder promptly to furnish in writing to the Company such information regarding the distribution of the Registrable Securities as the Company may from time to time reasonably request and such other information as may be legally required in connection with such registration.
  - (j) Each Shareholder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4(e), such Shareholder shall forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Shareholder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 4(e), and, if so directed by the Company, such Shareholder shall deliver to the Company all copies, other than any permanent file copies then in such Shareholder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. If the Company shall give such notice, the Company shall extend the period during which such registration statement shall be maintained effective (including the period referred to in Section 4(a)) by the number of days during the period from and including the date of the giving of notice pursuant to Section 4(e) to the date when the Company shall make available to such Shareholder a prospectus supplemented or amended to conform with the requirements of Section 4(e).
5. **Indemnification by the Company.** The Company agrees to indemnify and hold harmless each Shareholder beneficially owning any Registrable Securities covered by a registration statement, its officers, directors, employees, partners and agents, and each Person, if any, who controls such Shareholder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages, liabilities and expenses (including reasonable expenses of investigation and reasonable attorneys' fees and expenses) ("**Damages**") caused by or relating to any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus relating to the Registrable Securities (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any preliminary prospectus or free writing prospectus (as defined in Rule 405 under the Securities Act), or caused by or relating to any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such Damages are caused by or related to any such untrue statement or omission or alleged untrue statement or omission so made based upon information furnished in writing to the Company by such Shareholder or on such Shareholder's behalf expressly for use therein. The Company also agrees to indemnify any underwriters of the Registrable Securities, their officers and directors and each Person who controls such underwriters within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act on substantially the same basis as that of the indemnification of the Shareholders provided in this Section 5.
6. **Indemnification by Participating Shareholders.** Each Shareholder holding Registrable Securities included in any registration statement agrees, severally but not jointly, to indemnify and hold harmless the Company, its officers, directors and agents and each Person, if any, who controls the Company within the meaning of either Section

15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Shareholder, but only with respect to information furnished in writing by such Shareholder or on such Shareholder's behalf expressly for use in any registration statement or prospectus relating to the Registrable Securities, or any amendment or supplement thereto, or any preliminary prospectus. Each such Shareholder also agrees to indemnify and hold harmless underwriters of the Registrable Securities, their officers and directors and each Person who controls such underwriters within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act on substantially the same basis as that of the indemnification of the Company provided in this Section 6. As a condition to including Registrable Securities in any registration statement filed in accordance with this Annex A, the Company may require that it shall have received an undertaking reasonably satisfactory to it from any underwriter to indemnify and hold it harmless to the extent customarily provided by underwriters with respect to similar securities. No Shareholder shall be liable under this Section 6 for any Damages (taken together with any liability under Section 8) in excess of the net proceeds realized by such Shareholder in the sale of Registrable Securities of such Shareholder pursuant to such registration statement.

7. **Conduct of Indemnification Proceedings.** If any proceeding (including any governmental investigation) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to this Annex A, such Person (an "Indemnified Party") shall promptly notify the Person against whom such indemnity may be sought (the "Indemnifying Party") in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all fees and expenses; provided that the failure of any Indemnified Party so to notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure to notify. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) in the reasonable judgment of such Indemnified Party representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that, in connection with any proceeding or related proceedings in the same jurisdiction, the Indemnifying Party shall not be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by the Indemnified Parties. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. Without the prior written consent of the Indemnified Party, no Indemnifying Party shall effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding.

8. **Contribution.** If the indemnification provided for in this Annex A is unavailable to the Indemnified Parties in respect of any Damages, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Damages (i) as between the Company and the Shareholders holding Registrable Securities covered by a registration statement on the one hand and the underwriters on the other, in such proportion as is appropriate to reflect the relative benefits received by the Company and such Shareholders on the one hand and the underwriters on the other, from the offering of the Registrable Securities, or if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits but also the relative fault of the Company and such Shareholders on the one hand and of such underwriters on the other in connection with the statements or omissions that resulted in such Damages, as well as any other relevant equitable considerations and (ii) as between the Company on the one hand and each such Shareholder on the other, in such proportion as is appropriate to reflect the relative fault of the Company and of each such Shareholder in connection with such statements or omissions, as well as any other relevant equitable considerations. The relative benefits received by the Company and such Shareholders on the one hand and such underwriters on the other shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company and such Shareholders bear to the total underwriting discounts and commissions received by such underwriters, in each case as set forth in the table on the cover page of the prospectus. The relative fault of the Company and such Shareholders on the one hand and of such underwriters on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and such Shareholders or by such underwriters. The relative fault of the Company on the one hand and of each such Shareholder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Shareholders agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation (even if the underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the Damages referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, no underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any Damages that such underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and no Shareholder shall be required to contribute any amount (taken together with any liability under Section 6) in excess of the amount by which the total price at which the Registrable Securities of such Shareholder were offered to the public (less underwriters' discounts and commissions) pursuant to such registration statement exceeds the amount of any

Damages that such Shareholder has otherwise been required to pay hereunder. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. Each Shareholder's obligation to contribute pursuant to this Section 8 is several in the proportion that the proceeds of the offering received by such Shareholder bears to the total proceeds of the offering received by all such Shareholders and not joint.

9. **Participation in Public Offering.** No Shareholder may participate in any Public Offering hereunder unless such Shareholder (a) agrees to sell such Shareholder's Registrable Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements, and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and the provisions of this Agreement in respect of registration rights.
10. **Cooperation by the Company.** If any Shareholder intends to transfer any Registrable Securities pursuant to Rule 144, the Company shall cooperate with such Shareholder and shall provide to such Shareholder such information as such Shareholder shall reasonably request. Specifically, the Company agrees to (1) make and keep publicly available information so long as necessary to permit sales pursuant to Rule 144 under the Securities Act, at all times after the effective date of the first registration under the Securities Act filed by the Company for an offering of its securities to the general public; (2) file with or submit to the SEC in a timely manner all reports and other documents required of the Company under all applicable securities laws; and (3) cooperate with each such Shareholder regarding the removal of any restrictive legends associated with such transfer pursuant to Rule 144, including by delivering to the transfer agent customary documents and instructions reasonably requested by the transfer agent and such Shareholders and causing its counsel to deliver customary opinions to the transfer agent in connection with such transfers (subject to delivery by such Shareholders of customary representation letters).
11. **Other Indemnification.** Indemnification similar to that specified herein (with appropriate modifications) shall be given by the Company and each Shareholder participating therein with respect to any required registration or other qualification of securities under any federal or state law or regulation other than the Securities Act.
12. **Termination of Registration Rights.** The rights set forth in this Annex A shall terminate upon the earliest of: (i) the date of the completion of a Liquidation Event; (ii) as to any holder, when all Registrable Securities held by such holder may be sold under Rule 144(b)(1)(i) without limitation under any of the other requirements of Rule 144; and (iii) the date that is the fifth (5th) anniversary following the consummation of an initial Public Offering of the Company.

Annex A-12

ANNEX B

PERMITTED INVESTMENTS OF ORDINARY SHAREHOLDER CONTROLLING PERSONS

| 序号 | 姓名  | 对外投资的企业          | 统一社会信用代码/注册号       | 持股比例   | 备注                     |
|----|-----|------------------|--------------------|--------|------------------------|
| 1  | 单一刚 | 北京自如资产管理有限公司     | 91110228MA001BECXB | 5.4%   |                        |
| 2  | 徐万刚 | 北京自如资产管理有限公司     | 91110228MA001BECXB | /      | 间接持有                   |
|    |     | 北京自如资产管理有限公司     | 91110228MA001BECXB | 94.6%  |                        |
|    |     | 北京丁丁优房科技信息有限公司   | 911101083272315726 | 99%    | 通过天津高通商务咨询有限公司持股       |
|    |     | 上海诺衍投资管理中心（有限合伙） | 91310120MA1HK57K57 | 84.77% |                        |
|    |     | 广州向日葵信息科技有限公司    | 91440104695198542C | 7.75%  | 通过上海诺衍投资管理中心（有限合伙）持股   |
|    |     | 向日葵保险经纪有限公司      | 9144010166995691X2 | 7.75%  | 广州向日葵信息科技有限公司持有100%的股权 |
| 3  | 左晖  | 广州正宏保险代理有限公司     | 91440111691543273C | 7.75%  | 广州向日葵信息科技有限公司持有100%的股权 |
|    |     | 广州市葵网商务咨询有限责任公司  | 914401063557355404 | 7.75%  | 广州向日葵信息科技有限公司持有100%的股权 |
|    |     | 深圳市葵园科技有限公司      | 914403003593853653 | 7.75%  | 广州向日葵信息科技有限公司持有100%的股权 |
|    |     | 上海保葵信息科技有限公司     | 91310120MA1HLTRA17 | 7.75%  | 广州向日葵信息科技有限公司持有100%的股权 |
|    |     | 深圳市中诚致信融资担保有限公司  | 914403007992012591 | 90%    |                        |
| 4  | 杜欣  | 深圳市房贷通置业代理有限公司   | 91440300797995411P | 90%    |                        |
|    |     | 湖南房贷通投资担保有限公司    | 9143010568950155X4 | 90%    | 通过中诚致信持股               |
|    |     | 北京自如资产管理有限公司     | 91110228MA001BECXB | /      | 间接持有                   |

Annex B-1

| 序号 | 姓名  | 对外投资的企业          | 统一社会信用代码/注册号       | 持股比例   | 备注   |
|----|-----|------------------|--------------------|--------|--|
| 5  | 陈戎  | 广州向日葵信息科技有限公司    | 91440104695198542C | 23.46% | 直接以及通过上海诺衍投资管理中心（有限合伙）、上海铠踊投资管理中心（有限合伙）、上海岚樊持股投资管理中心（有限合伙）持股 |
|    |     | 向日葵保险经纪有限公司      | 9144010166995691X2 | 34.56% | 广州向日葵信息科技有限公司持有100%的股权                                       |
|    |     | 广州正宏保险代理有限公司     | 91440111691543273C | 34.56% | 广州向日葵信息科技有限公司持有100%的股权                                       |
|    |     | 广州市葵网商务咨询有限责任公司  | 914401063557355404 | 34.56% | 广州向日葵信息科技有限公司持有100%的股权                                       |
|    |     | 深圳市葵园科技有限公司      | 914403003593853653 | 34.56% | 广州向日葵信息科技有限公司持有100%的股权                                       |
|    |     | 上海保葵信息科技有限公司     | 91310120MA1HLTRA17 | 34.56% | 广州向日葵信息科技有限公司持有100%的股权                                       |
|    |     | 上海诺衍投资管理中心(有限合伙) | 91310120MA1HK57K57 | 8.78%  | 通过广州市恒捷管理顾问有限公司持股  |
|    |     | 上海铠踊投资管理中心(有限合伙) | 91310120MA1HK57NXL | 49.95% |  |
|    |     | 上海岚樊投资管理中心(有限合伙) | 91310120MA1HK57J7C | 49.95% |  |
|    |     | 广州市恒捷管理顾问有限公司    | 914401017142553200 | 97.5%  |  |
| 6  | 阮广杰 | 北京自如资产管理有限公司     | 91110228MA001BECXB | /      | 间接持有   |
| 7  | 高军  | 北京自如资产管理有限公司     | 91110228MA001BECXB | /      | 间接持有   |
| 8  | 党杰  | 北京自如资产管理有限公司     | 91110228MA001BECXB | /      | 间接持有   |
| 9  | 周小龙 | 北京自如资产管理有限公司     | 91110228MA001BECXB | /      | 间接持有   |

| 序号 | 姓名  | 对外投资的企业        | 统一社会信用代码/注册号       | 持股比例 | 备注   |
|----|-----|----------------|--------------------|------|------|
| 10 | 刘潇潇 | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 11 | 丁宗洋 | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 12 | 冯文萃 | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 13 | 冯霞  | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 14 | 顾非凡 | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 15 | 林俊权 | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 16 | 刘伍洋 | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 17 | 张剑东 | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 18 | 王哲  | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 19 | 宋东风 | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 20 | 尉征慧 | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 21 | 张学飞 | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 22 | 李国平 | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 23 | 陶红兵 | 北京星缤纷悦资产管理有限公司 | 91110105335427911N | 100% |      |
|    |     | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |
| 24 | 邵非  | 北京自如资产管理有限公司   | 91110228MA001BECXB | /    | 间接持有 |

Annex B-3

## ANNEX C

### DEED OF ADHERENCE

This Deed of Adherence (this “Deed”) is made as of the date written below by and among the undersigned (the “Joining Party”) and KE Holdings Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands (the “Company”), in accordance with the Second Amended and Restated Investor Rights Agreement dated November 29, 2019 (as amended, the “Investor Rights Agreement”) by and among the Company, Mr. Zuo Hui, each Person listed on Schedule I, Schedule II, Schedule III and Part A of Schedule IV thereto. The Company enters this Deed on behalf of itself and as agent for all the existing Shareholders of the Company. Capitalized terms used but not defined in this Deed shall have the meaning ascribed to such terms in the Investor Rights Agreement.

The Joining Party hereby acknowledges, agrees and undertakes that, by its execution of this Deed, the Joining Party shall be deemed to be a party to the Investor Rights Agreement and to perform the obligations imposed by the Investor Rights Agreement in all respects as if it had executed the Investor Rights Agreement. The Joining Party hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Investor Rights Agreement. This Deed is made for the benefit of (a) the original parties to the Investor Rights Agreement and (b) any other Person or Persons who after the date of the Investor Rights Agreement (whether or not prior to or after the date of this Deed) adheres to the Investor Rights Agreement. Each existing Shareholder and the Company shall be entitled to enforce the Investor Rights Agreement against the Joining Party, and the Joining Party shall be entitled to all rights and benefits of [the holder of Series D Preferred Shares]/[*name of the selling Shareholder*] (other than those that are non-assignable) under the Investor Rights Agreement] in each case as if the Joining Party had been an original party to the Investor Rights Agreement.

The address for notice of the Joining Party shall be as follows:

Address: [·]  
Attention: [·]  
Email: [·]  
Facsimile: [·]

This Deed of Adherence shall be governed by and construed in accordance with the laws of Hong Kong.

Annex C-1



IN WITNESS WHEREOF, the undersigned has executed this Deed of Adherence on the date written below.

Date: \_\_\_\_\_

Signed, Sealed and Delivered  
as a deed by  
[*name of Joining Party*]  
acting by [a director and its secretary/two directors]

)  
)  
) Director  
)  
\_\_\_\_\_  
Director/Secretary

Date: \_\_\_\_\_

Signed, Sealed and Delivered  
as a deed by  
KE Holdings Inc.  
acting by a director

)  
)  
) Director  
)  
\_\_\_\_\_

OR

The common seal of  
[name of Joining Party]  
was affixed in the presence of:

) [Common seal to be affixed here]  
)  
)

\_\_\_\_\_

Director

\_\_\_\_\_

Director/Secretary/Person authorized by the board of directors

Date: \_\_\_\_\_

Signed, Sealed and Delivered  
as a deed by  
KE Holdings Inc.  
acting by a director

)  
)  
) \_\_\_\_\_  
) Director  
)

ANNEX D

MEMORANDUM AND ARTICLES

Annex D

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### 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.

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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 shall be established as of the date when it is duly signed by both Parties (if the party is an individual; or sealed if the party is a non-individual) and shall become effective on the date (subject to the date indicated in the business license) of completion of industrial and commercial registration relating to the capital decrease as approved by Lianjia Real Estate’s shareholders resolution on the same date hereof. 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.

*[The Reminder of This Page is Intentionally Left Blank.]*

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Power of Attorney on \_\_\_\_, 2018, which shall take effects in accordance with provisions hereof.

Principal:

By:       /s/ Name of Shareholder      

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Power of Attorney on \_\_\_\_, 2018, 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

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Power of Attorney on \_\_\_\_, 2018, 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

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Annex I Lianjia Real Estate’s Ownership Structure

| Shareholder  | 认缴注册资本<br>(人民币/元)<br>Subscribed Capital<br>Contribution<br>(RMB/yuan) | 出资比例<br>Shareholding<br>Percentage |
|--|---|------------------------------------|
| ZUO Hui  | 7,986,153   | 59.8090%                           |
| SHAN Yigang  | 475,294   | 3.5595%                            |
| Tianjin Yurui Business Consulting Partnership (Limited Partnership)          | 941,439   | 7.0505%                            |
| Tianjin Yusi Business Consulting Partnership (Limited Partnership)           | 398,833   | 2.9869%                            |
| Tianjin Yumin Business Consulting Partnership (Limited Partnership)          | 364,133   | 2.7270%                            |
| Tianjin Dingcong Business 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 Wangang   | 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%                            |

Annex I

To:  
 Beike (Tianjin) Investment Co., Ltd. (hereafter referred to as “WFOE”); and  
 Beijing Lianjia Real Estate Agency Co., Ltd. (hereafter referred to as “Lianjia Real Estate”)

### Spousal Consent Letter

The undersigned, [Name of Covenantor], (a PRC citizen with Identification Card No.: \_\_\_\_\_), is the lawful spouse of a shareholder of Lianjia Real Estate, [Name of Shareholder], (a PRC citizen with Identification Card No.: \_\_\_\_\_). I hereby confirm I have understood, and unconditionally and irrevocably agree on the execution of the following documents by my spouse and/or Lianjia Real Estate in which my spouse directly holds equity interests, and agree on the disposal by my spouse of his/her equity interests in Lianjia Real Estate and any rights and interests attached thereto in accordance with the provisions of the VIE agreements:

1. The Exclusive Business Cooperation Agreement executed by and between Lianjia Real Estate and WFOE on December 28, 2018;
2. The Exclusive Option Agreement executed by and among the shareholders of Lianjia Real Estate, WFOE and Lianjia Real Estate on March 1, 2020;
3. The Equity Pledge Agreement executed by and among the shareholders of Lianjia Real Estate, WFOE and Lianjia Real Estate on March 1, 2020;
4. The Power of Attorney issued by [Name of Shareholder] to WFOE on \_\_\_\_\_, 20\_\_\_\_; and
5. Any modification, amendment and/or supplement to the above documents executed by relevant parties from time to time (together with the above documents, collectively referred to as “VIE Agreements”).

I hereby confirm and agree that the equity interests and any rights and interests attached thereto in Lianjia Real Estate currently and hereafter held by my spouse is his individual property, and shall not constitute the jointly owned properties between my spouse and I, which my spouse is entitled to dispose of on his own. I hereby unconditionally and irrevocably waive any right or interest with respect to such equity interest and its corresponding assets that I may be entitled to under any applicable laws, and undertake not to raise any claim with respect to such equity interest and its corresponding assets, including claiming that such equity interest and its corresponding assets constitute the jointly owned property between my spouse and me, and thereby claiming to participate in the daily operation and management of Lianjia Real Estate or cast vote or in any way impact the decision of my spouse regarding such equity interests or any rights and interest attached thereto. I further confirm that, my spouse is entitled to independently exercise his/her rights and perform his/her obligations under the VIE Agreements at his/her discretion, and no separate authority or consent on my part is required for my spouse to perform the VIE Agreements, amend or terminate the VIE Agreements or sign any other documents to replace the VIE Agreements.

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I hereby undertake to execute all necessary documents and take all necessary actions to ensure appropriate performance of the VIE Agreements (as amended from time to time).

I hereby agree and covenant that, I will not act in any manner that conflicts with the arrangement contemplated under the VIE Agreements or this Spousal Consent Letter at any time. If I acquire any equity interests or any rights or interest attached thereto from Lianjia Real Estate for any reason, I shall be bound by the VIE Agreements (as amended from time to time), and comply with the obligations of shareholders of Lianjia Real Estate under the VIE Agreements (as amended from time to time). For such purpose, at the request of WFOE, I will execute a series of written documents with the form and substance substantially the same as the VIE Agreements (as amended from time to time).

I hereby further confirm, covenant and undertake, in all cases, including without limitation, the occurrence of the divorce between my spouse and me, my spouse shall be entitled to independently dispose the equity interest and the corresponding assets he/she holds in Lianjia Real Estate, and I will not take any actions that may affect or prevent my spouse's performance of his/her duties under the VIE Agreements, including but not limited to raising any claim for the equity interest in Lianjia Real Estate or any rights endowed under the VIE Agreements.

The covenants, confirmation, agreement and authorization under this Spousal Consent Letter shall not be revoked, impaired, nullified or adversely affected, due to increase, decrease, merger or other similar events in the equity interests of Lianjia Real Estate, or my incapability or death, or my divorce with my spouse and similar events.

Matters unspecified herein, including without limitation the governing law, dispute resolution, definition and interpretation of relevant terms, shall be subject to provisions of the VIE Agreements.

The Spousal Consent Letter was signed on \_\_\_\_, 20\_\_, is irrevocable and will stay in force on permanently basis.

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By: /s/  
Name: [Name of Covenantor]

\_\_\_\_\_, 20 \_\_\_\_

Beike (Tianjin) Investment Co., Ltd. and Beijing Lianjia Real Estate Agency Co., Ltd. hereby agree and acknowledge this Spousal Consent Letter.

**Beike (Tianjin) Investment Co., Ltd. (Seal)**

By: /s/ PENG Yongdong  
Name: PENG Yongdong  
Title: Legal Representative

**Beijing Lianjia Real Estate Agency Co., Ltd. (Seal)**

By: /s/ PENG Yongdong  
Name: PENG Yongdong  
Title: Legal Representative

Signature Pages to Spousal Consent Letter

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### Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “**Agreement**”) has been executed by and among the following parties on March 1, 2020 in Beijing, the People’s Republic of China (“**China**” or the “**PRC**”, for the purpose of this Agreement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region of the People’s Republic of China):

**Party A: Beike (Tianjin) Investment Co., Ltd.** (hereinafter “**Pledgee**”);

Legal Representative: PENG Yongdong

**Party B:** Party C’s shareholders as listed in Annex I of this Agreement

(Hereinafter referred to individually as “**Pledgor**”, collectively as “**Pledgors**”); and

**Party C: Beijing Lianjia Real Estate Agency Co., Ltd.**

Legal Representative: PENG Yongdong

In this Agreement, each of Pledgee, Pledgor and Party C shall be referred to individually as a “**Party**”, collectively as the “**Parties**”.

**Whereas:**

- (1) Pledgors are the shareholders of Party C, as of the effective date of this Agreement, Party C’s ownership structure is as shown in Annex I hereto. Party C is a limited liability company registered in Beijing, China, engaging in Real estate brokerage business services. Party C acknowledges the respective rights and obligations of Pledgors and Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge;
- (2) Pledgee is a wholly foreign owned enterprise registered in China. Pledgee and Party C have executed an *Exclusive Business Cooperation Agreement* (as defined below) in Beijing; Pledgee, Pledgors and Party C have executed an *Exclusive Option Agreement* (as defined below); each Pledgor has executed a Power of Attorney (as defined below) in favor of Pledgee;
- (3) To ensure that Party C and Pledgors fully perform their obligations under the *Exclusive Business Cooperation Agreement*, the *Exclusive Option Agreement*, and the *Power of Attorney*, each Pledgor hereby pledges to the Pledgee all of the equity interest that such Pledgor holds in Party C as security for fulfillment by Party C and Pledgors of their obligations under the *Exclusive Business Cooperation Agreement*, the *Exclusive Option Agreement*, and the *Power of Attorney*.

To perform the provisions of the Transaction Documents (as defined below), the Parties have mutually agreed to execute this Agreement upon the following terms.

#### **Section 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 Pledgors to Pledgee pursuant to Section 2 of this Agreement, i.e., the right of Pledgee to be compensated on a preferential basis with the conversion, auction or sales price of the Equity Interest.
- 1.2 Equity Interest: shall refer to all equity interests in Party C currently held by Pledgors, and all of the equity interests hereafter acquired by Pledgors 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: the Exclusive Business Cooperation Agreement executed on December 28, 2018 (“**Exclusive Business Cooperation Agreement**”) by and between Party C and Pledgee; the Exclusive Option Agreement executed by and among Party C, Pledgors and Pledgee on the same date of this Agreement (“**Exclusive Option Agreement**”); and the Power of Attorney executed by the Pledgors on December 28, 2018 (“**Power of Attorney**”), and any modification, amendment and/or restatement to the aforementioned documents.
- 1.5 Contract Obligations: shall refer to all the obligations of Pledgors 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. The amount of such loss shall be calculated in accordance with the reasonable business plan and profit forecast of Pledgee, the consulting and service fees payable to Pledgee under the Exclusive Business Cooperation Agreement, all expenses occurred in connection with enforcement by Pledgee of Pledgors’ 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.

## **Section 2 The Pledge**

- 2.1 Pledgors agree 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 Pledgors pledge the Equity Interest to the Pledgee pursuant to this Agreement.
- 2.2 During the term of the Pledge, Pledgee is entitled to receive dividends distributed on the Equity Interest. Pledgors may receive dividends distributed on the Equity Interest only with prior written consent of Pledgee. Dividends received by Pledgors on Equity Interest after deduction of individual income tax paid by Pledgors 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 any other payment; or (2) unconditionally donated to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.



- 2.3 Pledgors may subscribe for capital increase in Party C only with prior written consent of Pledgee. Any equity interest obtained by Pledgors as a result of such Pledgor's subscription of the increased registered capital of the Company shall also be deemed as Equity Interest. With respect to such increased Equity Interest, a further pledge agreement should be signed, and the Parties shall file pledge registration in connection herewith.
- 2.4 In the event that Party C is required by PRC law to be liquidated or dissolved, any interest distributed to Pledgors 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 any other payment; or (2) unconditionally donated to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.

### Section 3 Term of Pledge

- 3.1 The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein has been registered with relevant administration for industry and commerce (the "**AIC**"), and thereafter shall be continuously valid until (1) all Contract Obligations have been fulfilled and all Secured Indebtedness have been repaid up, or (2) if the Pledgee and/or its designee decides to purchase all the equity interests held by the Pledgors in Party C in accordance with Exclusive Option Agreement to the extent as permitted by PRC laws, the equity interests of Party C have been transferred to the Pledgee and/or its designee in accordance with law and Pledgee and/or its designee have been legally qualified to engage in business of Party C. The Pledgors and Party C shall register the Pledge hereof in the shareholders' register of Party C on the date hereof and the Pledgors shall handle the industrial and commercial registration relating to the Pledge on the same day. The Parties jointly confirm that for the purpose of registering the Pledge with the industrial and commercial administration, the Parties shall, upon request of Party A, submit a copy of this Agreement or an equity pledge agreement executed in the form required by the local industrial and commercial administration where Party C resides ("**AIC Equity Pledge Agreement**") to the industrial and commercial administration. Where there is any inconsistency between AIC Equity Pledge Agreement and this Agreement, this Agreement shall prevail. The Pledgors and Party C shall submit all necessary documents and complete all necessary procedures, pursuant to the PRC laws and regulations and the requirements of relevant AIC, 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 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.

#### **Section 4 Custody of Records for Equity Interest subject to Pledge**

- 4.1 During the Term of Pledge set forth in this Agreement, Pledgors 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 effective date of this Agreement. Pledgee shall have custody of such documents during the entire Term of Pledge set forth in this Agreement.

#### **Section 5 Representations and Warranties of Pledgors and Party C**

As of the effective date of this Agreement, Pledgors and Party C hereby severally but not jointly and represent and warrant to Pledgee that:

- 5.1 Pledgors are the sole legal and beneficial owner of the Equity Interest.
- 5.2 Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement.
- 5.3 Except for the Pledge, Each Pledgor has not placed any security interest or other encumbrance on the Equity Interest.
- 5.4 Pledgors 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.
- 5.5 The execution, delivery and performance of this Agreement will not: (i) violate any relevant PRC laws; (ii) conflict with Party C's Sections 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.

#### **Section 6 Covenants of Pledgors and Party C**

- 6.1 During the term of this Agreement, Pledgors and Party C hereby severally but not jointly covenant to the Pledgee:
- 6.1.1 Pledgors 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;
- 6.1.2 Pledgors 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 Pledgors and Party C shall promptly notify Pledgee of any event or notice received by Pledgors that may have an impact on the Equity Interest or any portion thereof, as well as any event or notice received by Pledgors that may have an impact on any guarantees and other obligations of Pledgors arising out of this Agreement.
- 6.2 Pledgors agree that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgors or any heirs or representatives of such Pledgor or any other persons through any legal proceedings.
- 6.3 To protect or perfect the security interest granted by this Agreement for fulfillment of Contract Obligations and repayment of Secured Indebtedness, Pledgors hereby undertake 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. Pledgors also undertake 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). Pledgors undertake to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.
- 6.4 Pledgors hereby undertake to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure or partial performance of its guarantees, promises, agreements, representations and conditions, Pledgors shall indemnify Pledgee for all losses resulting therefrom.

## **Section 7 Event of Default**

- 7.1 The following circumstances shall be deemed Event of Default:
- 7.1.1 Pledgors' 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 and/or Party C delivers a notice to the Pledgors requesting rectification of such Event of Default, Pledgee may issue a Notice of Default to Pledgors in writing at any time thereafter, demanding the exercise of Pledge in accordance with the provisions of Section 8 of this Agreement.

## **Section 8 Exercise of Pledge**

- 8.1 Pledgee shall issue a Notice of Default to Pledgors when exercising 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. Once Pledgee elects to enforce the Pledge, Pledgor shall cease to be entitled to any rights or interests associated with the Equity Interest.
- 8.3 After Pledgee issues a Notice of Default to Pledgors 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 duly 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 Pledgors or any other person who have rights to such balance under applicable laws or be deposited to the local notary public office where such Pledgor resides, with all expense incurred being borne by such Pledgor. To the extent permitted under applicable PRC laws, Pledgors 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 Pledgors or Party C shall not raise any objection to such exercise.

- 8.7 When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgors and Party C shall provide necessary assistance to enable Pledgee to enforce the Pledge in accordance with this Agreement.

## **Section 9 Breach of Agreement**

- 9.1 If Pledgors or Party C conducts any material breach of any term of this Agreement, Pledgee shall have right to terminate this Agreement and/or require Pledgors or Party C to indemnify all damages; this Section 9 shall not prejudice any other rights of Pledgee herein;

## **Section 10 Assignment**

- 10.1 Without Pledgee's prior written consent, Pledgors 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 Pledgors 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 under this Agreement to its designee(s), in which case the designee 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 a change in Pledgee due to an assignment, Pledgors 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.
- 10.5 Pledgors 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 Pledgors with respect to the Equity Interest pledged hereunder shall not be exercised by any Pledgor except in accordance with the written instructions of Pledgee.

## **Section 11 Termination**

- 11.1 This Agreement shall automatically terminate upon the fulfillment of all Contract Obligations and the full repayment of all Secured Indebtedness by Pledgors and Party C, Pledgee shall release the Pledge under this Agreement upon Pledgors' request as soon as reasonably practicable and shall assist Pledgors to de-register the Pledge from the shareholders' register of Party C and cancel the registration of Pledge with relevant PRC local administration for industry and commerce (if Pledge has been registered).

- 11.2 The provisions under Section 9, 13, 14 and 11.2 herein of this Agreement shall survive the expiration or termination hereof.
- 11.3 The Parties hereby agree that this Agreement, from the effective date hereof, the Equity Interest Pledge Agreement executed by the Parties on December 28, 2018 shall be entirely terminated and shall be entirely superseded and replaced by this Agreement.

## **Section 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.

## **Section 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 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.

## **Section 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 occurrence of any dispute arising from or with respect to the performance of this Agreement, 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 Party C and its subsidiaries or adjudicate the winding up of Party C 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 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 Party C and/or its subsidiaries are located shall also be deemed to have jurisdiction for such above purpose.

- 14.3 During the arbitration period, the Parties shall continue to exercise their rights and continue to perform their obligations under this Agreement except for the part under dispute and submitted to arbitration.

## **Section 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. 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:
- 15.1.1 Notices given by personal delivery (including express services) shall be deemed effectively given on the date of signed receipt;
- 15.1.2 Notices given by registered mail with postage prepaid shall be deemed effectively given on the fifteenth day following the date indicated on the return receipt;
- 15.1.3 Notices given by facsimile transmission shall be deemed effectively given on the date as recorded in the fax. If such facsimile is delivered after 5 p.m. or on a non-business day, the notice shall be deemed to be effectively given on the next business day;
- 15.2 For the purpose of notices, the addresses of the Parties are as indicated in Annex II hereto:
- 15.3 Any Party may change its address for notices by sending a notice to the other Parties in accordance with the terms hereof.

Section 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.

Section 17 Attachments

The attachments set forth herein shall be an integral part of this Agreement.

Section 18 Effectiveness

- 18.1 This Agreement shall become effective upon execution by the Parties (if the party is an individual; or upon sealing if the party is a non-individual).
- 18.2 Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon completion of the governmental filing procedures (if applicable) after the affixation of the signatures or seals of the Parties.

Section 19 Counterparts

This Agreement may be executed in multiple copies, with each copy having the same legal effects.

[The Reminder of This Page is Intentionally Left Blank. Signature Pages 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, which shall take effects in accordance with provisions hereof

Beike (Tianjin) Investment Co., Ltd. (Seal)

By: /s/ PENG Yongdong  
Name: PENG Yongdong  
Title: Legal Representative



IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

**ZUO Hui**

By:     /s/ ZUO Hui  
Name:   ZUO Hui

Signature Page to Equity Interest Pledge Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

SHAN Yigang

By: /s/ SHAN Yigang  
Name: SHAN Yigang

Signature Page to Equity Interest Pledge Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

**Tianjin Yurui Business Consulting Partnership (Limited Partnership) (Seal)**

By:        /s/ (Seal)  
Name:  
Title:     Authorised Representative

Signature Page to Equity Interest Pledge Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

**Tianjin Yusi Business Consulting Partnership (Limited Partnership) (Seal)**

By:        /s/ (Seal)  
Name:  
Title:     Authorised Representative

Signature Page to Equity Interest Pledge Agreement

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有鉴于此，各方已促使其授权代表于文首所述日期签署了本股权质押协议并根据本协议之约定生效，以昭信守。

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

**Tianjin Yumin Business Consulting Partnership (Limited Partnership) (Seal)**

By:        /s/ **(Seal)**  
Name: \_\_\_\_\_  
Title:     Authorised Representative

Signature Page to Equity 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, which shall take effects in accordance with provisions hereof

**Tianjin Dingcong Business Consulting Partnership (Limited Partnership) (Seal)**

By:        /s/ (Seal)  
Name:  
Title:     Authorised Representative

Signature Page to Equity Interest Pledge Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

**Tianjin Bojun Business Consulting Partnership (Limited Partnership) (Seal)**

By:        /s/ (Seal)  
Name:  
Title:     Authorised Representative

Signature Page to Equity Interest Pledge Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

**DANG Jie**

By: /s/ DANG Jie  
Name: DANG Jie

Signature Page to Equity 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, which shall take effects in accordance with provisions hereof

XU Wan'gang

By: /s/ XU Wan'gang  
Name: XU Wan'gang

Signature Page to Equity 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, which shall take effects in accordance with provisions hereof

GAO Jun

By:     /s/ GAO Jun  
Name:   GAO Jun

Signature Page to Equity Interest Pledge Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

Shanghai Zhanben Investment Management Center (Limited Partnership) (Seal)

By:        /s/ (Seal) \_\_\_\_\_  
Name:  
Title:     Authorised Representative

Signature Page to Equity Interest Pledge Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

**Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership) (Seal)**

By: /s/ (Seal)  
Name:  
Title: Authorised Representative

Signature Page to Equity Interest Pledge Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

**DU Xin**

By:        /s/ DU Xin  
Name:     DU Xin

Signature Page to Equity Interest Pledge Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

**CHEN Rong**

By: /s/ CHEN Rong  
Name: CHEN Rong

Signature Page to Equity Interest Pledge Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

**RUAN Guangjie**

By:                  /s/ RUAN Guangjie            
Name:     RUAN Guangjie

Signature Page to Equity Interest Pledge Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement as of the date first above written, which shall take effects in accordance with provisions hereof

Beijing Lianjia Real Estate Agency Co., Ltd. (Seal)

By: /s/ PENG Yongdong  
Name: PENG Yongdong  
Title: Legal Representative

Signature Page to Equity Interest Pledge Agreement

Annex I: Party C’s Ownership Structure

| Shareholder  | Subscribed<br>Registered<br>Capital (RMB) | Shareholding<br>Percentage |
|--|---|----------------------------|
| ZUO Hui  | 7,986,153                                 | 59.8090%                   |
| SHAN Yigang  | 475,294                                   | 3.5595%                    |
| Tianjin Yurui Business Consulting Partnership (Limited Partnership)          | 941,439                                   | 7.0505%                    |
| Tianjin Yusi Business Consulting Partnership (Limited Partnership)           | 398,833                                   | 2.9869%                    |
| Tianjin Yumin Business Consulting Partnership (Limited Partnership)          | 364,133                                   | 2.7270%                    |
| Tianjin Dingcong Business 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%                    |

Annex I

## Annex II Address for Notices

### To Parties:

Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing

Tel.: \*\*\*\*\* (SHENG Lei); \*\*\*\*\* (CHEN Yan)

Email: \*\*\*\*\*, \*\*\*\*\*

Contact person: SHENG Lei; CHEN Yan

Annex II

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**Annex III**

1. Shareholders' Register of Party C;
2. The Capital Contribution Certificate for Party C;
3. Exclusive Business Cooperation Agreement;
4. Exclusive Option Agreement;
5. Power of Attorney.

Annex III

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### Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Agreement”) has been executed by and among the following parties on December 28, 2018 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: ZUO Hui** (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 Unit 59, Room 112, 1/F, Office Building C, Integrated Service Area, Nangang Industrial Zone, 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.

Whereas:

1. 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;
2. Pledgee is a wholly foreign-owned enterprise registered in China. Pledgee and Party C which is owned by Pledgor have executed an Exclusive Business Cooperation Agreement (as defined below) in Beijing; 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;
3. 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;

Strictly Confidential

## 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 December 28, 2018 (the "Exclusive Business Cooperation Agreement"), the Exclusive Option Agreement executed by and among Party C, Pledgee and Pledgor on December 28, 2018 (the "Exclusive Option Agreement"), Power of Attorney executed on December 28, 2018 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.

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- 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 within 3 business days following the execution 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.

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- 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.

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## 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.

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- 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.

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- 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.

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## **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.

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#### 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.

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## 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: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing

Attn: Shenglei, Ma Yeming

Phone: \*\*\*\*\* (Sheng Lei); \*\*\*\*\* (Ma Yeming)

**Party B: ZUO Hui**

Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing

Phone: \*\*\*\*\* (Sheng Lei) ; \*\*\*\*\* (Ma Yeming)

**Party C: Tianjin Xiaowu Information Technology Co., Ltd.**

Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing

Attn: Shenglei, Ma Yeming

Phone: \*\*\*\*\* (Sheng Lei) ; \*\*\*\*\* (Ma Yeming)

- 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.

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## 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.

## 18. Attachments

The attachments set forth herein shall be an integral part of this Agreement.

## 19. Effectiveness

19.1 This Agreement shall become effective upon execution by the Parties.

19.2 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 and English in four copies. Pledgor, Pledgee and Party C shall hold one copy respectively and the other copy shall be used for registration. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

*The Remainder of this page is intentionally left blank*

Strictly Confidential

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 Equity Interest Pledge Agreement

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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: ZUO Hui

By: /s/ ZUO Hui

Signature Page to Equity 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 Equity Interest Pledge Agreement

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**Attachments:**

1. Shareholders' Register of Party C;
  2. The Capital Contribution Certificate for Party C.
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**Equity Interest Pledge Agreement**

This Equity Interest Pledge Agreement (this "Agreement") has been executed by and among the following parties on December 28, 2018 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 Unit 59, Room 112, 1/F, Office Building C, Integrated Service Area, Nangang Industrial Zone, 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.

Whereas:

1. 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;
2. Pledgee is a wholly foreign-owned enterprise registered in China. Pledgee and Party C which is owned by Pledgor have executed an Exclusive Business Cooperation Agreement (as defined below) in Beijing; 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;
3. 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;

Strictly Confidential

## 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 December 28, 2018 (the "Exclusive Business Cooperation Agreement"), the Exclusive Option Agreement executed by and among Party C, Pledgee and Pledgor on December 28, 2018 (the "Exclusive Option Agreement"), Power of Attorney executed on December 28, 2018 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.

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## **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 (1) register the Pledge in the shareholders' register of Party C within 3 business days following the execution of this Agreement, and (2) submit an application to the AIC for the registration of the Pledge of the Equity Interest contemplated herein within the term as agreed upon by Party A. 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 matters not specified in 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.

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- 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.

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## 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.

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- 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.

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## **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.

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## **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 shall be conducted in Beijing. 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 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: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing  
Attn: Shenglei, Ma Yeming  
Phone: \*\*\*\*\* (Sheng Lei); \*\*\*\*\* (Ma Yeming)

**Party B: SHAN Yigang**  
Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing  
Phone: \*\*\*\*\* (Sheng Lei); \*\*\*\*\* (Ma Yeming)

**Party C: Tianjin Xiaowu Information Technology Co., Ltd.**  
Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing  
Attn: Shenglei, Ma Yeming  
Phone: \*\*\*\*\* (Sheng Lei); \*\*\*\*\* (Ma Yeming)

- 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.

#### **18. Attachments**

The attachments set forth herein shall be an integral part of this Agreement.

#### **19. Effectiveness**

19.1 This Agreement shall become effective upon execution by the Parties.

19.2 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 and English in four copies. Pledgor, Pledgee and Party C shall hold one copy respectively and the other copy shall be used for registration. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

*The 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 above written.

Party A: Jinbei (Tianjin) Technology Co., Ltd. (Seal)

By: /s/ PENG Yongdong  
Name: PENG Yongdong  
Title: Legal Representative

Signature Page to Equity Interest Pledge Agreement

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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 Equity 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 Equity Interest Pledge Agreement

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**Attachments:**

- 1. Shareholders’ Register of Party C;
- 2. The Capital Contribution Certificate for Party C.

Attachments to Equity Interest Pledge Agreement

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### Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “**Agreement**”) has been executed by and among the following parties on April 27, 2020 in Beijing, the People’s Republic of China (“**China**” or the “**PRC**”, for the purpose of this Agreement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region of the People’s Republic of China):

**Party A: Beike Jinke (Tianjin) Technology Co., Ltd.** (hereinafter “**Pledgee**”);

Legal Representative: FAN Zhuopeng

**Party B:** Party C’s shareholders as listed in Annex I of this Agreement

(Hereinafter referred to individually as “Pledgor”, collectively as “**Pledgors**”); and

**Party C: Beijing Yiju Taihe Technology Co. Ltd.**

Legal Representative: WEI Yong

In this Agreement, each of Pledgee, Pledgor and Party C shall be referred to individually as a “**Party**”, collectively as the “**Parties**”.

**Whereas:**

- (1) Pledgors are the shareholders of Party C, as of the effective date of this Agreement, Party C’s ownership structure is as shown in Annex I hereto. Party C is a limited liability company registered in Beijing, China, engaging in financial services business. Party C acknowledges the respective rights and obligations of Pledgors and Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge;
- (2) Pledgee is a wholly foreign owned enterprise registered in China. Pledgee and Party C have executed an *Exclusive Business Cooperation Agreement* (as defined below) in Beijing; Pledgee, Pledgors and Party C have executed an *Exclusive Option Agreement* (as defined below); each Pledgor has executed a Power of Attorney (as defined below) in favor of Pledgee;
- (3) To ensure that Party C and Pledgors fully perform their obligations under the *Exclusive Business Cooperation Agreement*, the *Exclusive Option Agreement*, and the *Power of Attorney*, each Pledgor hereby pledges to the Pledgee all of the equity interest that such Pledgor holds in Party C as security for fulfillment by Party C and Pledgors of their obligations under the *Exclusive Business Cooperation Agreement*, the *Exclusive Option Agreement*, and the *Power of Attorney*.

To perform the provisions of the Transaction Documents (as defined below), the Parties have mutually agreed to execute this Agreement upon the following terms.

## Section 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 Pledgors to Pledgee pursuant to Section 2 of this Agreement, i.e., the right of Pledgee to be compensated on a preferential basis with the conversion, auction or sales price of the Equity Interest.
- 1.2 Equity Interest: shall refer to all equity interests in Party C currently held by Pledgors, and all of the equity interests hereafter acquired by Pledgors 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: the Exclusive Business Cooperation Agreement executed on December 28, 2018 (“**Exclusive Business Cooperation Agreement**”) by and between Party C and Pledgee; the Exclusive Option Agreement executed by and among Party C, Pledgors and Pledgee on the same date of this Agreement (“**Exclusive Option Agreement**”); and the Power of Attorney executed by the Pledgors on the date hereof (“**Power of Attorney**”), and any modification, amendment and/or restatement to the aforementioned documents.
- 1.5 Contract Obligations: shall refer to all the obligations of Pledgors 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. The amount of such loss shall be calculated in accordance with the reasonable business plan and profit forecast of Pledgee, the consulting and service fees payable to Pledgee under the Exclusive Business Cooperation Agreement, all expenses occurred in connection with enforcement by Pledgee of Pledgors’ 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.

## Section 2 The Pledge

- 2.1 Pledgors agree 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 Pledgors pledge the Equity Interest to the Pledgee pursuant to this Agreement.
- 2.2 During the term of the Pledge, Pledgee is entitled to receive dividends

distributed on the Equity Interest. Pledgors may receive dividends distributed on the Equity Interest only with prior written consent of Pledgee. Dividends received by Pledgors on Equity Interest after deduction of individual income tax paid by Pledgors 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 any other payment; or (2) unconditionally donated to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.

- 2.3 Pledgors may subscribe for capital increase in Party C only with prior written consent of Pledgee. Any equity interest obtained by Pledgors as a result of such Pledgor's subscription of the increased registered capital of the Company shall also be deemed as Equity Interest. With respect to such increased Equity Interest, a further pledge agreement should be signed, and the Parties shall file pledge registration in connection herewith.
- 2.4 In the event that Party C is required by PRC law to be liquidated or dissolved, any interest distributed to Pledgors 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 any other payment; or (2) unconditionally donated to Pledgee or any other person designated by Pledgee to the extent permitted under applicable PRC laws.

### Section 3 Term of Pledge

- 3.1 The Pledge shall become effective on such date when the pledge of the Equity Interest contemplated herein has been registered with relevant administration for industry and commerce (the "**AIC**"), and thereafter shall be continuously valid until (1) all Contract Obligations have been fulfilled and all Secured Indebtedness have been repaid up, or (2) if the Pledgee and/or its designee decides to purchase all the equity interests held by the Pledgors in Party C in accordance with Exclusive Option Agreement to the extent as permitted by PRC laws, the equity interests of Party C have been transferred to the Pledgee and/or its designee in accordance with law and Pledgee and/or its designee have been legally qualified to engage in business of Party C. The Pledgors and Party C shall register the Pledge hereof in the shareholders' register of Party C on the date hereof and the Pledgors shall handle the industrial and commercial registration relating to the Pledge on the same day. The Parties jointly confirm that for the purpose of registering the Pledge with the industrial and commercial administration, the Parties shall, upon request of Party A, submit a copy of this Agreement or an equity pledge agreement executed in the form required by the local industrial and commercial administration where Party C resides ("**AIC Equity Pledge Agreement**") to the industrial and commercial administration. Where there is any inconsistency between AIC Equity Pledge Agreement and this Agreement, this Agreement shall prevail. The Pledgors and Party C shall submit all necessary documents and complete all necessary procedures, pursuant to the PRC laws and regulations and the requirements of relevant AIC, 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 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.

#### **Section 4 Custody of Records for Equity Interest subject to Pledge**

- 4.1 During the Term of Pledge set forth in this Agreement, Pledgors 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 date of this Agreement. Pledgee shall have custody of such documents during the entire Term of Pledge set forth in this Agreement.

#### **Section 5 Representations and Warranties of Pledgors and Party C**

As of the effective date of this Agreement, Pledgors and Party C hereby severally but not jointly and represent and warrant to Pledgee that:

- 5.1 Pledgors are the sole legal and beneficial owner of the Equity Interest.
- 5.2 Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with the provisions set forth in this Agreement.
- 5.3 Except for the Pledge, Each Pledgor has not placed any security interest or other encumbrance on the Equity Interest.
- 5.4 Pledgors 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.
- 5.5 The execution, delivery and performance of this Agreement will not: (i) violate any relevant PRC laws; (ii) conflict with Party C's Sections 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.

#### **Section 6 Covenants of Pledgors and Party C**

- 6.1 During the term of this Agreement, Pledgors and Party C hereby severally but not jointly covenant to the Pledgee:
- 6.1.1 Pledgors 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;
- 6.1.2 Pledgors 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 Pledgors and Party C shall promptly notify Pledgee of any event or notice received by Pledgors that may have an impact on the Equity Interest or any portion thereof, as well as any event or notice received by Pledgors that may have an impact on any guarantees and other obligations of Pledgors arising out of this Agreement.
- 6.2 Pledgors agree that the rights acquired by Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by Pledgors or any heirs or representatives of such Pledgor or any other persons through any legal proceedings.
- 6.3 To protect or perfect the security interest granted by this Agreement for fulfillment of Contract Obligations and repayment of Secured Indebtedness, Pledgors hereby undertake 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. Pledgors also undertake 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). Pledgors undertake to provide Pledgee within a reasonable time with all notices, orders and decisions regarding the Pledge that are required by Pledgee.
- 6.4 Pledgors hereby undertake to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure or partial performance of its guarantees, promises, agreements, representations and conditions, Pledgors shall indemnify Pledgee for all losses resulting therefrom.

## **Section 7 Event of Default**

- 7.1 The following circumstances shall be deemed Event of Default:
  - 7.1.1 Pledgors' 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 and/or Party C delivers a notice to the Pledgors requesting rectification of such Event of Default, Pledgee may issue a Notice of Default to Pledgors in writing at any time thereafter, demanding the exercise of Pledge in accordance with the provisions of Section 8 of this Agreement.

## **Section 8 Exercise of Pledge**

- 8.1 Pledgee shall issue a Notice of Default to Pledgors when exercising 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. Once Pledgee elects to enforce the Pledge, Pledgor shall cease to be entitled to any rights or interests associated with the Equity Interest.
- 8.3 After Pledgee issues a Notice of Default to Pledgors 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 duly 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 Pledgors or any other person who have rights to such balance under applicable laws or be deposited to the local notary public office where such Pledgor resides, with all expense incurred being borne by such Pledgor. To the extent permitted under applicable PRC laws, Pledgors 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 Pledgors or Party C shall not raise any objection to such exercise.
- 8.7 When Pledgee disposes of the Pledge in accordance with this Agreement, Pledgors and Party C shall provide necessary assistance to enable Pledgee to

enforce the Pledge in accordance with this Agreement.

#### **Section 9 Breach of Agreement**

- 9.1 If Pledgors or Party C conducts any material breach of any term of this Agreement, Pledgee shall have right to terminate this Agreement and/or require Pledgors or Party C to indemnify all damages; this Section 9 shall not prejudice any other rights of Pledgee herein;

#### **Section 10 Assignment**

- 10.1 Without Pledgee's prior written consent, Pledgors 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 Pledgors 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 under this Agreement to its designee(s), in which case the designee 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 a change in Pledgee due to an assignment, Pledgors 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.
- 10.5 Pledgors 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 Pledgors with respect to the Equity Interest pledged hereunder shall not be exercised by any Pledgor except in accordance with the written instructions of Pledgee.

#### **Section 11 Termination**

- 11.1 This Agreement shall automatically terminate upon the fulfillment of all Contract Obligations and the full repayment of all Secured Indebtedness by Pledgors and Party C, Pledgee shall release the Pledge under this Agreement upon Pledgors' request as soon as reasonably practicable and shall assist Pledgors to de-register the Pledge from the shareholders' register of Party C and cancel the registration of Pledge with relevant PRC local administration for industry and commerce (if Pledge has been registered).
- 11.2 The provisions under Section 9, 13, 14 and 11.2 herein of this Agreement

shall survive the expiration or termination hereof.

- 11.3 The Parties hereby agree that this Agreement, from the effective date hereof, the Equity Interest Pledge Agreement executed by the Parties (except for Beijing Lianjia Real Estate Agency Co., Ltd.) on December 28, 2018 shall be entirely terminated and shall be entirely superseded and replaced by this Agreement.

## **Section 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.

## **Section 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 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.

## **Section 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 occurrence of any dispute arising from or with respect to the performance of this Agreement, 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 Party C and its subsidiaries or adjudicate the winding up of Party C 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 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 Party C and/or its subsidiaries are located shall also be deemed to have jurisdiction for such above purpose.

- 14.3 During the arbitration period, the Parties shall continue to exercise their rights and continue to perform their obligations under this Agreement except for the part under dispute and submitted to arbitration.

## **Section 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. 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:

15.1.1 Notices given by personal delivery (including express services) shall be deemed effectively given on the date of signed receipt;

15.1.2 Notices given by registered mail with postage prepaid shall be deemed effectively given on the fifteenth day following the date indicated on the return receipt;

15.1.3 Notices given by facsimile transmission shall be deemed effectively given on the date as recorded in the fax. If such facsimile is delivered after 5 p.m. or on a non-business day, the notice shall be deemed to be effectively given on the next business day;

15.2 For the purpose of notices, the addresses of the Parties are as indicated in Annex II hereto:

15.3 Any Party may change its address for notices by sending a notice to the other Parties in accordance with the terms hereof.

## **Section 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.

## Section 17 Attachments

The attachments set forth herein shall be an integral part of this Agreement.

## Section 18 Effectiveness

- 18.1 This Agreement shall become effective upon execution by the Parties (if the party is an individual; or upon sealing if the party is a non-individual).
- 18.2 Any amendments, changes and supplements to this Agreement shall be in writing and shall become effective upon completion of the governmental filing procedures (if applicable) after the affixation of the signatures or seals of the Parties.

## Section 19 Counterparts

This Agreement may be executed in multiple copies, with each copy having the same legal effects.

*[The Reminder of This Page is Intentionally Left Blank. Signature Pages Follow.]*

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

### Beike Jinke (Tianjin) Technology Co., Ltd. (Seal)

By: /s/ FAN Zhuopeng  
Name: FAN Zhuopeng  
Title: Legal Representative

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**ZUO Hui**

By:     /s/ ZUO Hui    

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**SHAN Yigang**

By:     /s/ SHAN Yigang    

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**XU Wan'gang**

By:     /s/ XU Wan'gang    

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**DANG Jie**

By: /s/ DANG Jie

Signature Page to Equity Interest Pledge

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**DU Xin**

By:       /s/ DU Xin      

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**CHEN Rong**

By: /s/ CHEN Rong

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**RUAN Guangjie**

By:     /s/ RUAN Guangjie    

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**GAO Jun**

By:     /s/ GAO Jun    

Signature Page to Equity Interest Pledge

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Gaotong Business Consulting Co., Ltd. (Seal)**

By:     /s/ (Seal)    

Name:

Title: Authorised Representative

Signature Page to Equity Interest Pledge

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Juge Business Consulting Partnership (Limited Partnership) (Seal)**

By: /s/ (Seal)

Name:

Title: Authorised Representative

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Jingchuang Business Consulting Partnership (Limited Partnership) (Seal)**

By: /s/ (Seal)  
Name:  
Title: Authorised Representative

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Jingda Business Consulting Partnership (Limited Partnership) (Seal)**

By:     /s/ (Seal)      
Name:  
Title: Authorised Representative

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Mingchen Business Consulting Partnership (Limited Partnership) (Seal)**

By:     /s/ (Seal)      
Name:  
Title: Authorised Representative

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Jurui Business Consulting Partnership (Limited Partnership) (Seal)**

By: /s/ (Seal)  
Name:  
Title: Authorised Representative

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Chuangtian Business Consulting Partnership (Limited Partnership) (Seal)**

By:  /s/ (Seal) \_\_\_\_\_  
Name:  
Title: Authorised Representative

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Fuxun Business Consulting Partnership (Limited Partnership) (Seal)**

By:   /s/ (Seal)    
Name:  
Title: Authorised Representative

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

Beijing Lianjia Real Estate Agency Co., Ltd. (Seal)

By: /s/ PENG Yongdong  
Name: PENG Yongdong  
Title: Legal Representative

Signature Page to Equity Interest Pledge

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Interest Pledge Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

Beijing Yiju Taihe Technology Co., Ltd. (Seal)

By: /s/ WEI Yong  
Name: WEI Yong  
Title: Legal Representative

Signature Page to Equity Interest Pledge

Annex I: Party C’s Ownership Structure

| Shareholder  | Subscribed<br>Registered<br>Capital (RMB) | Shareholding<br>Percentage |
|--|---|----------------------------|
| ZUO Hui  | 18,950,000                                | 2.5365%                    |
| Tianjin Gaotong Business Consulting Co., Ltd.                            | 69,022,335                                | 9.2388%                    |
| Tianjin Juge Business Consulting Partnership (Limited Partnership)       | 5,968,681                                 | 0.7989%                    |
| Tianjin Jingchuang Business Consulting Partnership (Limited Partnership) | 7,212,370                                 | 0.9654%                    |
| Tianjin Jingda Business Consulting Partnership (Limited Partnership)     | 7,580,000                                 | 1.0146%                    |
| Tianjin Mingchen Business Consulting Partnership (Limited Partnership)   | 1,793,496                                 | 0.2401%                    |
| Tianjin Jurui Business 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 Agency Co., Ltd.                             | 600,000,000                               | 80.3117%                   |
| Total  | 747,088,863                               | 100.0000%                  |

Annex I

## Annex II Address for Notices

### To Each Party:

Mailing Address: Building 1, Yard 9, Jiuxianqiao East Road, Chaoyang

District, Beijing

Tel.: \*\*\*\*\*(WANG Qingsong); \*\*\*\*\* (GUO Shanshan)

Email: \*\*\*\*\*, \*\*\*\*\*

Contact person: WANG Qingsong; GUO Shanshan

Annex II

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**Annex III**

1. Shareholders' Register of Party C;
2. The Capital Contribution Certificate for Party C;
3. Exclusive Business Cooperation Agreement;
4. Exclusive Option Agreement;
5. Power of Attorney.

Annex III

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### Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this “**Agreement**”) is made and entered into by and between the following parties on December 28, 2018 in Beijing, the People’s Republic of China (“**China**” or the “**PRC**”, for the purposes of this Agreement, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region of the People’s Republic of China).

**Party A: Beike (Tianjin) Investment Co., Ltd.**

Legal representative: PENG Yongdong

**Party B: Beijing Lianjia Real Estate Agency Co., Ltd.**

Legal representative: PENG Yongdong

In this Agreement, each of Party A and Party B shall be hereinafter referred to as a “Party” individually, and as the “Parties” collectively.

#### Whereas,

- (1) Party A is a wholly foreign-owned enterprise established in China, and has resources necessary for providing technical and consulting services;
- (2) Party B is a company established in China with exclusive domestic capital and as legally approved by the relevant PRC government authorities, is permitted to engage in real estate brokerage services. The businesses conducted by Party B currently and at any time during the term of this Agreement are collectively referred to as the “**Principal Business**”;
- (3) Party A is willing to provide Party B with technical support, consultation and other services on an exclusive basis in relation to the Principal Business during the term of this Agreement, utilizing its advantages in technology, team, 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:

#### Section 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 following:
    - (1) Licensing Party B to use the related software legally owned by Party A;
    - (2) Development, maintenance and updating of related application software necessary for Party B’s business;
-

- (3) Design, installation, daily management, maintenance and updating of network systems, hardware equipment and database;
- (4) Technical support and training for employees of Party B;
- (5) Assisting Party B in consulting, collection and research of technology and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under PRC law);
- (6) Providing business and management consultation for Party B;
- (7) Providing marketing and promotional services for Party B;
- (8) Provide customer order management and customer services for Party B;
- (9) Transfer, leasing and disposal of equipment or properties; and
- (10) Other related 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 relationships with any third party regarding the matters contemplated by this Agreement. Both Parties agree that Party A may appoint or designate other parties to provide Party B with the services under this Agreement (the designated parties may enter into certain agreements as described in Section 1.5 with Party B).

1.3 Party A shall be entitled to inspect the accounts of Party B either on regularly basis or from time to time, and Party B shall ensure accurate and timely account recording and provide Party A with its accounts at the request of Party A. During the validity term of this Agreement and subject to any applicable laws, Party B agrees to cooperate with Party A and its shareholders (including, direct or indirect shareholders ) to audit the Party B's accounts (including, without limitation, audit of related-party transactions and other aspects), to provide Party A, its shareholders and/or the auditors appointed by Party A with related information and data concerning the operation, business, clients, finance and employees of Party B and Party B's subsidiaries, and agrees that Party A's shareholders may disclose such information and data to satisfy its listed securities regulatory requirements. The Parties agree that, during the validity term of this Agreement, Party A shall be entitled to consolidate the financial results of Party B into that of Party A in accordance with applicable accounting standards as if Party B was a wholly owned subsidiary of Party A. However, Party A shall not bear any legal liabilities for any debts or other obligations or risks of Party B.

- 1.4 If Party B goes into liquidation or dissolution for any reason, to the extent permitted by the PRC laws, Party B shall form a liquidation team comprising members recommended by Party A to manage the properties of Party B and its subsidiaries. In such case, notwithstanding the enforceability of this Agreement, Party B agrees that it shall deliver all liquidated assets of Party B to Party A in accordance with PRC laws and regulations.
- 1.5 **Service Providing Methodology**
- 1.5.1 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, methods, personnel, and fees for the specific services.
- 1.5.2 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 lease agreements 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 business needs of Party B.
- 1.5.3 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, and 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.

## **Section 2            The Calculation and Payment of the Service Fees**

- 2.1 The service fees under this Agreement shall be the balance of the 100% gross consolidated profits of Party B for any financial year after offsetting the accumulated losses (if any) of Party B and its subsidiaries for the preceding financial years and deducting the working capital, expenses, taxes and other statutory contributions required for any financial year. Notwithstanding the foregoing, Party A may, at its sole discretion, adjust the scope and amount of the service fees based upon the PRC tax regulations and taxation practice and with reference to the working capital needs of Party B. Party B shall accept such adjustment.
- 2.2 Party A shall calculate the service fees on annual basis and issue the corresponding invoice to Party B. Party B shall pay the service fees to the bank account designated by Party A within 10 business days after the receipt of such invoice, and deliver the copy of the payment certificate to Party A by fax or email within 10 business days after the payment. Party A shall provide Party B with receipt of payment within 10 business days after receipt of the service fees. Notwithstanding the foregoing, Party A may adjust the schedule and method of the payment of service fees at its own discretion, and Party B shall accept such adjustment.

### **Section 3 Intellectual Property Rights and Confidentiality Clauses**

- 3.1 Party A shall have sole and exclusive ownership, rights and interests in any and all intellectual properties or intangible assets arising out of or created or developed during the performance of this Agreement by both Parties, including but not limited to copyrights, patents, patent applications, software, technical secrets, trade secrets and others (to the extent not prohibited by the PRC laws). Unless expressly authorized by Party A, Party B is not entitled to any rights or interests in any intellectual property rights of Party A which are used by Party A in providing the services pursuant to this Agreement. Party B shall execute all appropriate documents, take all appropriate actions, submit all documents 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 the ownership, right or interest of any such intellectual property rights and intangible assets in Party A, and/or perfecting the protections of any such intellectual property rights and intangible assets for Party A (including but not limited to registering such intellectual property rights and intangible assets under Party A's name).
- 3.2 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.

### **Section 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 legally established and validly existing in accordance with the laws of China; Party A or the service providers designated by Party A will obtain all government permits and licenses necessary 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 agencies (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 the laws of China.

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 agencies (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.

#### **Section 5            Term of Agreement**

5.1 This Agreement shall be established as of the date when it is duly sealed by both Parties and shall become effective on the date (subject to the date indicated in the business license) of completion of industrial and commercial registration relating to the capital decrease as approved by Party B's shareholders' resolution on the same date hereof. This Agreement shall terminate upon mutual consensus by the Parties. This Agreement shall remain effective permanently unless expressly provided hereof or agreed by Party A in writing.

5.2 During the term of this Agreement, each Party shall renew its operation term upon the expiration thereof, 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 the renewal of its operation term is not approved or permitted by the competent 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.

#### **Section 6            Governing Law and Resolution of Disputes**

6.1 The execution, effectiveness, interpretation, performance of this Agreement and the resolution of disputes hereunder shall be governed by and interpreted in accordance with the laws of China.

6.2 In the event of occurrence of any dispute arising from or with respect to the

performance of this Agreement, 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 Party B and its subsidiaries or adjudicate the winding up of Party B 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 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 Party B and/or its subsidiaries are located shall also be deemed to have jurisdiction for such above purpose.

- 6.3 During the arbitration period, the Parties shall continue to exercise their respective rights and continue to perform their respective obligations under this Agreement, except for the part under dispute and submitted for arbitration.

#### **Section 7 Breach of Agreement and Indemnification**

- 7.1 If Party B materially breaches any provision under this Agreement, Party A is entitled to (1) terminate this Agreement and require Party B to compensate all the losses; or (2) require specific performance of the obligations of Party B under this Agreement and require Party B to compensate all the losses. This Section 7.1 shall not prejudice any other rights of Party A under this Agreement.
- 7.2 Unless otherwise required by the applicable laws, Party B shall not terminate this Agreement in any event.
- 7.3 Party B shall indemnify Party A and hold Party A harmless from any losses, damages, obligations or expenses caused by any lawsuit, requests or other demands raised 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.

#### **Section 8 Force Majeure**

- 8.1 In the case of any force majeure events ("Force Majeure") such as earthquakes, typhoons, floods, fires, flu, wars, strikes or any other events that cannot be

predicted and are unpreventable and unavoidable by the affected Party, which directly causes the failure of either Party to perform or fully perform this Agreement, the Party affected by such Force Majeure shall not be liable for such failure in performance, partial performance. However, the Party affected by such Force Majeure shall give the other Party written notices without any delay, and shall provide details evidencing such event within 15 days after sending out such notice, explaining the reasons for such failure in performance, partial performance or delay in 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.

## **Section 9            Notices**

- 9.1 All notices and other communications required to be given or otherwise made pursuant to this Agreement shall be delivered personally, or sent by registered mail, prepaid postage, a commercial courier service or facsimile transmission to the receiving Party with an additional copy delivered via 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 (including express services) shall be deemed effectively given on the date of signed receipt;
- 9.1.2 Notices given by registered mail with postage prepaid shall be deemed effectively given on the fifteenth day following the date indicated on the return receipt;
- 9.1.3 Notices given by facsimile transmission shall be deemed effectively given on the date as recorded in the fax. If such facsimile is delivered after 5 p.m. or on a non-business day, the notice shall be deemed to be effectively given on the next business day.
- 9.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A: Beike (Tianjin) Investment Co., Ltd.  
Mailing Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing  
Tel.: \*\*\*\*\* (Sheng Lei); \*\*\*\*\* (Ma Yeming)



Email: \*\*\*\*\*; \*\*\*\*\*  
Contact person: SHENG Lei; MA Yeming

Party B: Beijing Lianjia Real Estate Agency Co., Ltd.  
Mailing Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing  
Tel.: \*\*\*\*\* (Sheng Lei); \*\*\*\*\* (Ma Yeming)  
Email: \*\*\*\*\*; \*\*\*\*\*  
Contact person: SHENG Lei; MA Yeming

- 9.3 Any Party may change its address for notices by a notice delivered to the other Party in accordance with the terms of this Section.

#### **Section 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.

#### **Section 11 Miscellaneous**

- 11.1 In the event that one or several of the 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 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.
- 11.2 This Agreement may be amended or supplemented by a written agreement executed by both Parties. Any amendment agreement and supplementary agreement duly executed by the Parties hereto with regard to this Agreement shall constitute an integral part of this Agreement, and shall have equal legal validity as this Agreement.
- 11.3 The Agreement shall be executed in two copies, with each Party holding one copy.

*[The reminder of this page is intentionally left blank. Signature page follows.]*

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement on the date first mentioned above, which shall take effects in accordance with provisions hereof.

**Beike (Tianjin) Investment Co., Ltd. (Seal)**

By:        /s/ PENG Yongdong  
Name:     PENG Yongdong  
Title:     Legal Representative

Signature Page to Exclusive Business Cooperation Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement on the date first mentioned above, which shall take effects in accordance with provisions hereof.

**Beijing Lianjia Real Estate Agency Co., Ltd. (Seal)**

By:        /s/ PENG Yongdong  
Name:     PENG Yongdong  
Title:     Legal Representative

Signature Page to Exclusive Business Cooperation Agreement

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**Exclusive Business Cooperation Agreement**

This Exclusive Business Cooperation Agreement (this “Agreement”) is made and entered into by and between the following parties on December 28, 2018 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: Unit 59, Room 112, 1/F, Office Building C, Integrated Service Area, Nangang Industrial Zone, Tianjin Economic-Technological 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. Party A is a wholly foreign owned enterprise established in China, and has the necessary resources to provide technical and consulting services;
2. 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”;
3. 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:

Strictly Confidential

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 fees payable by Party B to Party A during the term of this Agreement shall be calculated as follows::
  - 2.1.1 Party B shall pay service fee to Party A in each year. The service fee for each year shall consist of management fee and fee for services provided, the amount and payment deadline of which shall be determined by the Parties in writing through negotiation after considering; if the Parties fail to agree upon the amount of service fee, Party A's decision shall be final and conclusive:
    - (1) Complexity and difficulty of the services provided by Party A;
    - (2) Title of and time consumed by employees of Party A providing the services;

- (3) Contents and value of the services provided by Party A;
  - (4) Market price of the same type of services;
  - (5) Operation conditions of the Party B;
  - (6) Essential cost, expenses, taxes and statutory reserve or retaining funds.
- 2.1.2 If Party A transfers technology to Party B or develops software or other technology as entrusted by Party B or leases equipment or properties to Party B, the technology transfer price, development fees or rent shall be determined by the Parties based on the actual situations.
- 2.1.3 Except the service fees, Party B shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses, paid or incurred by Party A in connection with the conduct of its performance and provision of services.
- 2.1.4 Each Party shall bear the taxes related to its execution and performance of this Agreement. Upon the request of Party A, Party B shall endeavor to assist Party A to enjoy the exemption of value added taxes for all or party of the service fee revenue.

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 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 are no pending or, to the knowledge of Party B, threatened litigation, arbitration or other judicial or administrative proceedings 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. 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 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 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: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing  
Attn: Shenglei, Ma Yeming  
Phone: \*\*\*\*\* (Sheng Lei) : \*\*\*\*\* (Ma Yeming)

**Party B:** **Tianjin Xiaowu Information Technology Co., Ltd.**  
Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing  
Attn: Shenglei, Ma Yeming  
Phone: \*\*\*\*\* (Sheng Lei) : \*\*\*\*\* (Ma Yeming)

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.

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 both Chinese and English language in two copies, each Party having one copy. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

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

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### Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this “**Agreement**”) is made and entered into by and between the following parties on December 28, 2018 in Beijing, the People’s Republic of China (“**China**” or the “**PRC**”, for the purposes of this Agreement, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region of the People’s Republic of China).

**Party A: Beike Jinke (Tianjin) Technology Co., Ltd.**

Legal representative: FAN Zhuopeng

**Party B: Beijing Boheng Taihe Advertising Co. Ltd.**

Legal representative: ZUO Hui

In this Agreement, each of Party A and Party B shall be hereinafter referred to as a “Party” individually, and as the “Parties” collectively.

**Whereas,**

- (1) Party A is a wholly foreign-owned enterprise established in China, and has resources necessary for providing technical and consulting services;
- (2) Party B is a company established in China with exclusive domestic capital and as legally approved by the relevant PRC government authorities, is permitted to engage in financial services business. The businesses conducted by Party B currently and at any time during the term of this Agreement are collectively referred to as the “**Principal Business**”;
- (3) Party A is willing to provide Party B with technical support, consultation and other services on an exclusive basis in relation to the Principal Business during the term of this Agreement, utilizing its advantages in technology, team, 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:

#### **Section 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 following:
    - (1) Licensing Party B to use the related software legally owned by Party A;
    - (2) Development, maintenance and updating of related application software necessary for Party B’s business;
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- (3) Design, installation, daily management, maintenance and updating of network systems, hardware equipment and database;
- (4) Technical support and training for employees of Party B;
- (5) Assisting Party B in consulting, collection and research of technology and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under PRC law);
- (6) Providing business and management consultation for Party B;
- (7) Providing marketing and promotional services for Party B;
- (8) Provide customer order management and customer services for Party B;
- (9) Transfer, leasing and disposal of equipment or properties; and
- (10) Other related 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 relationships with any third party regarding the matters contemplated by this Agreement. Both Parties agree that Party A may appoint or designate other parties to provide Party B with the services under this Agreement (the designated parties may enter into certain agreements as described in Section 1.5 with Party B).

1.3 Party A shall be entitled to inspect the accounts of Party B either on regularly basis or from time to time, and Party B shall ensure accurate and timely account recording and provide Party A with its accounts at the request of Party A. During the validity term of this Agreement and subject to any applicable laws, Party B agrees to cooperate with Party A and its shareholders (including, direct or indirect shareholders) to audit the Party B's accounts (including, without limitation, audit of related-party transactions and other aspects), to provide Party A, its shareholders and/or the auditors appointed by Party A with related information and data concerning the operation, business, clients, finance and employees of Party B and Party B's subsidiaries, and agrees that Party A's shareholders may disclose such information and data to satisfy its listed securities regulatory requirements. The Parties agree that, during the validity term of this Agreement, Party A shall be entitled to consolidate the financial results of Party B into that of Party A in accordance with applicable accounting standards as if Party B was a wholly owned subsidiary of Party A. However, Party A shall not bear any legal liabilities for any debts or other obligations or risks of Party B.

- 1.4 If Party B goes into liquidation or dissolution for any reason, to the extent permitted by the PRC laws, Party B shall form a liquidation team comprising members recommended by Party A to manage the properties of Party B and its subsidiaries. In such case, notwithstanding the enforceability of this Agreement, Party B agrees that it shall deliver all liquidated assets of Party B to Party A in accordance with PRC laws and regulations.
- 1.5 Service Providing Methodology
- 1.5.1 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, methods, personnel, and fees for the specific services.
- 1.5.2 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 lease agreements 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 business needs of Party B.
- 1.5.3 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, and 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.

## **Section 2 The Calculation and Payment of the Service Fees**

- 2.1 The service fees under this Agreement shall be the balance of the 100% gross consolidated profits of Party B for any financial year after offsetting the accumulated losses (if any) of Party B and its subsidiaries for the preceding financial years and deducting the working capital, expenses, taxes and other statutory contributions required for any financial year. Notwithstanding the foregoing, Party A may, at its sole discretion, adjust the scope and amount of the service fees based upon the PRC tax regulations and taxation practice and with reference to the working capital needs of Party B. Party B shall accept such adjustment.
- 2.2 Party A shall calculate the service fees on annual basis and issue the corresponding invoice to Party B. Party B shall pay the service fees to the bank account designated by Party A within 10 business days after the receipt of such invoice, and deliver the copy of the payment certificate to Party A by fax or email within 10 business days after the payment. Party A shall provide Party B with receipt of payment within 10 business days after receipt of the service fees. Notwithstanding the foregoing, Party A may adjust the schedule and method of the payment of service fees at its own discretion, and Party B shall accept such adjustment.

### **Section 3 Intellectual Property Rights and Confidentiality Clauses**

- 3.1 Party A shall have sole and exclusive ownership, rights and interests in any and all intellectual properties or intangible assets arising out of or created or developed during the performance of this Agreement by both Parties, including but not limited to copyrights, patents, patent applications, software, technical secrets, trade secrets and others (to the extent not prohibited by the PRC laws). Unless expressly authorized by Party A, Party B is not entitled to any rights or interests in any intellectual property rights of Party A which are used by Party A in providing the services pursuant to this Agreement. Party B shall execute all appropriate documents, take all appropriate actions, submit all documents 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 the ownership, right or interest of any such intellectual property rights and intangible assets in Party A, and/or perfecting the protections of any such intellectual property rights and intangible assets for Party A (including but not limited to registering such intellectual property rights and intangible assets under Party A's name).
- 3.2 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.

### **Section 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 legally established and validly existing in accordance with the laws of China; Party A or the service providers designated by Party A will obtain all government permits and licenses necessary 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 agencies (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 the laws of China.

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 agencies (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.

#### **Section 5 Term of Agreement**

5.1 This Agreement shall be established as of the date when it is duly sealed by both Parties and shall become effective on the date (subject to the date indicated in the business license) of completion of industrial and commercial registration relating to the capital decrease as approved by Party B's shareholders' resolution on the same date hereof. This Agreement shall remain effective permanently unless expressly provided hereof or agreed by Party A in writing.

5.2 During the term of this Agreement, each Party shall renew its operation term upon the expiration thereof, 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 the renewal of its operation term is not approved or permitted by the competent 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.

#### **Section 6 Governing Law and Resolution of Disputes**

6.1 The execution, effectiveness, interpretation, performance of this Agreement and the resolution of disputes hereunder shall be governed by and interpreted in accordance with the laws of China.

- 6.2 In the event of occurrence of any dispute arising from or with respect to the performance of this Agreement, 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 Party B and its subsidiaries or adjudicate the winding up of Party B 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 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 Party B and/or its subsidiaries are located shall also be deemed to have jurisdiction for such above purpose.
- 6.3 During the arbitration period, the Parties shall continue to exercise their respective rights and continue to perform their respective obligations under this Agreement, except for the part under dispute and submitted for arbitration.

#### **Section 7 Breach of Agreement and Indemnification**

- 7.1 If Party B materially breaches any provision under this Agreement, Party A is entitled to (1) terminate this Agreement and require Party B to compensate all the losses; or (2) require specific performance of the obligations of Party B under this Agreement and require Party B to compensate all the losses. This Section 7.1 shall not prejudice any other rights of Party A under this Agreement.
- 7.2 Unless otherwise required by the applicable laws, Party B shall not terminate this Agreement in any event.
- 7.3 Party B shall indemnify Party A and hold Party A harmless from any losses, damages, obligations or expenses caused by any lawsuit, requests or other demands raised 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.

## Section 8 Force Majeure

- 8.1 In the case of any force majeure events (“**Force Majeure**”) such as earthquakes, typhoons, floods, fires, flu, wars, strikes or any other events that cannot be predicted and are unpreventable and unavoidable by the affected Party, which directly causes the failure of either Party to perform or fully perform this Agreement, the Party affected by such Force Majeure shall not be liable for such failure in performance, partial performance. However, the Party affected by such Force Majeure shall give the other Party written notices without any delay, and shall provide details evidencing such event within 15 days after sending out such notice, explaining the reasons for such failure in performance, partial performance or delay in 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.

## Section 9 Notices

- 9.1 All notices and other communications required to be given or otherwise made pursuant to this Agreement shall be delivered personally, or sent by registered mail, prepaid postage, a commercial courier service or facsimile transmission to the receiving Party with an additional copy delivered via 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 (including express services) shall be deemed effectively given on the date of signed receipt;
- 9.1.2 Notices given by registered mail with postage prepaid shall be deemed effectively given on the fifteenth day following the date indicated on the return receipt;
- 9.1.3 Notices given by facsimile transmission shall be deemed effectively given on the date as recorded in the fax. If such facsimile is delivered after 5 p.m. or on a non-business day, the notice shall be deemed to be effectively given on the next business day.
- 9.2 For the purpose of notices, the addresses of the Parties are as follows:
- Party A: Beike Jinke (Tianjin) Technology Co., Ltd.  
Mailing Address: Building 1, Yard 9, Jiuxianqiao East Road, Chaoyang

District, Beijing  
Tel.: \*\*\*\*\* (WANG Qingsong); \*\*\*\*\* (GUO Shanshan)  
Email: \*\*\*\*\*; \*\*\*\*\*  
Contact person: WANG Qingsong; GUO Shanshan

Party B: Beijing Boheng Taihe Advertising Co. Ltd.  
Mailing Address: Building 1, Yard 9, Jiuxianqiao East Road, Chaoyang  
District, Beijing  
Tel.: \*\*\*\*\* (WANG Qingsong); \*\*\*\*\* (GUO Shanshan)  
Email: \*\*\*\*\*; \*\*\*\*\*  
Contact person: WANG Qingsong; GUO Shanshan

- 9.3 Any Party may change its address for notices by a notice delivered to the other Party in accordance with the terms of this Section.

#### **Section 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.

#### **Section 11 Miscellaneous**

- 11.1 In the event that one or several of the 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 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.
- 11.2 This Agreement may be amended or supplemented by a written agreement executed by both Parties. Any amendment agreement and supplementary agreement duly executed by the Parties hereto with regard to this Agreement shall constitute an integral part of this Agreement, and shall have equal legal validity as this Agreement.
- 11.3 The Agreement shall be executed in two copies, with each Party holding one copy.

*[The reminder of this page is intentionally left blank. Signature page follows.]*



IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement on the date first mentioned above, which shall take effects in accordance with provisions hereof.

**Beike Jinke (Tianjin) Technology Co., Ltd. (Seal)**

By:        /s/ FAN Zhuopeng  
Name:     FAN Zhuopeng  
Title:     Legal Representative

Signature Page to Exclusive Business Cooperation Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement on the date first mentioned above, which shall take effects in accordance with provisions hereof.

**Beijing Boheng Taihe Advertising Co. Ltd. (Seal)**

By:        /s/ ZUO Hui  
Name:     ZUO Hui  
Title:     Legal Representative

Signature Page to Exclusive Business Cooperation Agreement

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### Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is executed by and among the following Parties on March 1, 2020 in Beijing, the People’s Republic of China (“China” or the “PRC”, for the purposes of this Agreement, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region of the People’s Republic of China):

**Party A: Beike (Tianjin) Investment Co., Ltd.**

Legal Representative: PENG Yongdong

**Party B:** Shareholders of Party C as listed in Annex 1 to this Agreement (hereinafter collectively referred to as “**Party B**” or “**Existing Shareholders**”)

**Party C: Beijing Lianjia Real Estate Agency Co., Ltd.**

Legal Representative: PENG Yongdong

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) Party B is the shareholders of Party C; Party C’s ownership structure as of the date hereof is as shown in Annex I hereto.
- (2) Party B agrees to grant Party A an equity interests option right pursuant to this Agreement, and Party A agrees to accept such option right upon exercise of which to purchase all or part of the equity interests held by Party B in Party C.

Now, therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

### Section 1 Sale and Purchase of Equity Interest

#### 1.1 Option Granted

Existing Shareholders hereby irrevocably grant Party A an irrevocable and exclusive option upon one or more exercise at any time to purchase either by itself or by one or more persons designated by it (each, a “**Designee**”) the equity interests in Party C then held by Existing Shareholders in part or in whole to the extent permitted by Chinese laws and according to procedures determined at Party A’s sole and absolute discretion 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 Existing Shareholders. Party C hereby agrees to the grant by Existing Shareholders 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.

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## 1.2 Steps for Exercise of the 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 Existing Shareholders (the “**Equity Interest Purchase Option Notice**”), specifying:(a) Party A or 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 Existing Shareholders (the “**Optioned Interests**”); and (c) the date for purchasing the Optioned Interests or the date for the transfer of the Optioned Interests. After the receipt of the Equity Interest Purchase Option Notice, the Existing Shareholders shall transfer all Optioned Interests to Party A and/or the Designee pursuant to such notice and in accordance with the methods described in Section 1.4 of this Agreement.

## 1.3 Equity Interest Purchase Price

The total price for the purchase by Party A of all Optioned Interests held by Existing Shareholders in Party C shall be RMB 1 yuan. If at the time when Party A exercises the Equity Interest Purchase Option, the minimum price permitted under PRC law is higher than the aforementioned price, then the purchase price shall be such minimum price permitted by PRC law (collectively, the “**Equity Interest Purchase Price**”).

## 1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option:

- 1.4.1 Existing Shareholders shall cause Party C to promptly convene a shareholders’ meeting, at which a resolution shall be adopted approving Existing Shareholders’ transfer of the Optioned Interests to Party A and/or the Designee(s);
- 1.4.2 Existing Shareholders shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the Optioned Interests by Existing Shareholders to Party A and/or the Designee(s) and waiving any right of first refusal with respect thereto;
- 1.4.3 Existing Shareholders shall execute an equity interest transfer contract in form and content satisfactory to Party A and/or the Designee(s) with respect to each transfer with Party A and/or each Designee (whichever is applicable), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice regarding the Optioned Interests;
- 1.4.4 Existing Shareholders shall, within thirty (30) days after receipt of the Equity Interest Purchase Option Notice, execute all necessary contracts, agreements or documents with relevant parties, obtain all necessary government approvals and permits, and take all necessary actions, so as 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, Existing Shareholders’ Equity Interest Pledge Agreement and Existing Shareholders’ Power of Attorney; “**Existing Shareholders’ Equity Interest Pledge Agreement**” as used in this Agreement shall refer to the Equity Interest Pledge Agreement executed by and among Party A, Existing Shareholders and Party C on the date hereof and any modification, amendment and restatement thereto.; “**Existing Shareholders’ Power of Attorney**” as used in this Agreement shall refer to the Power of Attorney executed by Existing Shareholders on the date hereof granting Party A with a power of attorney and any modification, amendment and restatement thereto.

## Section 2 Covenants

### 2.1 Covenants regarding Party C

Existing Shareholders (as a shareholder of Party C) and Party C hereby severally but not jointly 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, they shall not at any time following the effective date hereof, sell, transfer, mortgage or dispose of in any manner any material assets of Party C with the value exceeding RMB 10,000,000 or legal or beneficial interest in the material business or revenues of Party C, or allow the encumbrance thereon of any security interest;
- 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 within the ordinary course of business 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 shall not cause Party C to execute any major contract, except the contracts in the ordinary course of business (for the purposes of this Paragraph, “major contract” refers to a contract with the total amount exceeding RMB 10,000,000);
- 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;
- 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 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 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 or senior officer of Party C.
- 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; and
- 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 Once PRC laws permits foreign investors to invest in the principal business of Party C in China, with a controlling stake and/or in the form of wholly foreign-owned enterprises, and the competent government authorities of China begin to approve such investments, upon Party A’s exercise of the Equity Interest Purchase Option, Existing Shareholders shall immediately transfer to Party A or the Designee(s) the equity interest in Party C held by Existing Shareholders and Party C shall assist with the equity transfer procedures.

2.1.18 Regarding the covenants applicable to Party C under this Section 2.1, the Existing Shareholders and Party C shall cause Party C 's subsidiaries to comply with such covenants where applicable, as if such subsidiaries are Party C under the corresponding provisions.

## 2.2 Covenants of Existing Shareholders

Existing Shareholders hereby covenant as follows:

- 2.2.1 Without the prior written consent of Party A, Existing Shareholders 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 Existing Shareholders, or allow the encumbrance thereon, except for the interest placed in accordance with Existing Shareholders' Equity Interest Pledge Agreement, Existing Shareholders' Power of Attorney and this Agreement (as detailed in the register of shareholders attached to the *Existing Shareholders' Equity Interest Pledge Agreement* );
- 2.2.2 Without the prior written consent of Party A, Existing Shareholders 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 Existing Shareholders, or not to allow the imposing of any security interest thereupon, except for the encumbrance placed thereupon in accordance with Existing Shareholders' Equity Interest Pledge Agreement, Existing Shareholders' Power of Attorney (as detailed in the register of shareholders attached to the *Existing Shareholders' Equity Interest Pledge Agreement* );
- 2.2.3 Without the prior written consent of Party A, Existing Shareholders 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 Existing Shareholders 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 Existing Shareholders;
- 2.2.5 Existing Shareholders 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 Existing Shareholders' ownership of equities interests in Party C, Existing Shareholders 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 Existing Shareholders shall appoint any designee of Party A as the director or senior officer of Party C, at the request of Party A;
- 2.2.8 Existing Shareholders hereby waive their right of first refusal (if any) with respect to the transfer of equity interests to Party A by other shareholders of Party C, and gives consent to the execution by each of the other shareholders of Party C with Party A and Party C of the exclusive option agreement, the equity interest pledge agreement and the power of attorney similar to this Agreement, Existing Shareholders' Equity Interest Pledge Agreement and Existing Shareholders' Power of Attorney, and undertakes not to take any action in conflict with such documents (if any) executed by such other shareholders.
- 2.2.9 If Existing Shareholders received any profit, interest, dividend or proceeds of liquidation from Party C, Existing Shareholders shall promptly donate all such profit, interest, dividend or proceeds of liquidation to Party A or any other person designated by Party A as permitted by the applicable PRC laws; and
- 2.2.10 Existing Shareholders shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Existing Shareholders, 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 Existing Shareholders have any remaining rights with respect to the equity interests subject to this Agreement hereunder or under the Existing Shareholders' Equity Interest Pledge Agreement or under the Existing Shareholders' Power of Attorney, Existing Shareholders shall not exercise such rights except in accordance with the written instructions of Party A.

### Section 3 Representations and Warranties

#### 3.1. Covenants of Existing Shareholders and Party C

Existing Shareholders and Party C hereby represent and warrant to Party A, severally but not jointly, as of the effective date of this Agreement and each date of the transfer of the Optioned Interests, 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 parties concerning each transfer of the Optioned Interests as described thereunder (each, a "**Transfer Contract**"), and to perform their obligations under this Agreement and any Transfer Contracts. Existing Shareholders and Party C agree to enter into Transfer Contracts 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;



- 3.1.2 Existing Shareholders and Party C have obtained any and all approvals and consents from the competent government authorities and third parties (if required) for the execution, delivery and performance of this Agreement;
- 3.1.3 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;
- 3.1.4 Existing Shareholders have the good and marketable title to the equity interests held by it in Party C. Except for Existing Shareholders' Equity Interest Pledge Agreement and Existing Shareholders' Power of Attorney, Existing Shareholders have not placed any security interest on such equity interests (as detailed in the register of shareholders attached to the Existing Shareholders' Equity Interest Pledge Agreement);
- 3.1.5 Party C has the good and marketable title to all of the assets, and has not placed any security interest on the aforementioned assets;
- 3.1.6 Party C does not have any outstanding debts, except for (i) debt incurred during the ordinary course of business; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained;
- 3.1.7 Party C has complied with all laws and regulations in connection with assets acquisition; and
- 3.1.8 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.

#### **Section 4 Effective Date and Term**

This Agreement shall become effective upon execution by the Parties (if an individual, upon execution; if a non-individual, upon seal), and shall terminate upon all equity interests held by Existing Shareholders in Party C have been legally transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement or as otherwise mutually agreed by the Parties.

## **Section 5 Governing Law and Resolution of Disputes**

### **5.1 Governing Law**

The execution, effectiveness, interpretation, 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 occurrence of any dispute arising from or with respect to the performance of this Agreement, 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 Party C and its subsidiaries or adjudicate the winding up of Party C 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 Party C and/or its subsidiaries are located shall also be deemed to have jurisdiction for such above purpose. During the arbitration period, the Parties shall continue to exercise their rights and shall continue to perform their obligations under this Agreement except for the part under dispute and submitted to arbitration.

## **Section 6 Taxes and Fees**

Each Party shall undertake their respective taxes incurred or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement.

## **Section 7 Notices**

7.1 All notices and other communications required to be given pursuant to this Agreement shall be delivered personally, or sent by registered mail, prepaid postage, a commercial courier service or facsimile transmission to the receiving

Party with one additional copy delivered via 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 (including express services) shall be deemed effectively given on the date of signed receipt;
- 7.1.2 Notices given by registered mail with postage prepaid shall be deemed effectively given on the fifteenth day following the date indicated on the return receipt;
- 7.1.3 Notices given by facsimile transmission shall be deemed effectively given on the date as recorded in the fax. If such facsimile is delivered after 5 p.m. or on a non-business day, the notice shall be deemed to be effectively given on the next business day.

7.2 For the purpose of notices, the addresses of the Parties are as described in Annex II hereto:

7.3 Any Party may change its address for notices by a notice delivered to the other Parties in accordance with the terms of this Section.

#### **Section 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.

#### **Section 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.

## **Section 10 Breach of Agreement**

10.1 If Existing Shareholders or Party C materially breach any provision under this Agreement, Party A is entitled to terminate this Agreement or require Existing Shareholders or Party C to pay compensation for damages. This Section 10 shall not prejudice any other rights of Party A under this Agreement.

10.2 Existing Shareholders or Party C shall not terminate or cancel this Agreement in any event unless otherwise required by the applicable laws.

## **Section 11 Miscellaneous**

### **11.1 Amendments, changes and supplements**

Any amendment, change and supplement to this Agreement shall be made in the form of a written agreement executed by all 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. The Parties hereby agree that this Agreement, from the effective date hereof, the Exclusive Option Agreement executed by all Parties on December 28, 2018 shall be fully terminated and entirely superseded and replaced by this Agreement.

### **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 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 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 Successors**

This Agreement shall be binding on and inure to the benefits of the respective successors and permitted assignees of each Party.

#### 11.6 Survival

Any obligations that occurred or that are due in connection with this Agreement before 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 11.6 shall survive the termination of this Agreement.

#### 11.7 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.

#### 11.8 Language

This Agreement is written in Chinese in multiple copies, with each copy having the same legal effects.

*[The Remainder of This Page is Intentionally Left Blank. Signature Pages Follow.]*

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Beike (Tianjin) Investment Co., Ltd. (Seal)**

By: /s/ PENG Yongdong  
Name: PENG Yongdong  
Title: Legal Representative

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**ZUO Hui**

By:        /s/ ZUO Hui  
Name:     ZUO Hui

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**SHAN Yigang**

By:        /s/ SHAN Yigang  
Name:     SHAN Yigang

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Yurui Business Consulting Partnership (Limited Partnership) (Seal)**

By:              /s/ (Seal)        
Name:  
Title:     Authorised Representative

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Yusi Business Consulting Partnership (Limited Partnership) (Seal)**

By: /s/ (Seal)  
Name: \_\_\_\_\_  
Title: Authorised Representative

Signature Page to Exclusive Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Yumin Business Consulting Partnership (Limited Partnership) (Seal)**

By: /s/ (Seal)  
Name:  
Title: Authorised Representative

Signature Page to Exclusive Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Dingcong Business Consulting Partnership (Limited Partnership) (Seal)**

By:        /s/ **(Seal)** \_\_\_\_\_  
Name:  
Title:     Authorised Representative

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Bojun Business Consulting Partnership (Limited Partnership) (Seal)**

By:        /s/ **(Seal)** \_\_\_\_\_  
Name:  
Title:     Authorised Representative

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

DANG Jie

By:        /s/ DANG Jie  
Name:     DANG Jie

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**XU Wan’gang**

By:        /s/ XU Wan’gang  
Name:     XU Wan’gang

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**GAO Jun**

By:        /s/ GAO Jun  
Name:     GAO Jun

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Shanghai Zhanben Investment Management Center (Limited Partnership) (Seal)**

By:        /s/ **(Seal)**  
Name:     SHAO Fei  
Title:     Authorised Representative

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Beijing Hecheng Venture Capital Investment Partnership (Limited Partnership) (Seal)**

By: /s/ (Seal)  
Name:  
Title: Authorised Representative

Signature Page to Exclusive Option Agreement



IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**DU Xin**

By:        /s/ DU Xin  
Name:     DU Xin

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**CHEN Rong**

By:        /s/ CHEN Rong  
Name:     CHEN Rong

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**RUAN Guangjie**

By:                  /s/ RUAN Guangjie            
Name:     RUAN Guangjie

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

Beijing Lianjia Real Estate Agency Co., Ltd. (Seal)

By:        /s/ PENG Yongdong  
Name:     PENG Yongdong  
Title:     Legal Representative

Signature Page to Exclusive Option Agreement

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Annex I: Party C’s Ownership Structure

| Shareholder  | Subscribed<br>Registered<br>Capital (RMB) | Shareholding<br>Percentage |
|--|---|----------------------------|
| ZUO Hui  | 7,986,153                                 | 59.8090%                   |
| SHAN Yigang  | 475,294                                   | 3.5595%                    |
| Tianjin Yurui Business Consulting Partnership (Limited Partnership)          | 941,439                                   | 7.0505%                    |
| Tianjin Yusi Business Consulting Partnership (Limited Partnership)           | 398,833                                   | 2.9869%                    |
| Tianjin Yumin Business Consulting Partnership (Limited Partnership)          | 364,133                                   | 2.7270%                    |
| Tianjin Dingcong Business 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%                    |

Annex II Address for Notices

To Each Party:

Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing

Tel.: \*\*\*\*\* (SHENG Lei); \*\*\*\*\* (CHEN Yan)

Email: \*\*\*\*\* , \*\*\*\*\*

Contact person: SHENG Lei; CHEN Yan

Annex II

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### Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is executed by and among the following Parties as of December 28, 2018 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 Unit 59, Room 112, 1/F, Office Building C, Integrated Service Area, Nangang Industrial Zone, 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. 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.
2. 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.

Strictly Confidential

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 (whereas, Party B only make representations and warranties with respect to the following matters provided under Sections 3.1, 3.2, 3.3 and 3.4 that apply to Party B):

- 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 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 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.

- 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: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing  
Attn: Shenglei, Ma Yeming  
Phone: \*\*\*\*\* (Sheng Lei); \*\*\*\*\* (Ma Yeming)
- Party B:** **SHAN Yigang**  
Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing  
Phone: \*\*\*\*\* (Sheng Lei); \*\*\*\*\* (Ma Yeming)
- Party C:** **Tianjin Xiaowu Information Technology Co., Ltd.**  
Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing  
Attn: Shenglei, Ma Yeming  
Phone: \*\*\*\*\* (Sheng Lei); \*\*\*\*\* (Ma Yeming)
- 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.

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 Language

This Agreement is written in both Chinese and English language in three copies, each Party having one copy. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

11.5 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.

11.6 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.

11.7 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors and the permitted assigns of the Parties.

11.8 Survival

11.8.1. 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.

11.8.2. The provisions of Sections 5, 8, 10 and this Section 11.8 shall survive the termination of this Agreement.

11.9 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.

11.10 Language

This Agreement is written in both Chinese and English language. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

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

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**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

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### Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is executed by and among the following Parties as of December 28, 2018 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: ZUO Hui**, 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 Unit 59, Room 112, 1/F, Office Building C, Integrated Service Area, Nangang Industrial Zone, Tianjin Economic-Technological Development Area.

Whereas:

1. 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.
2. 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**

- 4.3 This Agreement shall become effective upon execution by the Parties, 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.

#### **5. 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.

## **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:

|                 |   |
|-----------------|---|
| <b>Party A:</b> | <b>Jinbei (Tianjin) Technology Co., Ltd.</b>  |
| Address:        | Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing |
| Attn:           | Shenglei, Ma Yeming   |

Phone: 13811806318 (Sheng Lei); 18601251784 (Ma Yeming)

**Party B: ZUO Hui**

Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing

Phone: 13811806318 (Sheng Lei); 18601251784 (Ma Yeming)

**Party C: Tianjin Xiaowu Information Technology Co., Ltd.**

Address: Lianjia Real Estate, Building 16, Yard 5, Jiangtai Road, Chaoyang District, Beijing

Attn: Shenglei, Ma Yeming

Phone: 13811806318 (Sheng Lei); 18601251784 (Ma Yeming)

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.

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## **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.

### **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 Language**

This Agreement is written in both Chinese and English language in three copies, each Party having one copy. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.

### **11.5 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.

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11.6 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.

11.7 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors and the permitted assigns of the Parties.

11.8 Survival

11.8.3. 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.

11.8.4. The provisions of Sections 5, 8, 10 and this Section 11.8 shall survive the termination of this Agreement.

11.9 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.

11.10 Language

This Agreement is written in both Chinese and English language. In case there is any conflict between the Chinese version and the English version, the Chinese version shall prevail.



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

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Signature Page to Exclusive Option Agreement

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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:**      **ZUO Hui**

By:              /ZUO Hui

Signature Page to Exclusive Option Agreement

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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

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Signature Page to Exclusive Option Agreement

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### Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is executed by and among the following Parties on April 27, 2020 in Beijing, the People’s Republic of China (“China” or the “PRC”, for the purposes of this Agreement, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region of the People’s Republic of China):

**Party A: Beike Jinke (Tianjin) Technology Co., Ltd.**

Legal representative: FAN Zhuopeng

**Party B:** Shareholders of Party C as listed in Annex 1 to this Agreement (hereinafter collectively referred to as “**Party B**” or “**Existing Shareholders**”)

**Party C: Beijing Yiju Taihe Technology Co. Ltd.**

Legal Representative: WEI Yong

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) Party B is the shareholders of Party C; Party C’s ownership structure as of the date hereof is as shown in Annex 1 hereto.
- (2) Party B agrees to grant Party A an equity interests option right pursuant to this Agreement, and Party A agrees to accept such option right upon exercise of which to purchase all or part of the equity interests held by Party B in Party C.

Now, therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

### Section 1 Sale and Purchase of Equity Interest

#### 1.1 Option Granted

Existing Shareholders hereby irrevocably grant Party A an irrevocable and exclusive option upon one or more exercise at any time to purchase either by itself or by one or more persons designated by it (each, a “**Designee**”) the equity interests in Party C then held by Existing Shareholders in part or in whole to the extent permitted by Chinese laws and according to procedures determined at Party A’s sole and absolute discretion 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 Existing Shareholders. Party C hereby agrees to the grant by Existing Shareholders of the Equity Interest Purchase Option to Party A. The term “person” as used herein shall refer to

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individuals, corporations, partnerships, partners, enterprises, trusts or non-corporate organizations.

#### 1.2 Steps for Exercise of the 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 Existing Shareholders (the “**Equity Interest Purchase Option Notice**”), specifying: (a) Party A or 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 Existing Shareholders (the “**Optioned Interests**”); and (c) the date for purchasing the Optioned Interests or the date for the transfer of the Optioned Interests. After the receipt of the Equity Interest Purchase Option Notice, the Existing Shareholders shall transfer all Optioned Interests to Party A and/or the Designee pursuant to such notice and in accordance with the methods described in Section 1.4 of this Agreement.

#### 1.3 Equity Interest Purchase Price

The total price for the purchase by Party A of all Optioned Interests held by Existing Shareholders in Party C shall be RMB 1 yuan. If at the time when Party A exercises the Equity Interest Purchase Option, the minimum price permitted under PRC law is higher than the aforementioned price, then the purchase price shall be such minimum price permitted by PRC law (collectively, the “**Equity Interest Purchase Price**”).

#### 1.4 Transfer of Optioned Interests

For each exercise of the Equity Interest Purchase Option:

- 1.4.1 Existing Shareholders shall cause Party C to promptly convene a shareholders’ meeting, at which a resolution shall be adopted approving Existing Shareholders’ transfer of the Optioned Interests to Party A and/or the Designee(s);
- 1.4.2 Existing Shareholders shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the Optioned Interests by Existing Shareholders to Party A and/or the Designee(s) and waiving any right of first refusal with respect thereto;
- 1.4.3 Existing Shareholders shall execute an equity interest transfer contract in form and content satisfactory to Party A and/or the Designee(s) with respect to each transfer with Party A and/or each Designee (whichever is applicable), in accordance with the provisions of this Agreement and the Equity Interest Purchase Option Notice regarding the Optioned Interests;
- 1.4.4 Existing Shareholders shall, within thirty (30) days after receipt of the Equity Interest Purchase Option Notice, execute all necessary contracts, agreements or documents with relevant parties, obtain all necessary government approvals and permits, and take all necessary actions, so as 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, Existing Shareholders’ Equity Interest Pledge Agreement and Existing Shareholders’ Power of Attorney; “**Existing Shareholders’ Equity Interest Pledge Agreement**” as used in this Agreement shall refer to the Equity Interest Pledge Agreement executed by and among Party A, Existing Shareholders and Party C on the date hereof and any modification, amendment and restatement thereto.; “**Existing Shareholders’ Power of Attorney**” as used in this Agreement shall refer to the Power of Attorney executed by Existing Shareholders on the date hereof granting Party A with a power of attorney and any modification, amendment and restatement thereto.

## Section 2 Covenants

### 1 2 2.1 Covenants regarding Party C

Existing Shareholders (as a shareholder of Party C) and Party C hereby severally but not jointly 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, they shall not at any time following the effective date hereof, sell, transfer, mortgage or dispose of in any manner any material assets of Party C with the value exceeding RMB 10,000,000 or legal or beneficial interest in the material business or revenues of Party C, or allow the encumbrance thereon of any security interest;
- 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 within the ordinary course of business 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 shall not cause Party C to execute any major contract, except the contracts in the ordinary course of business (for the purposes of this Paragraph, “major contract” refers to a contract with the total amount exceeding RMB 10,000,000);
- 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;
- 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 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 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 or senior officer of Party C.
- 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; and
- 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 Once PRC laws permits foreign investors to invest in the principal business of Party C in China, with a controlling stake and/or in the form of wholly foreign-owned enterprises, and the competent government authorities of China begin to approve such investments, upon Party A’s exercise of the Equity Interest Purchase Option, Existing Shareholders shall immediately transfer to Party A or the Designee(s) the equity interest in Party C held by

Existing Shareholders and Party C shall assist with the equity transfer procedures.

- 2.1.18 Regarding the covenants applicable to Party C under this Section 2.1, the Existing Shareholders and Party C shall cause Party C 's subsidiaries to comply with such covenants where applicable, as if such subsidiaries are Party C under the corresponding provisions.

## 2.2 Covenants of Existing Shareholders

Existing Shareholders hereby covenant as follows:

- 2.2.1 Without the prior written consent of Party A, Existing Shareholders 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 Existing Shareholders, or allow the encumbrance thereon, except for the interest placed in accordance with Existing Shareholders' Equity Interest Pledge Agreement, Existing Shareholders' Power of Attorney and this Agreement;
- 2.2.2 Without the prior written consent of Party A, Existing Shareholders 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 Existing Shareholders, or not to allow the imposing of any security interest thereupon, except for the interests placed thereupon in accordance with Existing Shareholders' Equity Interest Pledge Agreement, Existing Shareholders' Power of Attorney;
- 2.2.3 Without the prior written consent of Party A, Existing Shareholders 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 Existing Shareholders 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 Existing Shareholders;
- 2.2.5 Existing Shareholders 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 Existing Shareholders' ownership of equities interests in Party C, Existing Shareholders 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 Existing Shareholders shall appoint any designee of Party A as the director or senior officer of Party C, at the request of Party A;
- 2.2.8 Existing Shareholders hereby waive their right of first refusal (if any) with respect to the transfer of equity interests to Party A by other shareholders of Party C, and gives consent to the execution by each of the other shareholders of Party C with Party A and Party C of the exclusive option agreement, the equity interest pledge agreement and the power of attorney similar to this Agreement, Existing Shareholders' Equity Interest Pledge Agreement and Existing Shareholders' Power of Attorney, and undertakes not to take any action in conflict with such documents (if any) executed by such other shareholders.
- 2.2.9 If Existing Shareholders received any profit, interest, dividend or proceeds of liquidation from Party C, Existing Shareholders shall promptly donate all such profit, interest, dividend or proceeds of liquidation to Party A or any other person designated by Party A as permitted by the applicable PRC laws; and
- 2.2.10 Existing Shareholders shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Existing Shareholders, 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 Existing Shareholders have any remaining rights with respect to the equity interests subject to this Agreement hereunder or under the Existing Shareholders' Equity Interest Pledge Agreement or under the Existing Shareholders' Power of Attorney, Existing Shareholders shall not exercise such rights except in accordance with the written instructions of Party A.

### Section 3 Representations and Warranties

#### 3.1. Covenants of Existing Shareholders and Party C

- 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 parties concerning each transfer of the Optioned Interests as described thereunder (each, a "**Transfer Contract**"), and to perform their obligations under this Agreement and any Transfer Contracts. Existing Shareholders and Party C agree to enter into Transfer Contracts 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;
- 3.1.2 Existing Shareholders and Party C have obtained any and all approvals and consents from the competent government authorities and third parties (if required) for the execution, delivery and performance of this Agreement;

- 3.1.3 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;
- 3.1.4 Existing Shareholders have the good and marketable title to the equity interests held by it in Party C. Except for Existing Shareholders' Equity Interest Pledge Agreement and Existing Shareholders' Power of Attorney, Existing Shareholders have not placed any security interest on such equity interests;
- 3.1.5 Party C has the good and marketable title to all of the assets, and has not placed any security interest on the aforementioned assets;
- 3.1.6 Party C does not have any outstanding debts, except for (i) debt incurred during the ordinary course of business; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained;
- 3.1.7 Party C has complied with all laws and regulations in connection with assets acquisition; and
- 3.1.8 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.

#### **Section 4 Effective Date and Term**

This Agreement shall become effective upon execution by the Parties(if an individual, upon execution; if an non-individual, upon seal), and shall terminate upon all equity interests held by Existing Shareholders in Party C have been legally transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement or as otherwise mutually agreed by the Parties.

#### **Section 5 Governing Law and Resolution of Disputes**

##### **5.1 Governing Law**

The execution, effectiveness, interpretation, 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 occurrence of any dispute arising from or with respect to the performance of this Agreement, 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 Party C and its subsidiaries or adjudicate the winding up of Party C 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 Party C and/or its subsidiaries are located shall also be deemed to have jurisdiction for such above purpose. During the arbitration period, the Parties shall continue to exercise their rights and shall continue to perform their obligations under this Agreement except for the part under dispute and submitted to arbitration.

## **Section 6 Taxes and Fees**

Each Party shall undertake their respective taxes incurred or levied thereon in accordance with the laws of China in connection with the preparation and execution of this Agreement.

## **Section 7 Notices**

7.1 All notices and other communications required to be given pursuant to this Agreement shall be delivered personally, or sent by registered mail, prepaid postage, a commercial courier service or facsimile transmission to the receiving Party with one additional copy delivered via 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 (including express services) shall be deemed effectively given on the date of signed receipt;

7.1.2 Notices given by registered mail with postage prepaid shall be deemed effectively given on the fifteenth day following the date indicated on the return receipt;

7.1.3 Notices given by facsimile transmission shall be deemed effectively given on the date as recorded in the fax. If such facsimile is delivered after 5 p.m. or on a non-business day, the notice shall be deemed to be effectively given on the next business day.

7.2 For the purpose of notices, the addresses of the Parties are as described in Annex II hereto:

7.3 Any Party may change its address for notices by a notice delivered to the other Parties in accordance with the terms of this Section.

#### **Section 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.

#### **Section 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.

#### **Section 10 Breach of Agreement**

10.1 If Existing Shareholders or Party C materially breach any provision under this Agreement, Party A is entitled to terminate this Agreement or require Existing Shareholders or Party C to pay compensation for damages. This Section 10 shall not prejudice any other rights of Party A under this Agreement.

10.2 Existing Shareholders or Party C shall not terminate or cancel this Agreement in any event unless otherwise required by the applicable laws.

11.1 Amendments, changes and supplements

Any amendment, change and supplement to this Agreement shall be made in the form of a written agreement executed by all 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. The Parties hereby agree that this Agreement, from the effective date hereof, the Exclusive Option Agreement executed by all Parties (except for Beijing Lianjia Real Estate Agency Co., Ltd.) on December 28, 2018 shall be fully terminated and entirely superseded and replaced by this Agreement.

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 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 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 Successors

This Agreement shall be binding on and inure to the benefits of the respective successors and permitted assignees of each Party.

11.6 Survival

Any obligations that occurred or that are due in connection with this Agreement before 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 11.6 shall survive the termination of this Agreement.

11.7 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.

11.8 Language

This Agreement is written in Chinese in multiple copies, with each copy having the same legal effects.

*[The Remainder of This Page is Intentionally Left Blank. Signature Pages Follow.]*

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Beike Jinke (Tianjin) Technology Co., Ltd. (Seal)**

By:     /s/ FAN Zhuopeng  
Name: FAN Zhuopeng  
Title: Legal Representative

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**ZUO Hui**

By: /s/ ZUO Hui

Signature Page to Exclusive Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**SHAN Yigang**

By: /s/ SHAN Yigang

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**XU Wan'gang**

By:       /s/ XU Wan'gang      

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**DANG Jie**

By: /s/ DANG Jie

Signature Page to Exclusive Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**DU Xin**

By:       /s/ DU Xin      

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**CHEN Rong**

By: /s/ CHEN Rong

Signature Page to Exclusive Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**RUAN Guangjie**

By: RUAN Guangjie

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

GAO Jun

By: /s/ GAO Jun

Signature Page to Exclusive Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Gaotong Business Consulting Co., Ltd. (Seal)**

By: /s/ (Seal)  
Name: \_\_\_\_\_  
Title: Authorised Representative

Signature Page to Exclusive Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Juge Business Consulting Partnership (Limited Partnership) (Seal)**

By:       /s/ (Seal)        
Name:  
Title: Authorised Representative

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Jingchuang Business Consulting Partnership (Limited Partnership)**  
**(Seal)**

By:       /s/ (Seal)        
Name:  
Title: Authorised Representative

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Jingda Business Consulting Partnership (Limited Partnership)**  
**(Seal)**

By:    /s/ **(Seal)** \_\_\_\_\_  
Name:  
Title: Authorised Representative

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Mingchen Business Consulting Partnership (Limited Partnership) (Seal)**

By:       /s/ (Seal)        
Name:  
Title: Authorised Representative

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Jurui Business Consulting Partnership (Limited Partnership) (Seal)**

By: /s/ (Seal)  
Name:  
Title: Authorised Representative

Signature Page to Exclusive Option Agreement

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Chuangtian Business Consulting Partnership (Limited Partnership) (Seal)**

By:       /s/ (Seal)        
Name:  
Title: Authorised Representative

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

**Tianjin Fuxun Business Consulting Partnership (Limited Partnership) (Seal)**

By:       /s/ (Seal)        
Name:  
Title: Authorised Representative

Signature Page to Exclusive Option Agreement

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IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

Beijing Lianjia Real Estate Agency 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 on the date as first mentioned above, which shall take effects in accordance with provisions hereof.

Beijing Yiju Taihe Technology Co., Ltd. (Seal)

By:     /s/ WEI Yong  
Name: WEI Yong  
Title: Legal Representative

Signature Page to Exclusive Option Agreement

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# Annex I: Party C's Ownership Structure

| Shareholder  | Subscribed<br>Registered<br>Capital (RMB) | Shareholding<br>Percentage |
|--|---|----------------------------|
| ZUO Hui  | 18,950,000                                | 2.5365%                    |
| Tianjin Gaotong Business Consulting Co., Ltd.                            | 69,022,335                                | 9.2388%                    |
| Tianjin Juge Business Consulting Partnership (Limited Partnership)       | 5,968,681                                 | 0.7989%                    |
| Tianjin Jingchuang Business Consulting Partnership (Limited Partnership) | 7,212,370                                 | 0.9654%                    |
| Tianjin Jingda Business Consulting Partnership (Limited Partnership)     | 7,580,000                                 | 1.0146%                    |
| Tianjin Mingchen Business Consulting Partnership (Limited Partnership)   | 1,793,496                                 | 0.2401%                    |
| Tianjin Jurui Business 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 Agency Co., Ltd.                             | 600,000,000                               | 80.3117%                   |
| <b>Total</b>   | <b>747,088,863</b>                        | <b>100.0000%</b>           |

Annex I

## Annex II Address for Notices

### To Each Party:

Address: Building 1, Yard 9, Jiuxianqiao East Road, Chaoyang

District, Beijing

Tel.: \*\*\*\*\* (WANG Qingsong); \*\*\*\*\* (GUO Shanshan)

Email: \*\*\*\*\*, \*\*\*\*\*

Contact person: WANG Qingsong; GUO Shanshan

Annex II

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